



**Winemakers' Federation of Australia**

# **The Structure and Distributive Effects of the Australian Taxation System**

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**Presented By:**

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## **Introduction**

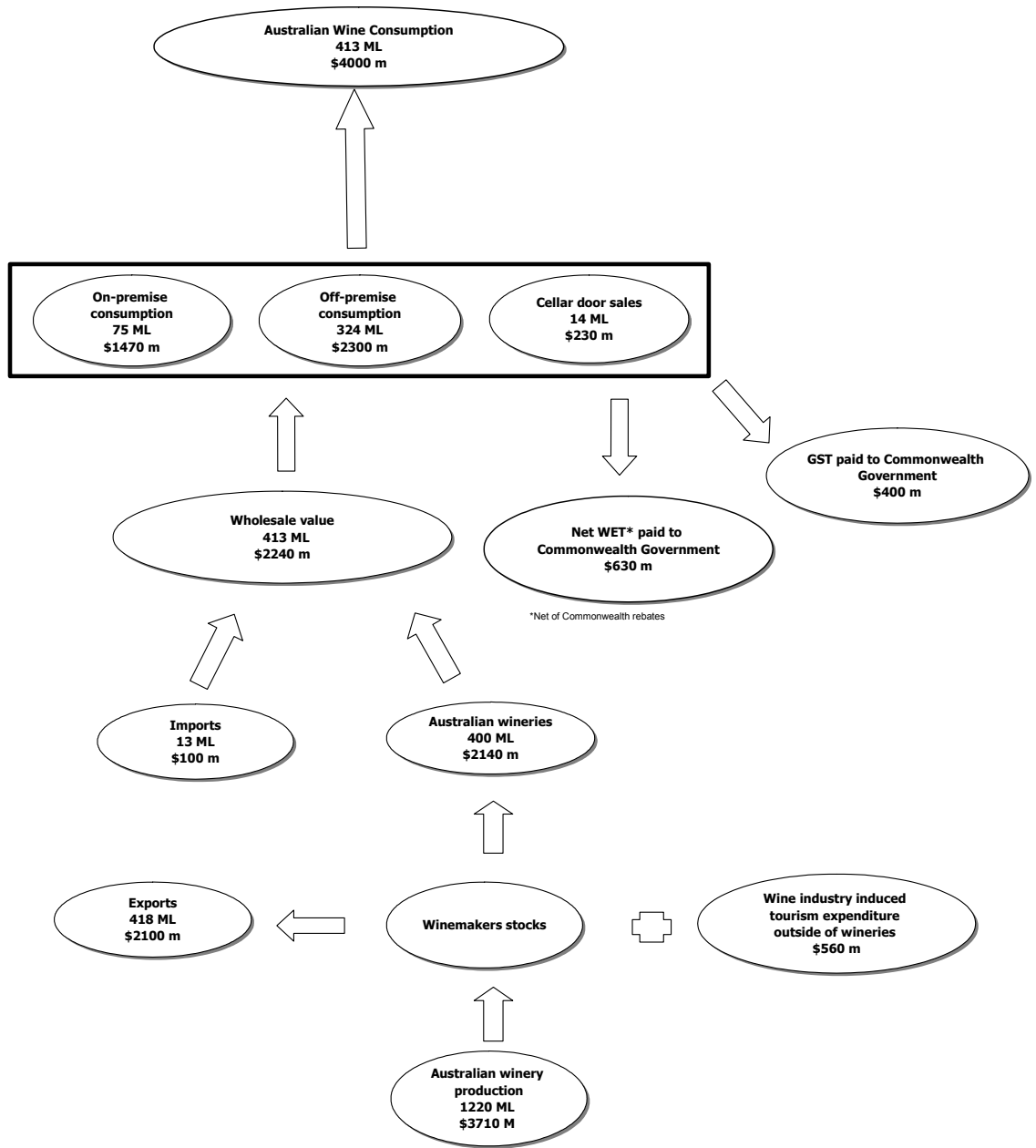
The debate about alcohol taxation over the last two decades has focused on the so-called “external costs” of alcohol consumption. The narrow focus of this debate ignores the wider economic contribution made by the respective alcohol industry sectors and particularly the regional economic contribution of these sectors.

In considering the structure and distributive effects of the Australian taxation system, it would be insufficient to consider the issue of alcohol taxation without addressing the role played by the respective alcohol producing sectors. To do so, would be to ignore the wider economic contribution of these sectors, which in the case of the wine industry is significant.

## **Economic Contribution of the Wine Industry (2001-02)**

The Australian wine industry is a classic model of a value-adding industry, taking \$1.3B in winegrapes and converting the raw materials into \$4B in domestic retail sales. Along the way, the industry earns a further \$2.1B in export revenue, contributes over \$1B in taxation revenue (\$630M WET +>\$400M GST), injects \$300M in annual capital investment and directly employs 30,000 people across 61 regional economies.

The Australian Wine Industry: Production to Retail, Including Exports, 2001-02



## ***Wine Exports***

Australian wine exports now exceed \$2.1B annually and are the 14<sup>th</sup> ranked broad Australian industry exporting sector. Based on current ABARE projections, wine exports have the capacity to rank in Australia's top ten export industries within 2 years.

Between 1997 and 2002, growth in manufacturing exports had been running at about 5% per annum. "Excluding wine and cars, exports of all other manufactured goods increased about 2% a year" (John Kavanagh, BRW, 20 March 2003, page 60). Along with the motor vehicle industry, the wine industry is one of the few manufacturing industries contributing to export growth.

Because the industry is concentrated around the regions where grapes are grown, the vast majority of the \$2.1B annual exports is generated in the regions and reinvested in the regions where the industry is prominent.

Export growth has been the main driver of industry growth and industry regional development over the last decade. Due to Australia's export growth the industry has expanded by 100,000 hectares and 890 new wineries in the last decade.

## ***Employment***

Between 1996 and 2001, direct employment in the wine industry increased by a substantial 14,300 jobs, or 91%.

### **Employment in wine manufacturing and grapegrowing: 1996-2001**

<b>State</b>	<b>1996</b>	<b>2001</b>	<b>Change</b>
South Australia	6,383	11,960	87%
Victoria	4,356	7,724	77%
New South Wales	3,049	5,825	91%
Western Australia	1,438	3,228	124%
Tasmania	232	450	94%
Queensland	246	806	228%
<b>Australia*</b>	<b>15,743</b>	<b>30,109</b>	<b>91%</b>

\*Includes ACT and NT. Source: ABS Census 1991, 1996

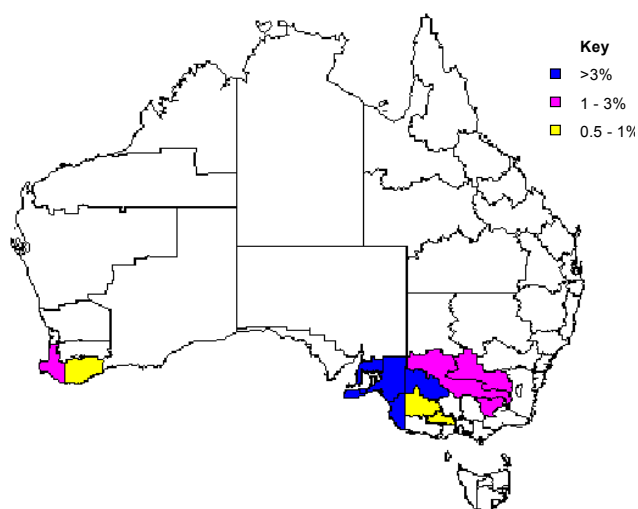
As well as 30,000 employees in regions, the wine industry also contributes to regional employment indirectly via its purchase of inputs into the business such as irrigation, seasonal labour, purchase of farm machinery and so on.

In a September 2001 report to the Winemakers' Federation of Australia, the Bureau of Rural Sciences (BRS) concluded that:

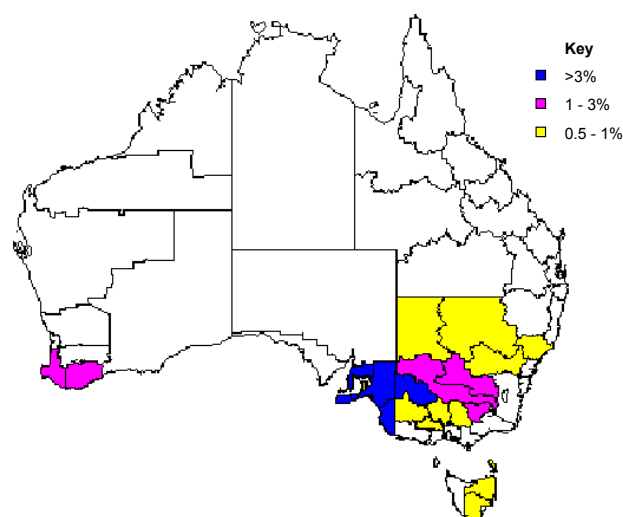
“Nationally, labour force participation rates in wine-producing (regions) are at, or above, the Australian non-metropolitan averages (58.2%) indicating good to strong levels of employment in these areas.

In wine regions throughout Australia the unemployment rate was at or below the national non-metropolitan average, with several zones and regions demonstrating rates of unemployment of 5 per cent or less – less than half of the national average.”

**Map 1**  
**1996 – Employment in the Grape Growing and Wine Manufacturing Industries**  
**(% of Total Employment)**



**Map 2**  
**2001 – Employment in the Grape Growing and Wine Manufacturing Industries**  
**(% of Total Employment)**



Recent ABS census data (above) confirms the degree to which wine industry employment has grown and, importantly, the growth across a significant number of regional economies.

### *Tourism*

Wine tourism has been identified by virtually every state and territory tourism organisation as an important element of the range of experiences being sought by visitors. Wine related tourism is now making a major contribution to a number of regional communities across all Australian states and the ACT.

There are currently 1,600 wineries in Australia, with almost 1,300 having a cellar door facility – the main tourist drawcard to wineries. A quarter of all wineries now have on-site restaurants or light meal facilities.

## Winery Tourism Infrastructure

	Wineries	Cellar Doors	On-Site Restaurant/Light Meals Served	On-Site Accommodation
QLD	90	80	50	20
NSW	361	294	89	55
ACT	6	4	3	-
VIC	463	390	114	40
TAS	76	63	15	10
SA	395	247	57	25
WA	243	210	66	24
<b>TOTAL</b>	<b>1634</b>	<b>1288</b>	<b>364</b>	<b>174</b>

In 2001-02, the total value of expenditure on wine tourism was approximately \$970M, comprising \$410M in direct expenditure at wineries, and a further \$560 spent by winery visitors elsewhere in the region on food, accommodation and transportation.

During 2002, there were almost 4.4 million visitors to wineries in Australia.

### Winery visitors, 2002

	Domestic <sup>1</sup>	International <sup>2</sup>
QLD	261,000	171,110
NSW	953,000	253,727
ACT	19,000	34,567
VIC	1,021,000	208,966
TAS	89,000	25,359
SA	902,000	116,991
WA	702,000	159,869
NT	5,000	72,480
<b>TOTAL</b>	<b>3,932,000</b>	<b>466,834</b>

<sup>1</sup> Bureau of Tourism Research, National Visitor Survey year ended Dec 2002. Refers to wine visits undertaken by state. If a tourist visits more than one winery in a particular state they are counted only once. Total is not additive due to multiple State visits being counted as a visit in each State.

<sup>2</sup> Bureau of Tourism Research, International Visitor Survey year ended Sep 2002. Refers to state visited by International wine tourist, but is not necessarily where they visited a winery. Total is not additive due to multiple State visits being counted as a visit in each State.

## Conclusion

Notwithstanding the export-driven growth in the industry over the last decade, the punitive level of taxation in Australia has a debilitating effect on the industry's ability to increase sales into the domestic market – which is still the single largest market for Australian wine. Wine taxation has increased six times since its first introduction in 1984. Each threat of a tax increase causes significant industry destabilisation and investment uncertainty.

The wine industry has acknowledged that the commitment in A New Tax System (ANTS) has been met with a Wine Equalisation Tax (WET) of 29%. The WFA does not seek a reduction in the 29% WET rate.

In addressing taxation issues, the impact of those taxation measures on the industry's ability to sustain its investment in regional economies should be a major consideration.

The wine industry has developed into one of Australia's significant regional industries over the last decade, and is on the threshold of continued growth.

Taxation certainty will be a critical industry consideration as its stakeholders contemplate investment and employment decisions over the next few years.

## Contact Information

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## Winemakers' Federation of Australia

The Winemakers' Federation of Australia's Mission Statement is "to develop policies and programmes to increase the net returns to Australia's Winemakers".

Through direct and affiliate membership, the Winemakers' Federation of Australia represents over 95% of Australian wine industry production and over 90% of Australian wineries.

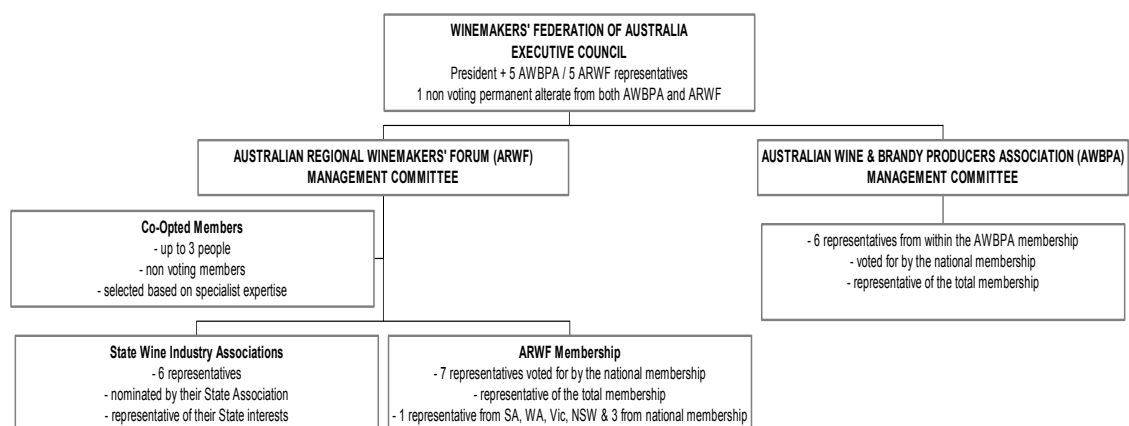
In December 2000, WFA altered its structure to ensure that all state wine industry associations were represented. In doing so, WFA broadened its consultative process on policy development beyond its 400 direct members, to include all wineries in Australia represented by a state association. The combined representation of direct membership and state membership is estimated at 1,200 wineries nationally.

The states now play an integral role in WFA policy and strengthen the grass-roots link between WFA and wineries across Australia.

The WFA structure is presented below:

### WINEMAKERS' FEDERATION OF AUSTRALIA

#### BOARD STRUCTURE



The electoral colleges of WFA each provide 5 members of the Executive Council, with an alternating chairperson.

The Australian Wine and Brandy Producers' Association (AWBPA) focuses attention on larger companies, whilst the Australian Regional Winemakers' Forum (ARWF) represents the interest of smaller and medium sized wineries. The ARWF Committee is comprised of 6 State Industry Association appointees, a further one representative from each of WA, SA, NSW & VIC elected by the National membership, and 3 further representatives from any state elected by the national membership.