**REGULATION IMPACT STATEMENT**

**Agreement on Requirements for Wine Labelling, done at Canberra on 23 January 2007 [2007] ATNIF 7**

## Background

1. Wine production is an important industry in Australia, contributing significantly to a number of regional economies and directly employing some 28 000 people in both winemaking and grape growing, with further downstream employment in retail, wholesale and hospitality industries.[1] The Australian wine industry is comprised of approximately 8 000 wine grape growers supplying over 2 300 wineries. In 2008, the total vineyard area reached almost 173 000 hectares. Wine grapes are grown in all states of Australia, with South Australia, New South Wales and Victoria accounting for most of the production.

2. The rapid expansion of wine production in Australia over the last decade, combined with a small domestic market has seen the Australian industry become increasingly export oriented. Australia exports wine to 130 countries and has an eight per cent volume share of global wine exports. In 2008 wine exports totalled 699 million litres with an estimated value of $2.5 billion and accounted for around 9 per cent of Australia's agricultural exports. These wine export volumes currently represent over 60 per cent of Australian wine sales and make Australia the world's fourth largest wine exporter. This contrasts with Australia's wine production accounting for only five per cent of total world production. Approximately half of Australia's wineries currently export to overseas markets.

3. Wine production and exports have also been expanding from other "new world" wine producing countries including: Argentina, Chile, South Africa and the United States. This growth has led to global wine production expanding faster than demand and has resulted in a significant decline in world wine prices.[2] As a result, the profit margins for Australia's winemakers have declined in recent years, exacerbated by the increased number of competitors in the market as well as the capital intensive nature of the industry. Accordingly, the Australian wine industry is facing the challenge of maintaining profitability in global markets characterised by flat demand, increasing supply and declining prices.

4. Maintaining a strong export orientation is imperative to the continued viability of the Australian wine industry. With limited growth potential for the domestic market, any future increase in Australian wine production will require continued export growth. In the face of declining world prices Australia's international competitiveness will depend on continued innovation, product targeting, quality improvement and cost reduction.

5. To progress Australia's interests internationally, Australia participates in the World Wine Trade Group (WWTG), which is an informal group of government and industry representatives from countries with a mutual interest in facilitating the international trade in wine and breaking down trade barriers. Other participants in the WWTG are Argentina, Canada, Chile, New Zealand, South Africa and the United States. The WWTG is a valuable forum for information exchange, discussion on wine trade issues and the development of initiatives aimed at breaking down wine trade barriers. The joint participation of government and industry representatives at meetings is

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[1] 2006 Census.

[2] Sheales, T., Apted, S., Dickson, A., Kendall, R. and French, S. 2006, *Australian Wine Industry: Challenges for the Future*, ABARE Research Report 06.16, Canberra, October.

designed to ensure a free exchange of information and a better understanding of issues being discussed.

6. The group's first major outcome was the conclusion of the Mutual Acceptance Agreement on Oenological Practices done at Toronto on 18 December 2001 designed to minimise trade disputes on winemaking practices. A further important outcome of WWTG is the Agreement on Requirements for Wine Labelling (the Wine Labelling Agreement), signed in 2007, which harmonises and simplifies wine labelling requirements for all countries party to the Wine Labelling Agreement. A key aspect of this is agreement to allow "single field of vision" labels which display mandatory information on eligible wine containers.

## Statement of the problem

7. Labelling costs represent a significant component of the cost of production of Australian wine, especially for exporters. This is because most export markets have differing requirements for the placement of information on the wine container that are different to Australia's domestic market requirements. Thus, wineries are required to print separate wine labels, at additional cost, to meet both domestic requirements and each importing country's requirements for the placement of mandatory product information. The expense of producing separate wine labels for different markets is further exacerbated by the need to maintain separate buffer stocks for each market. (These stocks act as a reserve against short-term shortages and/or to dampen excessive fluctuations in the prices of commodities and thus protect local exporters from wild swings in world commodity prices).

8. Four items of common mandatory information (country of origin, product name, net contents and actual alcohol content) have been identified as being of particular interest in regard to harmonisation of placement requirements and consequential cost efficiencies for industry. To address this harmonisation objective, WWTG members have developed the Wine Labelling Agreement to permit single field of vision wine labels which display mandatory information together on eligible wine containers.

9. It is noted that Australia is also a member of the International Organisation of Vine and Wine (OIV) which has made two resolutions on wine labelling, eco 01/2005 and 06/2006, advocating a single field of vision approach to wine labelling. The provisions of the Wine Labelling Agreement are consistent with these OIV resolutions. It is also noted that Europe, Australia's largest wine export market, also adopts an approach to wine labelling that is consistent with the Wine Labelling Agreement.

10. Australia is also a signatory to the 1955 International Organisation of Legal Metrology (OIML) Convention and participates with other OIML member states in drafting guidelines to assist trade measurement labelling harmonisation. The OIML regulation of relevance to implementation of the Wine Labelling Agreement is Recommendation 79 which provides that volume statements should appear on the principal display panel of packaging (the front) except where otherwise provided for by national regulation. In this regard, implementation of the Wine Labelling Agreement constitutes such an exception to Recommendation 79 for wine containers of the sizes mentioned in the Wine Labelling Agreement. The Wine Labelling Agreement's single field of vision approach to labelling is important because it allows harmonisation with labelling practices in Australia's major wine export markets including the United States, Canada, New Zealand and the European Union.

11. When the Wine Labelling Agreement was signed in January 2007, regulations under Australian State and Territory government Uniform Trade Measurement Legislation (UTML) required that the statement of volume be displayed on the principal display panel of wine

containers, consistent with OIML Recommendation 79. This regulatory arrangement did not allow for single field of vision labelling in this respect and needed to be altered before ratification of the Wine Labelling Agreement could proceed. At the 26 March 2008 Council of Australian Governments (COAG) meeting it was agreed that wine labelling requirements could be improved and to assist this COAG asked the Ministerial Council on Consumer Affairs (MCCA) to expedite ratification of the Wine Labelling Agreement. This was agreed by all relevant ministers and forms part of the National Partnership Agreement to Deliver a Seamless National Economy – an Agreement between the Commonwealth and the States and Territories to facilitate the implementation and reward the delivery of reforms that assist in the creation of a seamless national economy. As of 1 June 2009, all States and Territories had amended relevant trade measurement legislation to accommodate single field of vision labelling.

12. On 13 April 2007, COAG agreed that the Commonwealth should assume responsibility for trade measurement as of 1 July 2010. The National Measurement Institute will have the responsibility for administering the national system. The Office of Legislative Drafting and Publishing has drafted the national trade measurement legislation and regulations to replace the UTML commencing on 1 July 2010. An interim provision has been made in the National Trade Measurement Regulations 2009 to exempt certain wine containers from labelling requirements, consistent with the Wine Labelling Agreement. This exemption will ensure continuation of the wine industry's current ability to label in conformity with the Wine Labelling Agreement. It is noted that the explanatory statement to the regulations indicates that it is intended that detailed provisions relating to wine container labelling will be inserted into those regulations on ratification of the Wine Labelling Agreement.

13. There are no legal impediments to Australia proceeding to ratify the Wine Labelling Agreement.

## Objective of government action

14. The objective is to harmonise Australia's wine labelling requirements with requirements of key export markets, to provide flexibility for individual winemakers to develop a single label that would be acceptable in most international export markets as well as the domestic market.

## Identification of options to achieve the objective

Option 1: Ratify the Wine Labelling Agreement

15. Australia, as a member of the WWTG, has signed the Wine Labelling Agreement and ratification of this Agreement would allow winemakers the choice of using a single field of vision wine label on wine for sale both in Australia and international wine export markets. This option would also provide flexibility for winemakers to adopt the single field of vision approach on a voluntary basis. The single field of vision approach is to allow the four items of common mandatory information to be placed anywhere on a standard-sized wine container, with the exception of the cap or the base, provided they are displayed in a single field of vision.

Option 2: Maintain the status quo – i.e. do not ratify the Wine Labelling Agreement.

16. If Australia does not ratify the Wine Labelling Agreement, Australian winemakers will not have guaranteed continuation of the benefits of a single field of vision approach to wine labelling.

17. It is noted that following the March 2008 COAG decision to make domestic law consistent with the Wine Labelling Agreement in order to facilitate ratification of this Agreement, as of 1 July 2009 all States and Territories have regulatory provision for single field of vision labelling and

winemakers can therefore choose to use this approach. That legislation will be superseded by the new National Trade Measurement Regulations 2009, which enter into force on 1 July 2010. Those Regulations include an interim regulation exempting wine containers of sizes mentioned in the Wine Labelling Agreement, from labelling requirements. As noted in the explanatory statement to the Regulations, it is intended that detailed provisions relating to wine container labelling will be inserted into the Regulations should the Wine Labelling Agreement be ratified. In the absence of ratification it is uncertain whether the Commonwealth would have the ability to reflect the specific requirements of the Wine Labelling Agreement in its new trade measurement regulations, leaving open the possibility that winemakers could be required to use a principal display panel labelling approach in the future. Reversion to a mandatory principal display panel approach would again restrict the choice of wine labelling that could be used on the domestic market and, again, require printing of multiple labels for export purposes.

## Impact analysis – costs and benefits

Impact group identification

18. Ratification of the Wine Labelling Agreement will make it easier and more cost-effective for Australian winemakers to access international markets and increase the competitiveness of the Australian wine industry overall. Any improvement to Australia's competitiveness is likely to have a significant positive impact on Australia's 2 300 wineries and 8 000 wine grape growers and without detriment to consumers.

Option 1: Ratify the Wine Labelling Agreement

19. Option 1 is to ratify the Wine Labelling Agreement. The Winemakers' Federation of Australia (WFA) estimates that the Australian wine industry would benefit from ongoing cost reductions of approximately $25 million annually once the Wine Labelling Agreement is ratified and comes into force. The industry expects producers to benefit from reduced labelling costs for wine exported to both Wine Labelling Agreement signatories and non-signatories (such as the European Union) where labelling requirements are already consistent with the terms of the Wine Labelling Agreement. To verify industry's estimated savings from the change in labelling requirements, the Australian Government Department of Agriculture, Fisheries and Forestry commissioned the Australian Bureau of Agricultural and Resource Economics (ABARE) to assess the methodology, assumptions and calculations used by WFA. ABARE is an Australian government economic research agency recognised for its professionally independent research and analysis. ABARE concluded that the industry estimates were sound.[3]

20. The wine-making industry believes that the harmonisation of wine labelling laws under the Wine Labelling Agreement would afford the most significant benefits to the industry. In particular, providing industry with the choice to use a single field of vision approach allows Australian winemakers to take advantage of the efficiency gains and decreased labelling costs identified below. Aside from single field of vision labelling, Australia will benefit overall from provisions in the Wine Labelling Agreement that require other WWTG members to be more transparent and to conform to a variety of common labelling specifications, including for: language and presentation; type, size and other types of mandatory information. These provisions are currently already implemented in Australia through existing regulations, so there would be no cost associated with implementing the Wine Labelling Agreement in this regard.

[3] ABARE Wine Labelling Assessment 2006, Canberra, June.

21. Efficiency gains are anticipated in the production and application of labels and through a reduction in the necessary amount of labels in stock. Label printing costs will account for the largest share of the savings under the Wine Labelling Agreement, with label production cost savings estimated at $11.1 million annually. Currently, separate label print runs are required for different overseas markets. By exploiting economies of scale by having a single print run for all markets (both domestic and overseas), the industry estimates that label printing costs will fall by 5 per cent for popular premium wines, 10 per cent for premium wines and 30 per cent for super-premium wines.

22. Gains in production line efficiency are likely to be achieved under the Wine Labelling Agreement as harmonised labelling requirements for different markets will mean fewer stoppages. Under the current system, producers need to stop and change labels during the labelling process whenever a different label is required for a different market. This causes delays and is a significant barrier to efficiency. Assuming a winery had a single label for all markets, there would be no need to stop the production line and change labels. It is noted that while ABARE agrees that production line efficiencies are likely to be achieved under the Wine Labelling Agreement, it was unable to substantiate industry's estimated saving of $1.3 million annually. Notwithstanding this, the saving only accounts for 5.2 per cent of the estimated overall annual saving of $25 million. Therefore changes to these assumptions are unlikely to significantly influence the overall benefit.

23. It is also expected that annual savings of $3.5 million will be achieved under the Wine Labelling Agreement through a reduction in wastage and overprinting of labels.

24. Indirect cost savings to the wine industry in the order of $8 million annually will also be possible from reduced label template and inventory requirements. Label template requirements will be reduced because only one label template will be required for most wines, rather than having a template for each market. Inventory requirements will be reduced because buffer stocks required for separate markets can be consolidated given the Wine Labelling Agreement would allow the same labelled wine to be used for most markets.

25. The ability to use a single label for most markets may offer growth opportunities for small wineries to enter export markets due to the lower cost structures expected to result from the Wine Labelling Agreement. Because small wineries operate at a lower scale, the need to produce a variety of labels for the domestic market and export markets means that they incur proportionally higher total costs, which often makes exporting prohibitive. In seeking information to verify the additional cost that is brought about by a lack of scale, ABARE identified that an order of 23 000 labels costs $283.80 per 1 000 while the same label at an order of 104 000 costs $104.50 per 1 000. Further savings could also be made through producing fewer label templates, offering an averaged fixed cost saving of $500 each. Accordingly, the Wine Labelling Agreement may offer proportionally greater benefits to small wineries over larger wineries by assisting them to be more efficient and competitively positioned to enter export markets.

26. There may be a one-off cost for winemakers who choose to adopt the single field of vision approach due to change in the design of the label template, although such a cost would be more than offset by the potential savings that such a change would afford. Under the Wine Labelling Agreement winemakers will retain the flexibility of choosing to continue to display the statement of volume on the front label (the principal display panel, which would not require their label template to be altered. In this instance, those producers solely engaged in the domestic market, or who see no benefit for their business from the change, would not incur this one-off cost.

27. The Australian wine industry's ability to improve its competitiveness is critical to its sustainability and its ability to expand its overseas market share. Exports are extremely important to the Australian wine industry. In 2008-2009, approximately 63 per cent of Australia's wine sales

(by volume) were exports, while imports accounted for less than 13 per cent of domestic consumption.[4] In comparison, three of Australia's top four export markets, which are also signatories to the Wine Labelling Agreement, are highly reliant on imports to satisfy domestic consumption. The United States, Canada and New Zealand accounted for almost 37 per cent of Australia's wine exports in 2008. As a percentage of consumption in 2005, imports accounted for 89.3 per cent in Canada, 43.5 per cent in New Zealand and 29.9 per cent in the United States.[5] Not all countries will receive an equal production efficiency benefit through the Wine Labelling Agreement. Assuming the Wine Labelling Agreement assists Australia's global competitiveness in the current environment of relatively flat demand, increasing supplies and declining prices, it could be expected that there would also be broader flow-on benefits to industry's 8 000 wine grape growers and 2 300 wineries.

28. Consumer groups have expressed a preference that the Wine Labelling Agreement should not reduce protection afforded to consumers with regard to the provision of information on the net contents of wine containers. However, this also raises the question of level of protection the placement of the statement of volume on the front label provides to consumers. The requirement to have the statement of volume on the front label of wine containers does provide the consumer with access to this information and allows brand comparison without the need to handle the product off the retail shelf. Conversely, it does not require that other items of information important to consumers be displayed on the front label.

29. The single field of vision approach under the Wine Labelling Agreement only applies to the standard fill sizes of: 50ml, 100ml, 187ml, 200ml, 250ml, 375ml, 500ml, 750ml, 1 litre, 1.5 litres, 2 litres, 3 litres, or larger in quantities of whole litres. Therefore, the Commonwealth's trade measurement regulations can continue to maintain the requirement for the statement of volume to appear on the principal display panel for a non-standard fill size (as is currently provided for under the National Trade Measurement Regulations 2009). This would mean that if a company decided to have 740 ml instead of 750ml in a wine container that '740ml' would have to be displayed on the principal display panel. It is also important that the single field of vision approach applies to wine containers (as has been incorporated into State and Territory trade measurement regulation), as opposed to being limited to wine bottles, to ensure that the Wine Labelling Agreement does not have the unintended effect of stifling future innovation in packaging within the wine industry.

30. The single field of vision approach also groups information of importance to consumers together and so makes it easier for the consumer to read. Because single field of vision labelling may also have a changeover effect on consumers' familiarity with the positioning of the statement of volume (e.g. 750ml) on wine containers, there is an associated one-off cost to educate Australian wineries and consumers about wine labelling changes. The Australian Consumers' Association is satisfied with an exemption to the standard trade measurement regulation to allow single field of vision labelling for wine. However, it did express concern that the presence of two systems for the placement of the statement of volume for wine containers may be confusing for consumers unless the change is accompanied by consumer education.

31. In response, the WFA has implemented a monitoring system and education process for consumers. All producers have been notified of the changes via the WFA website and newsletter enabling producers to inform consumers of the change. The Australian Wine and Brandy Corporation (AWBC) are also preparing a fact sheet for their website to inform consumers. The WFA Packaging Committee also has a standing agenda item on wine labelling at which any complaints are to be registered. The AWBC have also been requested to log all complaints

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[4] Australian Bureau of Statistics 2009, Australian Wine and Grape Industry 1329.0 (http://www.ausstats.abs.gov.au).
[5] Witter, G. & Rothfield, J. 2006, *The Global Wine Statistical Compendium 1961-2005*, Australian Wine and Brandy Corporation.

concerning the volume statement.  To date WFA and AWBC have received no complaints regarding the regulatory change, in spite of the South Australian legislation being put in place in November 2007 and other State and Territory legislation now also being in operation.  The introduction of a new system of pricing into some Australian supermarkets will also mitigate possible confusion resulting from the change in labelling.  Unit pricing allows consumers to make comparisons between different products through the provision of a price per unit of the product, such as cost per 100 millilitres or 1 litre.  ALDI, Woolworths and Coles have introduced unit pricing into their Australian stores (however this pricing system may not be implemented in other liquor shops).

32. The previous requirement under Australian State and Territory government UTML regulations to place the statement of volume on the principal display panel (with the exception of South Australia) was based on Recommendation 79 by OIML, which Australia had agreed to adopt as far as possible.  OIML Recommendation 79 provides that the statement of volume shall be on the part of the package that is most likely to be displayed, presented, shown or examined under normal and customary conditions of display.

33. The ratification of the Wine Labelling Agreement and amendment to State and Territory UTML regulations to accommodate the single field of vision approach for wine labelling is a direct consequence of Australia becoming a signatory to this international agreement.  The labelling approach of the Agreement has strong wine industry support and a clear government commitment, given its economic benefits (for example, exemption in South Australia alone was anticipated in 2007 to result in a saving of $12.75 million for the South Australian wine industry).

34. A number of other OIML members, including the United States and the European Union, do not follow OIML Recommendation 79 in respect of wine labelling.  Although Member States may be under a moral obligation to implement certain OIML decisions as far as possible, there is no legal obligation to do so.  It is noted that in August 2005 the European Union (EU) conducted a review of its pre-packaging legislation.6  This review referred to the current rule concerning the placement of the quantity indication, which is consistent with the single field of vision approach to labelling.  The review involved significant consultation with consumers, producers, retailers and government authorities.  The review reported that the majority of consumers considered “it is sufficient to have the quantity indication somewhere on the package, as is currently the rule”, as opposed to restricted to the principal display panel.  Therefore, the EU decided to maintain the existing standard, which is consistent with the single field of vision approach.  European business associations also unanimously supported the current EU approach.  They commented that although this approach conflicts with OIML Recommendation 79, a change in regulation could cause the principal display panel to become “too full and confusing” and “would cause trade barriers by the Community on the rest of the world.”

<u>Option 2: Maintain the status quo i.e. do not ratify the Wine Labelling Agreement</u>

35. The main benefit of maintaining the existing state of affairs would be that the wine industry would not incur the one-off cost of an education campaign.

36. However, the status quo option could result in comparative inefficiency of the Australian wine industry and lower its productivity, particularly as more WWTG parties and other countries adopt single field of vision wine labelling which is consistent with the provisions of the Wine Labelling Agreement.  Without the option of single field of vision labelling, the Australian wine industry is likely to be at comparative disadvantage in marketing wine on the export market as it

would not be able to take advantage of the same labelling efficiencies. This will make the cost of producing Australian wine comparatively higher than that of international competitors in the domestic market and Australia's international wine export markets.

37. New Zealand is in the final stages of ratification of the Wine Labelling Agreement. When New Zealand ratifies the Wine Labelling Agreement, wine containers labelled with the single field of vision approach will enter the Australian market via the provisions in the Trans-Tasman Mutual Recognition Arrangement 1996, under which Australia accepts imported food and beverage products labelled in accordance with New Zealand's regulations (including any New Zealand regulations that provide for single field of vision labelling). Thus New Zealand wine, which accounted for over 52 per cent of Australia's wine imports in 2006-07,7 would gain cost efficiencies through the ability to use the single field of vision approach in its international export markets (including United Kingdom, United States, Australia and Canada). Other WWTG members that are active exporters (i.e. Chile and Argentina) will also gain cost efficiencies and this could lead to improved competitiveness relative to Australian products in key Australian markets. The Wine Labelling Agreement is already binding on both the United States and Chile. South Africa and Argentina are also in the process of ratifying the Wine Labelling Agreement.

38. Currently, all Australian State and Territory trade measurement regulations provide for wine to be labelled in accordance with the single field of vision approach and wine with these labels is already sold throughout Australia. Therefore, option 2 (status quo, i.e. not ratifying the Agreement) would not prevent wine labelled with the single field of vision approach from entering or being sold in the Australian domestic market at the current time. However, in the absence of ratification, consumers could be faced with several different styles of labelling, but without the wine the industry education campaign.

39. Although the Commonwealth is currently able to regulate the placement of the volume statement on a wine label, legal advice indicates ratifying this treaty would ensure that the constitutional external affairs power (s.51(xxix) of the Constitution) provides the Commonwealth clear authority to regulate with respect to the placement of other mandatory items of information. Reversion to the previous more onerous mandatory requirement of placing the volume statement on the principal display panel (front label) and the other common mandatory information on the back of the label would be a cost burden on industry.

40. Option 2 (status quo) would also present significant opportunity cost for the Australian wine industry. That is, the implicit cost of not pursuing the Agreement is the loss of benefits offered by option 1 minus the one-off cost of educating Australian wineries about the labelling changes.

41. As a signatory to the Wine Labelling Agreement, the Australian government has indicated its intention and consent to become bound by the Agreement and to permit common mandatory information presented in any single field of vision. The negotiation and signing of the Wine Labelling Agreement were conducted in accordance with the domestic treaty process. By not ratifying the Agreement, the Australian Government may suffer political consequences in its relations with other WWTG participants. This could impact on the ability to of Australia to drive future WWTG initiatives and potentially impact on the confidence that other WWTG members place in Australia's commitment to the trade facilitation objectives of the WWTG. It could lead to uncertainty for the WWTG and impact adversely on the prospects of the WWTG developing future trade enhancing agreements.

[7] Australian Bureau of Statistics 2007, *Sales of Australian wine and brandy by winemakers* (8504.0), June 2007.

## Consultation

42. Australian Government participation in negotiations for and signing of the Wine Labelling Agreement was carried out in close consultation with the Winemakers Federation of Australia (WFA) and the industry's statutory marketing authority – the Australian Wine and Brandy Corporation (AWBC). WFA and AWBC have actively supported and provided input into the treaty negotiations and both have confirmed their support for the text of the Wine Labelling Agreement. Wine industry leaders have also been directly briefed through the AWBC's International Trade Advisory Committee.

43. In-principle agreement was secured through the Standing Committee of Officials of Consumer Affairs prior to the signing of the Agreement in Canberra on 23 January 2007. This consultation process was conducted by the Australian Government Department of Foreign Affairs and Trade and the Australian Government Department of Agriculture, Fisheries and Forestry with relevant State and Territory government officials through the Trade Measurement Advisory Committee.

44. Consultation also occurred with State and Territory government officials in relation to the negotiation and signing of the treaty. All State and Territory governments were consulted on regulatory requirements to allow the single field of vision approach to wine labelling and agreed to follow the approach. All States and Territories have now amended their respective trade measurement legislation, UTML, as agreed through the Council of Australia Governments (COAG).

45. Prior to introducing the previous nation-wide amendments to State and Territory trade measurement regulations to allow single field of view labelling, consultation was conducted with the Australian Consumers' Association who advised that they did not oppose the proposed changes provided that industry accompanies the changes with consumer education. WFA has agreed to implement consumer education.

46. Consultation has been conducted with the National Measurement Institute, part of the Innovation, Industry, Science and Research portfolio, to ensure that provision will be made for implementing the Wine Labelling Agreement in the new Commonwealth trade measurement regulations to commence on 1 July 2010. Interim provision has been made to ensure continuation of the current ability of wine producers to label consistently with the Wine Labelling Agreement. Completion of the ratification process will enable inclusion of the specific provisions of the Wine Labelling Agreement in the National Trade Measurement Regulations 2009, as indicated in the explanatory statement to that instrument.

## Conclusion and recommended option

47. Ratification of the Wine Labelling Agreement (option 1) is expected to deliver ongoing annual cost savings in the order of $25 million to the Australian wine industry. This would be at the expense of a one-off education cost and the one-off cost of altering label templates, for those that choose to do so. There would be little impact on consumers and, arguably, improvement to the presentation of common mandatory information to consumers. The single field of vision approach to wine labelling under the terms of the Wine Labelling Agreement would simplify labelling requirements for Australian winemakers and harmonise the placement of common mandatory

information.  This would enable Australian winemakers to use a single label for all major markets (the domestic market, WWTG countries and the European Union).

48. The recommended option is option 1, that the Wine Labelling Agreement be ratified.  Wine is one of Australia's most important agricultural exports.  Option 1 (ratifying the Wine Labelling Agreement) offers substantial efficiency gains for the Australian wine industry that option 2 cannot achieve.  It will provide increased flexibility for industry in choosing cost-effective options for wine labelling where only one label need be developed for multiple markets.  It will also provide certainty of international acceptance of Australian wine labels in other WWTG countries, without the cost of developing country-specific labels.  The single field of vision approach to wine labelling has the potential to increase the Australian wine industry's international competitiveness and in turn the volume and value of wine exports.  The identified potential for consumer confusion can be effectively cost offset through an education program that WFA has already begun to implement.

## Implementation and review

49. Once the Wine Labelling Agreement is ratified an education campaign will be undertaken to advise the changes for wine labels.  This campaign would be targeted at Australian wineries and consumers.

50. It is expected that the ongoing impact of the proposed labelling changes will be monitored by industry through the AWBC's International Trade Advisory Committee and by consumer groups in the interests of the broader community.