

LATEST DEVELOPMENTS ON THE WET REBATE REFORMS AND EXPORT AND REGIONAL WINE SUPPORT PACKAGE

Dear Industry colleagues

We are writing to update you on the progress of the measures announced by the government concerning WET Rebate changes, the Export and Regional Wine Support Package and the introduction of a \$100,000 recurrent grant scheme. The Winemakers' Federation of Australia and Australian Vignerons and the State grape & wine organisations are working closely with the Government on these issues.

1. WET Rebate reforms

The WET Rebate reforms announced in May 2016 in the Federal budget and modified in December 2016 following the consultations with industry on eligibility provisions and the Cap reduction are scheduled to be introduced in legislation in mid-2017.

These provisions will mean that from 1 July 2018, the rebate will only apply to packaged, branded wine. To be eligible, a wine producer must own at least 85 per cent of the grapes used to make the wine throughout the winemaking process—from crusher through to final packaged product. The wine producer must sell wine packaged in a container not exceeding five litres (51 litres for cider and perry) and branded with a registered trademark (common law trademarks would be allowed where the producer is not legally able to register their trademark) for domestic retail sale. The new eligibility criteria will apply to all wine from the 2018 vintage, irrespective of when the rebate is claimed.

The Government is expected to provide an exposure draft on the legislation in March, which will allow industry the opportunity to comment on the measures. Depending on the availability of legislative drafters, the intention is to introduce the legislation before the end of the financial year, to enable it to be passed in late 2017.

2. Export and Regional Wine Support Package

In the Budget in May 2016, the Australian Government announced that it would provide \$50 million over four years to increase wine exports and grow domestic wine-related tourism through the Export and Regional Wine Support Package (the Package).

Stage 1 of the package is to develop a detailed and costed business plan for Ministerial approval by the end of 2016-17. I would note that this will also include a component for cider and we are seeking engagement with Cider Australia on this. AGWA have engaged JP Van Moort of ACIL Allen as a consultant to develop the Plan. From my observation and knowledge of JP Van Moort he is a good choice and has the skills to develop a good business plan.

To develop the plan Winemakers' Federation of Australia (WFA), Wine Australia (AGWA) and Australian Vignerons (AV) have established the Export and Regional Wine Support Package Reference Group with the objective of providing input to the design and operation of the Business plan working closely with the consultants. Sandy Clark is the Chairman of the Reference Group.

The Reference Group will report to the Boards of WFA, AGWA and AV, who will endorse the final recommendations on the Package to the Minister.

The consultants will work closely with the Reference Group to develop the Business Plan. For contract management purposes, they will report directly to AGWA.

Time line

- 24 January 2017 First Reference Group meeting
- 10 March 2017 Second Reference Group meeting
- 29 March 2017 Third Reference Group meeting
- 28 April 2017 Final business plan to the Minister
- 1 July 2017 Expenditure on the program commences

The Minister has made it clear that she expects AV and WFA to lead this project. She expects us to engage the broader industry (and the cider industry) and gain support for the final package.

Next steps

In order to achieve broad industry involvement, AV and WFA will circulate the draft business plan following the next Reference Group meeting for input. The State organisations have offered to coordinate responses from the Regional Associations, which WFA and AV will then provide to the consultant. We are also seeking to organise a meeting with the consultant and industry in each State following the 10 March Reference Group meeting, to provide direct industry input into the plan. These consultation meetings will be coordinated by WFA with the respective State Grape and Wine Associations.

3. \$100,000 recurrent Grant Scheme

From 2018-19, a wine tourism and cellar door grant program will allow producers who exceed their cap to access a grant of up to \$100,000 for their cellar door sales. The grant will be provided for wine sold direct to consumers (through the cellar door or mail order) once producers have reached the WET rebate cap of \$350,000. The grant may not be claimed against wine which has already been claimed against a producer's \$350,000 cap. The program will be capped at \$10 million per year.

The Government is currently developing eligibility criteria and we expect that there will be a public consultation on this in March. Following the consultation we expect legislation to be drafted and implemented in late 2017.

From our discussions with government we expect that the Grant will be linked to investment in the regions, possibly through a physical cellar door asset. It will only become available following the reaching of the WET rebate cap by a producer.

WFA is meeting with the relevant government departments on 24 February to discuss this program and will be able to provide an update following this meeting.

Next steps

As soon as we have more detail on the content of the business plan for the Export and Regional Wine Support Package, the cellar door top-up and the legislation we will circulate that information to allow comment back to the consultant.

Please do not hesitate to contact Andrew Weeks (0403 520 242) or Tony Battaglone (0413 014 807) to discuss any aspect of these issues.

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