



Winemakers' Federation of Australia

For the Industry by the Industry

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The Secretary
Senate Economics Legislation Committee
Suite SG.64, Parliament House
CANBERRA ACT 2600

Re: Inquiry into the provisions of the Customs Amendment (Fuel Tax Reform and Other Measures) Bill 2006 and three related bills

Background

WFA understands that the Committee is to limit its consideration of the bills to reviewing the alcohol taxation measures contained in the bills with respect to their likely consumer, social and economic effects and their effect on industry.

It is further understood that the intent of the bills is to simplify existing practices, especially for government and industry, and to consolidate legislation by repealing Acts such as the *Spirits Act 1906* and *Distillation Act 1901*, rather than to deliver any notable outcomes of a consumer, social or economic nature.

Winemakers' Federation of Australia

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

Through direct and affiliate membership, the Winemakers' Federation of Australia (WFA) represents about 95% of Australian wine industry production and around 85% of Australian wineries. This includes numerous producers of grape and non-grape beverage products, particularly including brandy and mead.

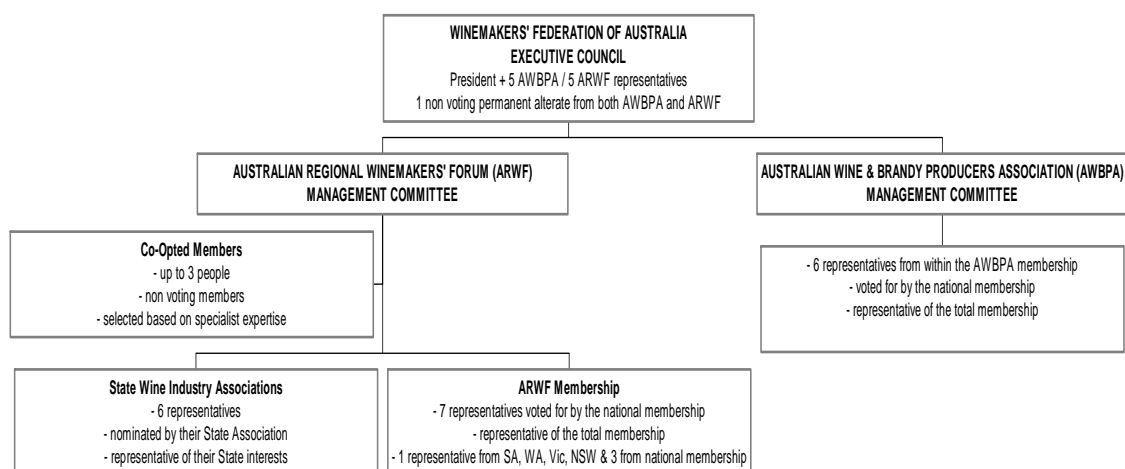
In December 2000, WFA altered its structure to ensure that all state wine industry associations were represented. In doing so, WFA broadened its consultative process on policy development beyond its 420 direct members, to include all wineries in Australia represented by a state association. The combined representation of direct membership and state membership is estimated at 1,370 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 appoint 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 six State Wine Industry Association appointees, one representative from each of Western Australia, South Australia, New South Wales and Victoria elected by the National membership, and three further representatives from any state elected by the national membership.

Specific measures of the bills

Although these bills have minimal impact on the production or sale of grape based wines as generally recognised and defined in government legislation, especially *A New Tax System (Wine Equalisation Tax) Act 1999*, there are a range of specific measures that relate to brandy, grape spirit and wine (including non-grape wine). These include:

- Changing the definition of mead to conform with the definition contained in *A New Tax System (Wine Equalisation Tax) Act 1999*.

- Repealing of overly prescriptive provisions from the Excise Act, Spirits Act and Distillation Act in the amended Excise Act, including the introduction of new streamlined provisions regarding rules for measuring the volume, weight or alcoholic strength of an excisable good.
- Maintenance of the excise duty rate applicable to 'brandy' at a lower rate than that applicable to other excisable spirit beverages.
- Defining of 'brandy' as "a spirit that has been distilled from grape wine so that it tastes and smells like brandy and possesses other characteristics such as colour that are expected of brandy".
- 'Grape wine' is accordingly defined by reference to *A New Tax System (Wine Equalisation Tax) Act 1999*, applying consistency and reinforcing the definition that brandy applies to spirit of grape origin not from other fruits.
- Defining 'wine' to have the same meaning as in *A New Tax System (Wine Equalisation Tax) Act 1999*.
- Provisions that, upon approval, spirits may be used to fortify Australian wine or Australian grape must and, subject to any conditions imposed in the granting of approval, such spirit will attract a free rate of duty.
- Continuation of maturation provisions that brandy, whisky or rum must have "been matured by storage in wood for a period of not less than two years".
- Incorporation from the repealed Spirits Act into the amended Excise Act provisions which make it an offence to use the term 'old' or imply a maturation period of at least five years or use the term 'very old' or imply a maturation period of at least ten years unless the spirit has been "aged in wood" for periods of at least five and ten years respectively.

Consumer, Social, Economic and Industry Effects

Largely, these bills continue existing frameworks and principles as they apply to alcohol taxation measures, but do so in a simplified framework. They offer some administrative efficiencies to both government and industry, without affecting the market dynamics that exist within the highly competitive alcohol beverages sector.

Long established taxation structures around beer and spirits continue within the excise framework provided by these bills. The taxation of wine under the framework of the Wine Equalisation Tax (a continuation in 2000 of the longstanding wholesale sales tax structure) is not a subject of these bills.

Industry is appreciative of the concerns over matters of detail that have been recognised by government in the drafting of these bills. This includes the continuation of maturation and ageing provisions related to brandy, which will maintain longstanding industry practice and will therefore provide consumers with assurances over authenticity of product.

As a result of our consultations with industry, especially with brandy producers, WFA has no immediate concerns with the proposed bills.

Given the proposed changes seek to simplify administration within and between respective alcohol related bills, and do not propose any alterations to excise rates or other tax rates, WFA urges this inquiry to focus on the changes proposed and not to delve into areas of alcohol excise or taxation that are not the subject of change as a result of these amendments.

Furthermore, as taxation of wine is not covered in these bills, and as the directions from the Senate to this Committee are to “limit its consideration of the bills to reviewing the alcohol taxation measures contained in the bills” we take it that the taxation of wine will not be under consideration by this Inquiry.

Alcohol taxation (including wine) has been reviewed on several occasions over the last decade, including a major review culminating in the introduction of the ‘*A New Tax System*’ (ANTS). The uncertainty created by alcohol taxation reviews is destabilising and, in WFA’s opinion, unnecessary given the recent lengthy considerations during the formation of ANTS.

The wine industry is going through its most difficult trading conditions in over two decades, with many in industry making losses and a considerable number faced with exiting the industry. Any consideration of altering taxation measures on wine would be particularly destabilising at present and would distract the industry and producers from their most important task of continuing to grow our \$2.8 billion export market to reduce the current wine and grape surpluses.

WFA is happy to present further information on the difficult trading conditions faced by wine producers, along with responses to any specific issues contained in the bills, if the Committee requires it.

More Information

For more information, please contact:

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