IWA
INDEPENDENT
WINEMAKERS ASSOCIATION

WINE TAXATION IN AUSTRALIA 4

PARLIAMENTARY INQUIRY INTO SUBSTANCE ABUSE .
THE CASE FOR A VOLUMETRIC WINE EQUALISATION TAX (WET) BASED ON ALCOHOL CONTENT.

June 2000

The Government's wine tax policy is... *"The (price based) Wine Equalisation tax will be levied at such a rate (29%) that the price of a four litre cask of wine need only increase by the estimated general (across the board) price increase associated with indirect tax reform; ie 1.9%.* ***The concessional taxation treatment of the alcohol content of cask wine will therefore be preserved."***

IWA contends that such *"concessional treatment"* is tantamount to tax advantaging substance abuse........and was founded on misinformation from the WFA *

- *Cask Wine has been conclusively proven to be central to the worst alcohol abuse in Australia.*
- *60% of all domestic table wine consumption is soft pack selling at around the same price per litre as lemonade....*
- *Hence... price based (ad valorem) WET advantages casks with a tax rate down to 1/5th per unit of alcohol as low alcohol beer....*
- *....whilst disproportionately taxing bottled wine priced above $6.72 per 750ml .*

RECOMMENDATION 1:
Because the Governemt's price-based Wine Equalisation Tax (WET) will have no ameliorating impact on cask alcohol abuse nor provides any incentive to make lower alcohol wine, a socially responsible tax increase on casks achieved by a revenue neutral alcohol based volumentric WET, is a public health priority.

RECOMMENDATION 2: *
Because there has been misinformation from the Winemakers Federation of Australia (WFA) on a significant number of key issues, the WFA be open to challenge issue by issue before an expert assessment panel answerable to the Substance Abuse Inquiry Committee.

ATTACHMENTS: Wine Taxation in Australia 1
Wine Taxation in Australia 2

HOUSE OF REPRESENTATIVES

Standing Committee on Family and Community Affairs

Substance abuse Inquiry

Alcohol, tobacco, medications, marijuana, heroin . . .

How do these and other drugs affect our families and the workplace?
What impact do they have on our safety in the home, on the roads and in the community?
How does substance abuse affect our health care costs?

1 PUBLIC HEALTH*

The Government's stated policy is... *"The Wine Equalisation Tax will be levied at such a rate (29%) that the price of a four litre cask of wine need only increase by the estimated general (across the board) price increase associated with indirect tax reform; ie 1.9%.* ***The concessional taxation treatment of the alcohol content of cask wine will therefore be preserved.****"*

IWA contends that such policy is tantamount to tax advantaging substance abuse.

The dramatic benefits to public health from an increase in tax of as little as $0.80 per litre on cask wine are irrefutable.
From the Northern Territory's Living With Alcohol (LWA) programme:

- Road fatalities were reduced by 35%
- Road accident injuries were reduced by 23%
- Alcohol related deaths (other than road accidents) were down 20%
- Hospital admission for alcohol related illness were down 23%

Since the LWA programme was curtailed by the High Court decision in 1997 stopping States and Territories collecting their own franchise fees on alcohol, 4 litre cask consumption per week in the Alice Springs region has increased from around 4000 to over 7000.

RECOMMENDATION No 1:

Because the Government's price-based Wine Equalisation Tax (WET) will have no ameliorating impact on cask alcohol abuse nor provides any incentive to make lower alcohol wine, **a tax increase on casks achieved by a revenue neutral alcohol based volumetric WET, is a public health priority.**

* For research results and detailed analysis of the impact of anomalously cheap cask alcohol on consumption patterns and it s adverse public health consequences, see submissions to this Inquiry under the authority of the National Drug Research Institute and the Alcohol and Other Drugs Council of Australia.

2 SOUTH AUSTRALIA'S SELF IMPOSED PENALTIES
A THROUGH TAXING THE VALUE OF ACHIEVMENT

South Australia produces half of Australia's premium bottled wine and five times by value bottles over casks. The majority, if not all, of South Australia's members of State and Federal Parliament have been deceived into supporting price based wine taxes which self evidently penalise their home State.

<u>1999-00</u>

Total value of SA production	about $2000 million
Comprising domestic	about $1200 million
Exports	about $ 800 million

(i) Soft pack wine advantaged by price based taxation

(80 million litres)	=	$ 200 million

(ii) Bottled wines disadvantaged by price based taxes

(85 million litres)	=	<u>$1000 million</u>
TOTAL	=	$1200 million

$6.72 per 750ml is the WET transition point. Wines priced below $6.72/750ml pay less tax and wines priced above $6.72/750ml (eg Jacobs Creek $9.00/bottle) pay more tax than if all wine was taxed at the flat volumetric rate of $13.78 per litre of alcohol (expressed as $1.38 per litre on all table wine between 6..5-15% AV) to give Government revenue neutral WET of $549M equal to 29% ad valorem.

B BECAUSE ADVALOREM TAX GROWTH CAN'T BE CAPPED.

Quote..."Had Australia's wine tax been specific (volumetric) rather than ad valorem, even as recently as 1991 ...... then Australia's wine consumer tax equivalent in ad valorem terms would have halved in aggregate and fallen by more than four fifths (80%) for premium wine by now." Centre for Interntional Economic Studies Adelaide University Discussion Paper 99-03.

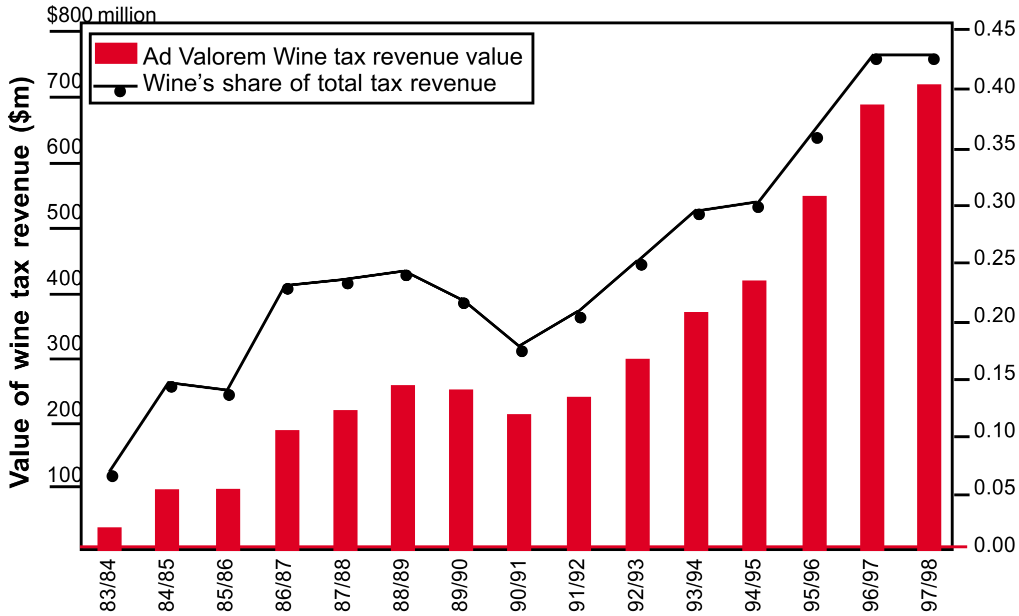
Whereas CPI indexation maintains constant real value on a volumetric tax, tax on price ie on the value achievements by the winemaker, has seen wine tax climb from 0.15% of total Government revenue in 1986 to 0.45% last year, clearly outstripping tax rate increases and inflation over that period. Consumption of wine per head of population over the same period has dropped from around 20.2 litres per head to 19.8 litres per head.

Total Australian wine consumption 1986-87 = 329.8 ML;
1998-99 = 348.3 ML;

The cask dominated WFA's pursuit of wine taxation based entirely on price has resulted in the industry being trapped in a permanently upward spiral of total tax revenue collected each year from basically static consumption litreage....

Quote.... "***The number of litres of alcohol consumed as wine has been static since 1984, hence generating static income under a volumetric tax regime. Conversely, as Australian's drink better wine at higher prices, the value of wine sales has increased since 1984 by more that 80% (nominal), giving the Government an appropriate (?) growth dividend"...*** **WFA August 1998**

HALF OF AD VALOREM'S *"appropriate"* SNOWBALLING TAX GROWTH IS BORNE BY SOUTH AUSTRALIA



"Ad valorem (price based) wine tax revenue growth has been sevenfold and wines' share of total government revenue has grown threefold wince 1986"
Policy Discussion Paper 99-03; Berger and Anderson CIES, University of Adelaide.
Whilst.... ***"Volume consumed has remained basically static"*** WFA Aug '98

3 RIVERLAND ECOLOGY

Quote..... ***"if there were no more plantings after vintage 1999 and exports kept growing at a compounding rate of 25% there would be an oversupply of 9000 ha of vineyards in 2002"*** * **(Rhett Marlow, CEO, Winegrape Growers Council of Australia).**

OVER 8000 TONNE OF IRRIGATION WATER IS USED ON EACH HECTARE (2.5 ACRES) OF WINE GRAPES IN THE RIVERLAND REGIONS PER ANNUM.
(from the 1997 survey of 36 vineyards in Riverland, Sunraysia by Consultants SKEWES & MEISSNER.)

HENCE 9000 HA x 8000+ TONNES OF WATER = 75 MILLION TONNES.

OVER 250 TONNES OF WATER IS USED TO PRODUCE 1 TONNE OF SOFT PACK WINE AT 35 TONNE / HA

Destorted and imprudement wine grape investment decisions continue to be made in climatically inappropriate regions of Australia as a result of WFA's hype driven brouhaha and the accelerated depreciation allowance on new plantings.

The Murray River
An article of concern appears regulatly in the Adelaide Press. Unless action is taken it is believed that Adelaide could be without sufficient and safe drinking water in 20 years. The salt level apparently doubles from the time the Murray crosses into South Australia to the point of discharge south of Adelaide. (There is no irrigated rice or cotton in SA). Reduced water use and reduced grape yields in the pursuit of quality would start to address the problem.

Because ad valorem tax penalises any wine selling above $6.72 per 750ml, the future economic viability of the ecologically fragile, extensively (imprudently) overplanted irrigation regions lies only with quality advances beyond cheap bulk vin ordinaire which in any case is vulnerable to cheap bulk imports.

* The planting frenzy has continued unabated. Nevertheless, the great bulk of export wines are in the Jacobs Creek or "fighting varietal" price point range from fruit grown in these regions. Unfortunately such wines are very vulnerable to competition from extensive new planting of premium variaties in South Africa, South America and traditional Europe.

Sustained export sucess will rely on quality incentives not disincentives contrary to the WFA claim that ..... "*masive investment in these regions undertaken within a regime of ad valorem tax would be seriously undermined".*
What possible connection is there between a quality punitive price based WET and export success?
Quote..... *"WFA estimates that (if tax was switched to volumetric) production would decline by 42,000 tonnes in the Murray Valley, 18,000 tonnes in the Riverland and 10,000 tonnes in the Riverina,"* which, if accurate, represents a total of 70,000 tonnes of fruit (from 2000-2500 hectares) and 18 milliom tonnes of irrigation water.

4 PRICE BASED 'EXTERNALITY' TAXATION DEFIES LOGIC

At a time of national taxation reform, resorting to a wine 'top-up-tax' essentially identical with the old WST, is retrogressive. Only wine is taxed at the rate of 4 GST's. Taxation policy is justifiable only as:

DIRECT - On incomes earnt and profits
INDIRECT - On goods and now services
EXTERNALITIES* - On those actions whereby society harms itself or requires special attention.

*eg alcohol consumption, smoking, gambling, environmental degredation, fuel burning

The harm from wine alcohol comes disproportionately from low taxed, low priced bulk wine, whereas premium and ultra premium wine in bottles does at most minor harm which is probably well outweighed by the positive health benefits of the greater part of it consumed moderately and responsibly with meals. Quality bottled wine has additional largely unique positive externalities in regional employment generation, tourism , market image and the environment.

Thus there is much less justification for taxing quality bottled wine beyond the GST; nonetheless.......
"it would be socially unacceptable to tax wine at the same rate as milk". PRIME MINISTER HOWARD DURING LAST FEDERAL ELECTION.
A form of WET must be applied to all wine because of the latent harm of the ethanol (alcohol) content. Hence the only economically rational and socially responsible way is to base wine tax on alcohol content converted to simple wine volume as done in other wine producing countries and not perversely and anomalously on price. (among 31 countries listed by Berger & Anderson, Australia stands alone with Mexico, China, Thailand and Korea in taxing wine purely by price).

Half of Australia's currently produced wine is unexportable low quality. About 95% of 4 litre soft pack "riesling" is made from multi purpose sultanas & gordo blanco. Price based tax is a direct disincentive to the quality improvement the industry needs if it is to maintain and enhance its world competitiveness. Price based tax also prevents the highly desirable introduction of lower alcohol-lower taxed budget wines for every day use as has been so successful with beer. The bottom half of the wine market remains instead a source of uniquely cheap alcohol with tragically destructive effects on some of Australia's most disadvantaged and vulnerable people.

Quote.... ***"The centre for International Ecomonic Studies, University of Adelaide, results... of volumetric v ad valorem were unambiguous... 'a switch from the current ad valorem wine tax to a volumetric tax which raised the same Government revenue would harm the industry as a whole'..."*** Page 29 WFA submission to this Inquiry.
and ***"The CIES ad valorem option... was distinctly preferable for the Australian economy, wine exports and the Australian wine industry relative to the volumetric alternative"...*** Croser, National Press Club, 5/8/98

These WFA interpretations have been challenged in several papers by Dr John Gladstones (eg Wine Taxation in Australia 1) as being not proven by theorom presented by the authors. Indeed, far from being *"unambiguous"* the CIES paper's executive summary concludes ... ***"a switch to a volumetric tax would... encourage the industry to move even further and faster down the path of becoming more focused on the premium end of the market, which incidently seems to be where the industry is developing its strongest comparative advantage internationally. It would also tend to encourage consumers to substitute quality for quantity. Again that would reinforce recent trends in the market and presumably would contribute to a lowering of the social costs associated with excessive dringing."*** Such CIES comments contradicts WFA's interpretation.

5 THE NATURE OF THE WFA & ITS MISINFORMATION AGENDA

THE WFA;

The WFA comprises two "colleges", (1) the Australian Wine & Brandy Producers Association (AWBPA) which is the body of the small number of very large wine producers, and which contributes virtually all of the over $1.1 million running costs per annum and (2) the Australian Regional Winemakers Forum (ARWF) which would have maybe 250 actual financial small producer members and which is financially mendicant to the WFA. There are over 1000 Australian wine producers.

Each "College" provides 5 members to make up the 10 member Winemakers Federation of Australia's governing council, dominated obviously by the AWBPA and including always the 3 biggest wine producers.

The significance of the three largest companies is best understood by reference to litres produced for Australian consumption.

	DOMESTIC CONSUMPTION
Total litres of Table wine consumed 98-99	= 287 million litres
Total litres of Table wine produced by the 3 biggest companies for domestic consumption	= 200 million litres
of which 75% is cask table wine	= 150 million litres
(Total domestic cask table wine consumption	= 170 million litres)

WFA is now advocating that WET be revoked because ....Quote.... *"Australia has the destinction of becoming the highest taxed wine industry of any major wine producing nation in the world"*. BRL Hardy, Chairman May 2000.

The hipocracy is breathtaking - of the 80 million litres of table wine made for consumtion in Australia last year by that company, 68 million litres or 85% was cask table wine "concessionally" taxed down to $0.51 per litre and therefore amongst the lowest taxed in the world. In comparison, Jacobs Creek is taxed at $3.00 per litre and $15 per bottle wine is taxed at $4.82 per litre. Whereas virtually all bottled wines pay a tax surcharge because of price based WET, 60% of domestic table wines consumed is soft pack priced per litre at soft drink levels....(see back cover).... hence price based WET so advantages casks that the bulk of Australian table wine is amongst the lowest taxed wine in the world.

Prime Minister Howard told the win industry in the lead up to the last election ....
"*It would be socially unacceptable to tax wine at the same rate as milk"*

Hence the WFA campaign to call for WET to be revoked is a futile diversionary illusion. No government is going to condone cask wine taxation descending to the level of tap water, let alone forgo the $549 million which is WET in 2000/01. (Treasury Budget Paper 1 for 2000/01)

The only socially-responsible and industry-equitable wine tax solution is a revenue neutral 'duty of care' WET based on alcohol content. However the WFA is hostile to an alcohol based WET and hence is hostile to a duty of care owed to a plaintiff seeking to establish negligence under Common Law provisions in a Product Liability action. At present the cask wine producer defendant in a Product Liability action can argue that his company is simply complying with Government Policy to...
Quote.... ***"preserve the concessional taxation treatment of the alcohol content of cask wine"***.
Surely such protection afforded to one particular mode of alcohol manufacture and distribution is socially and democraticly irresponsible

THE PRINCIPAL MISINFORMATION ISSUES:

(i) Quote.... ***"I intend to speak about Treasury's inappropriate longstanding ambition to impose a volumetric (wine tax) ... In defiance of the unambiguous economic evidence that Australia will be worse off if it does."*** (Croser, National Press Club 5/8/98)
There is no unambiguous or any economic evidence supporting such a sweeping and silly declaration. (see Gladstones; Wine Taxation in Australia 1, 1999). Work by the Centre for International Economic Studies (CIES University of Adelaide), when correctly and honestly portrayed shows that it is price based taxation on wine which harms the industry (except the very cheapest cask wine), harms sustainable export prospects, harms public health and harms the economy of South Australia.

(ii) Quote.... ***"The Australian Bureau of Statistics... surveyed 6000 Australian households... the vast majority of wine drinking Australian's drank wine sensibly and there is no difference between cask and bottled wine in the incidence of abuse."*** (Croser 5/8/98)
They were WFA's alcohol consumption questions and were paid for and piggy backed on a routine ABS household survey and contained not one question specifically about cask wine.

(iii) Quote.... ***"Government can increase an excise without recourse to Parliament; the wine industry would be defenceless."*** (WFA Chief Executive Sutton; numerous occasions)
No Government can impose or increase an excise unless approved by the Senate either within 12 months or before the close of that session of Parliament which ever is the sooner.
Wine tax reached 46% WST equivalent on 1/7/2000; (identical with former Treasurer Dawkins 1993 desire for 31% WST + 15% State franchises. In the final analysis the WFA's 'corkscrew in-the-back' tax campaign of 1993 achieved absolutely nothing.)
WFA's "defences" are worthless other than to tax advantage cask wine producers.

(iv) Quote.... ***"Volumetric tax is excise collected by... Customs Officers as constant companions, policing every transaction from winery to market, accounting for every litre of wine squeezed from the grape."*** (Croser, June 1998)
Excise collection on alcohol produced in Australia was gazetted away from Customs for collection by ATO in October 1998; collection by self-assessment of produce packaged for consumption and not from antiquated tank dip measuring etc. WFA has never corrected its fear mongering statements preferring the industry to go on being misinformed and in dread of a "volumetric excise".

(v) Quote.... ***"Have you tried the stuff?"*** (referring to low alcohol wine)
Brown Brothers make an agreeable, crisp flavoursome 6.5% AV dry white bottled wine called "Moscato" which is far more palatable than the 10%AV soft pack "immitation riesling" made from sultanas. Orlando Wyndham market 4.9% AV dry and sweet cask wines. Given taxation incentives, Australian winemakers will respond with their undoubted proficiency.

(vi) Quote.... ***"WFA is the peak National body and speaks for the Industry as a whole."***
The majority of wine producers do not favour a price based WET.
Over August 4 and 5 1998, Roy Morgan Research surveyed the wine industry State by State and revealed that 2 in every 3 Australian winery owners, managers and chief executives favoured volumetric WET (see attached). The WFA's claim to represent the tax views of the industry generally is thus patently false. The WFA has never canvassed the wine industry at large to try and determine what support it has for its position.

(vii) Quote.... ***"Government can't be seen to increase the price of casks and lower the price of Grange."***
Why not?... Single malt whisky and cognac both fall in price under the GST whilst cask wine currently sells for the same price per litre as lemonade.
Low alcohol cask wine made down to 6.5%AV (It is usually around 9.5% to 10.5%AV) can remain at or near the current price point under a volumetric WET. Professor Tim Stockwell et al and the National Drug Research Institute have identified cask wine together with full strength beer as being most responsible for sickness, serious accidents of all types, family breakdowns, unemployment, alcohol related offences and loss of 3,500 lives annually in Australia through alcohol abuse.

Yet despite having twice the alcohol content of full strength beer it currently sells for the same price per litre as solf drink, at a tax rate per unit of alcohol only 1/5th of that in beer and the cheaper spirits. Taxing on price contributes very little to meeting the taxpayer costs stemming from its abuse. A revenue-neutral volumetric tax or LWA levy on cask wine would substantially correct this anomaly, and at the same time directly reduce taxpayer costs: <u>firstly</u>, by reducing abusive consumption through a moderate price increase in the bottom price range (as the Northern Territory trial showed), and <u>secondly</u> by giving an economic incentive to reduce alcohol content in the cheapest wines.

Volumetric tax enables a lower RATE of excise to be declared on wine made with less alcohol; it is recommended that the low alcohol incentive rate apply below 6.5%AV. Australia has proven competence in handling low alcohol wine technology. Now all that is needed is a tax system giving the necessary incentive as has happened with beer. 40% of beer consumed in the States of Western Australia and Queensland is now mid strength (3.5%AV) and below.

(viii) Quote.... ***"A volumetric tax would be highly regressive for example increasing the price of inexpensive cask wine by around $6.00, while decreasing the price of expensive inported Champagne by around $60.00."***

The WFA trivialises GST's vertical equity sufficency eg. imported Champagne. For all other alcoholic beverages and all other goods (apart from luxury cars) quality and price increments are taxed at the standard GST rate. This applies to cognac and malt whiskies (both of which fall in price under ANTS) and also to caviar, perfumes, everything. Why should improvements in wine quality be singled out for a uniquely punitive tax when quality is exactly what the Australian wine industry needs to maintain world competitiveness? Under revenue neutral volumetric WET the price of cask wine rises by little more $1.00 per litre whilst **for the price of imported champagne to fall by $60.00 it would need to be priced around $500.00!** The WFA's claim that 80% of wine consumed would rise in price is also untrue. The figure only includes anomalously cheap cask wine and is around 50% assuming no response to the "less alcohol-less tax" incentive at 6.5%AV. Premium 2 litre casks and the cheapest bottled wine are hardly effected provided the change is revenue neutral, while all bottled wines currently retailing over $6.72 would fall in price. The WFA's claim of $10.00 per 750ml as the price below which a revenue neutral volumetric WET impacts adversely, is untrue - they give no substantiating mathematical justification for that exaggeration. See Wine Taxation in Australia 2 attached. Gladstones & Tomlinson, Table 3, give detailed figures and calculations when WET was beleived to be $440M, since revised to $549M to reflect Treasury's latest estimates. For Jacobs Creek, a representative affordable everyday wine, the fall in price under volumetric WET is about 6.0%.

Only anomalously cheap casks are significantly advantaged by purely price based taxation. Of the 200 million litres of table wine made for consumption in Australia each year by the 3 largest Australian wine companies, 150 million litres is cask table wine. WFA's tax position is self evidently most beneficial to the biggest wine companies to whom the WFA is mendicant.

(ix) Quote.... ***"It would lead to large surpluses of grapes used for the lower priced higher volume end of the market thereby diminishing employment and investment in large wine growing regions namely... Riverland, Sunraysia etc."*** ***(see Section 3 of this submission)***

Future Riverland prosperity lies in quality advance beyond the $6.72 per 750ml datum, not in cheap bulk vin ordinaire. Over planting and or a slowing in the export momentum in vigorously contested overseas markets will inevitably culminate in a day or reckoning. Production in the Riverland etc is probably already out of control... *"if there were no more plantings after vintage 1999 and exports kept growing at a compounding rate of 25% there would be an oversupply of 9000ha of vineyards in 2002".* (Rhett Marlow, CEO Winegrape Growers Council of Australia)

However, all new plantings are now of premium grape varieties and with proper attention to limiting irrigation and yield, these inland regions can produce "fighting varietal" wines that can improve their export sustainability and be competitive in the domestic market in the everyday low to mid price range.

Currently around 95% of the fruit used to make 4 litre casks of "riesling" are multi purpose sultanas and gordo blanco. A volumetric WET directly encourages and rewards this evolution from cheapest bulk to premium production, essential to both the economic and ecological future of these regions, already vulnerable to cheap bulk imports. (10% of cask wine 1998-99 comprised imported $1.00/litre blending material)

(x) Quote.... ***"Volumetric tax would result in a progressively reducing tax base as producers would increase production of premium wines"***.

The hypothesis is absurd. Australians consume about 20 litres of wine per head each year. That level of consumption has been static by and large for 20 years and therefore around 360 million litres is currently consumed. By simple calculation the volume of wine consumed in say 2001 (estimated at 384.2 million litres - see Gladstones and Tomlinson) divided into the total wine tax amount calculated by Government for the same year ($280M from GST and $549M from 29% WET), readily converts to a volumetric equivalent, CPI indexed to maintain constant real value. Only population decreases or less alchol consumption per head can reduce the tax base. Even if the whole wine industry were to miraculously swing to 6.5%AV wines, the decrease in alcohol abuse 'externalities' would be a huge national bonus.

(xi) Quote.... ***"All wine in bottles above $10 would pay less tax and casks and wine below $10 would pay more - the actual cutoff is $9.76"***. WFA submission to Substance Abuse Inquiry. This statement is untrue; the cutoff is actually $6.72. Hence even if Jacobs Creek sold for $6.99 (in fact it sells for around $9 in metropolitan Australia) it would pay less tax under volumetric - see back cover Quote.... *"A volumetric tax threatens such popular brands as Jacobs Creek $6.99, Yalumba Grange Hermitage $6.99 and Houghtons White Burgundy $8.99"* WFA submission to Substance Abuse Inquiry. This also is untrue; infact volumetric tax enhances the saleability of these wines.

RECOMMENDATION No 2:

Because the opinions held by, in particular, South Australian members of Federal Parliament have been formed from misinformation directed by the WFA, the WFA should face challenge issue by issue before an expert assessment panel answerable to the Substance Abuse Inquiry Committee.

Wineries and Taxation ***Roy Morgan Research***
Prepared for the Independent Wineries Association,
PO Box E15, Kingston Canberra, ACT 2604

EXECUTIVE SUMMARY

Taxation

Following the Federal Governments announcement that it will introduce a goods and services tax (or GST) if it wins the next election, Roy Morgan Research was commissioned to conduct a survey of Australia's winery oweners, managers and chief eexecutives to ascertain support for two differeny tpers of 'top-up' excise, one of which is likely to be applied to wine under a GST tax system.

The majority (58%) of the Australian winery owners, managers and chief executives surveyed said they would choose an excise where all wine of similar strength attracted a flat excise per litre compared to only 28% who said they would choose an excise based on the price of the wine.

A further 14% of the winery oweners, managers and chief eexecutives surveyed were unable to choose which option they preferred.

Awareness of the Federal Government's plans to introduce a GST and apply a 'top-up' excise to ensure revenue neutrality on wine was high. Four-in-five (81%) of the winery oweners, managers and chief eexecutives surveyed said they were aware of the plans compared to 19% who were not aware or were unsure.

Awareness of the two options for the top-up excise was also high - 79% were aware compared to 21% who were not aware or were unsure.

METHODOLOGY

This research project comprised 170 telephone interviews with a samples of winery owners managers and chief executives.

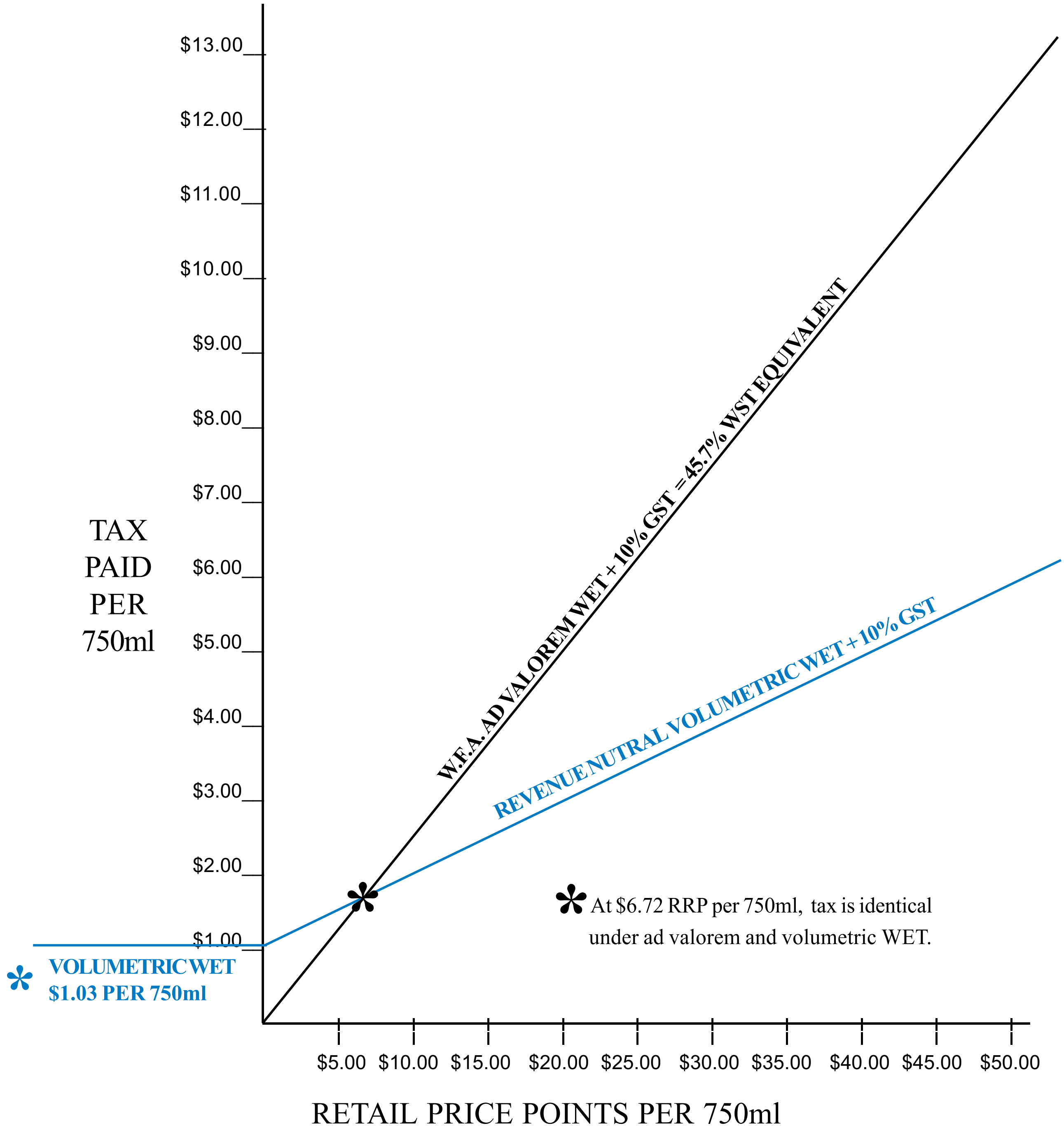
The telephone survey was conducted using Computer Assisted Telephone Interviewing (CATI). Interviewing commenced on Tuesday, August 4 and ended on Wednesday, August 5, 1998.

The Sample

Using a samples of 998 wineries provided by Winetitles, a random sample of 170 wineries proportional to the number of wineries within each State, was interviewed.

The breakdown of interviews by State was:

	Volumetric	Ad Valorem	Don't Know
Victoria - 51	56.9%	19.6%	23.5%
South Australia - 40	37.5%	50%	12.5%
New South Wales - 36	66.7%	30.6%	2.7%
Western Australia - 27	81.5%	11.1%	7.4%
Tasmania - 10	60%	10%	30%
Queensland - 6	50%	33.2%	16.8%



Price Based WET vs Volumetric WET

REVENUE NEUTRAL AT $549 MILLION 2000-01

* **LIKE EVERY OTHER COMMODITY BE IT A BIG MAC OR CAVIAR, COGNAC OR SINGLE MALT WHISKY, WINE SHOULD ONLY BE PRICE TAXED AT THE FLAT GST RATE OF 10% AND NOT 29% + 10% GST.**

Further Information contact Mr Bruce Tomlinson, 0417 984 083
Taxation Spokesman, Independent Winemakers Association

Jacobs Creek,
Houghtons White Burgundy

	4 Litre $8.00 Cask	4 Litre $10.00 Cask	600ml $1.50 Bottled Water or Soft Drink	750ml $6.72 Bottled Wine	750ml $8.00 Bottled Wine	750ml $10.00 Bottled Wine	750ml $20.00 Bottled Wine
CURRENT TAX SYSTEM							
Retail Price Per Litre	$2.00	$2.50	$2.50	$8.93	$10.67	$13.33	$26.66
Tax Per Litre (WET + GST)	$0.51	$0.64	$0.23	$2.19	$2.60	$3.28	$6.37
✻ **VOLUMETRIC TAX SYSTEM**							
Retail Price Per Litre	$3.08	$3.84	$2.50	$8.93	$10.28	$12.35	$22.75
Tax Per Litre ($13.78/LAL + GST)	$1.64	$1.73	$0.23	$2.19	$2.31	$2.49	$3.44

✻ **LIKE EVERY OTHER COMMODITY BE IT A BIG MAC OR CAVIAR, COGNAC OR SINGLE MALT WHISKY, WINE SHOULD ONLY BE PRICE TAXED AT THE FLAT GST RATE OF 10% AND NOT 29% + 10% GST.**