

WINE TASMANIA



**WINE TASMANIA SUBMISSION
TO THE
TASMANIAN SHIPPING INQUIRY**

February 2014

Submitted to:

Tasmanian Shipping Inquiry
Productivity Commission
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Introduction

The Tasmanian wine sector is an important contributor to trade and the Tasmanian economy, regional employment, tourism and the overall Tasmanian brand.

Tasmania is one of Australia's strongest wine regions, with demand for its premium cool climate wines currently outstripping supply, widespread global recognition of Tasmania's wine quality, and some of the highest prices in the country being achieved for Tasmania's wines and winegrapes.

Importantly, this reputation has also led to a number of recent significant investments in Tasmania's wine sector, at a time when there is little investment in wine assets nationally. Not only are existing Tasmanian wine producers expanding their investment through new vineyard area and infrastructure, many new investors have entered the Tasmanian wine sector in recent years.

The Tasmanian wine sector has been recognised by both the Tasmanian and Australian Governments¹² as having significant potential to continue and grow its contribution to the overall Tasmanian economy and reputation.

There has been insufficient time provided through this Inquiry to allow Wine Tasmania to undertake detailed consultation with its wine producer members. This submission, therefore, aims to provide further details on the shape and size of the Tasmanian wine sector, to comment briefly on impacts to off-island wine sales and wine tourism and to highlight concerns about the proposal to terminate the Tasmanian Freight Equalisation Scheme on southbound goods.

Wine Tasmania would be pleased to provide more information on the impact of freight and potential changes to freight support, with the benefit of some additional time to consult with Tasmanian wine producers.

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http://www.development.tas.gov.au/economic/economic_development_plan/achieving_our_vision/sector_development/sector_strategies/food_and_agriculture/wine

² <http://myregion.gov.au/news/iga-rollout-delivers-more-jobs-tasmania>,
<http://www.regional.gov.au/regional/tasmania/index.aspx>

Wine Tasmania Overview

Wine Tasmania is the peak representative body for Tasmanian grape growers and winemakers, working to assist them to be recognised as world leaders in the sustainable production of premium cool climate wine.

Established in 2006 as a public company limited by guarantee, the Wine Tasmania Board is skills based and is chaired by independent director Graeme Lynch. Other directors are Will Adkins (Brown Brothers Tasmania), Keryn Nylander (independent), Rebecca Duffy (Holm Oak), Nick Glaetzer (Glaetzer-Dixon), Natasha Nieuwhof (Goaty Hill) and Scott Dawkins (Deloitte - independent).

Wine Tasmania represents more than 98% of Tasmanian wine production, with around 100 state-wide producer members and 40 associated member businesses. All activities undertaken by the industry body are designed to generate value for our members. Wine Tasmania's Strategic Plan further outlines details of our role and is available at www.winetasmania.com.au.

Tasmanian Wine Sector

Tasmania has 160 individual licensed wine producers throughout the state. There are some 230 vineyards covering around 1,500 hectares, with grapes processed through 32 winery facilities.

The Tasmanian wine sector is increasingly being recognised, applauded and purchased around the world for the quality of its wines. Whilst Tasmania's total wine production represents less than 1% of total national wine grape production, some 93% of Australian wine produced is valued at below \$15 per bottle retail³. Australian wine retailing above \$15 per bottle represents just 7% of volume, but 28% of value. All Tasmanian wine produced is premium quality and retails above \$15 per bottle. Tasmania's share of this premium Australian wine segment is approximately 10% by volume.

Within Australia, the value of Tasmanian wine sales is growing at 11.1% compared with the total Australian bottled market, which is growing at 5.9%, whilst Tasmanian white wines are growing at 24.7% compared to total category growth of 6.7%⁴. Tasmanian winegrapes received the highest average pricing for Pinot Noir, Chardonnay, Riesling and Sauvignon Blanc in Australia in 2013⁵.

Due to this strong performance, contradicting the experience of the majority of the Australian mainland wine regions, significant investment in the Tasmanian wine sector has taken place in recent years.

In 2010, Brown Brothers made its first investment outside its home state of Victoria through the purchase of the Tamar Ridge Wine Estate assets from Gunns Ltd. This investment was followed by Adelaide Hills producer, Shaw + Smith, purchasing the established Tolpuddle Vineyard in Tasmania's south, Hill Smith Family Vineyard's purchase of an approximate 50 hectare vineyard from Frogmore Creek Wines, which has subsequently been doubled in vineyard area through new plantings, and the purchase of the 60 hectare White Hills vineyard in the state's north by Treasury Wine Estates. In addition to this external investment, many Tasmanian-based wine producers are expanding their production and processing capacity.

This investment has been supported by collaborative efforts of Wine Tasmania and the Tasmanian Government, with a targeted investment program to highlight the benefits of the local wine sector. This contributed to Tasmania being named as one of the top ten places to invest in vineyards by well-respected UK publication, The Drinks Business in 2012⁶.

³ Reference: Winemakers' Federation of Australia Expert Report, October 2013 - <http://wfa.org.au/assets/noticeboard/Expert-Review-Report.pdf>

⁴ Nielson Scan Data

⁵ Wine Australia - Winegrape Dispersion Report 2013

⁶ <http://www.thedrinksbusiness.com/2012/04/top-10-vineyard-investment-regions/3/>

Key Statistics

- 1,200 full time equivalent positions
- 160 licensed wine producers
- 200+ vineyards covering 1,500 hectares
- 90 cellar door outlets, with 150,000 visitors - 15% of all visitors (2013)
- Key varieties - Pinot Noir 43%, Chardonnay 25%, Sauvignon Blanc 11%, Riesling 9%, Pinot Gris 7%
- Sales percentages (approximate) - Tasmanian 45%, mainland Australia 47%, export 8%
- Highest pricing for Pinot Noir, Chardonnay, Riesling and Sauvignon Blanc in Australia
- More than 6% share of Australia's on-premise wine listings
- The value per litre of Tasmania's export wine sales is quadruple the national average

Freight Impact on the Tasmanian Wine Sector

The impact of freight, and considerations to changing the Tasmanian Freight Equalisation Scheme (TFES) and the Bass Strait Passenger Vehicle Equalisation Scheme (BSPVES), cover two key areas relevant to the Tasmanian wine sector:

1. Investment in the Tasmanian wine sector
2. Wine tourism

1. Investment in the Tasmanian wine sector

The Tasmanian wine sector has seen significant investment in recent years, both by external investors and by existing Tasmanian-based wine businesses.

The focus of Wine Tasmania and the Tasmanian Government's activities to encourage external investment promote Tasmania's advantages, such as wine quality and growing conditions, biosecurity, water access, research and extension collaboration, a clear strategic plan, unified wine sector, collaborative marketing activities, tourism linkages and government support and cooperation.

These investment attraction activities also need to address any disadvantages, with freight seen as a major disadvantage in terms of both southbound and northbound requirements.

A key southbound shipment includes wine bottles, which are not currently manufactured in Tasmania, whilst northbound shipments include finished wine for sale within the Australian mainland and export markets.

Wine Tasmania is concerned that any disadvantage in either southbound or northbound freight would encourage investors to either invest elsewhere or to setup downstream processing on the Australian mainland, rather than in Tasmania. This would result in significant losses for the Tasmanian economy.

If the proposal was to remove the TFES applying to southbound freight, Wine Tasmania believes this would encourage processing to take place outside Tasmania, thereby reducing the economic benefit to the state.

In addition to deterring new investors, this would also negatively impact existing Tasmanian wine businesses currently undertaking processing and packaging on-island. Of key concern to Wine

Tasmania, is the effect of eroding their competitiveness with other Australian wine producers / processors, encouraging them to relocate these facilities and the resultant employment.

Whilst Wine Tasmania supports an extension of the TFES to include exports, it does not propose that this is at the expense of southbound freight support.

As one of the Productivity Commission's stated objectives is to "*Examine the competitiveness of Tasmania's freight industry, economic infrastructure and possible reforms that would assist in **enhancing effective competition, investment and productivity growth***", Wine Tasmania would assert that removal of the southbound TFES would deter investment, particularly in wine processing and packaging.

2. Tourism

Of Tasmania's 160 licensed wine producers, more than 100 only sell their wine within Tasmania, representing just under half of Tasmanian wine produced. Wine tourism and sales through cellar doors is therefore critical to these producers.

Tourism Tasmania research indicates that food and wine / beverages is amongst the top motivations for tourists visiting the island⁷. Tourism visitor statistics indicate that some 15% of all tourists visited a cellar door / vineyard during their stay in 2012/13, around 160,000 people⁸.

Tourism Australia has also undertaken research which has identified that 'great food, wine, and local cuisine' is now a major factor influencing holiday decision making (at 38%), ranking third and ahead of world class beauty and natural environments (37%)⁹.

In response to this research, Tourism Australia has launched the Restaurant Australia initiative, in which Tasmania will participate, to encourage visitation focused on outstanding food and wine experiences.

In order to maximise impacts of the Tourism Australia and Tasmania activities to promote food and wine tourism, visitor access is critical. The Tourism Tasmania visitor statistics indicate that visitors arriving by sea spend more time and more money in Tasmania than those arriving by air¹⁰.

⁷ http://www.tourismtasmania.com.au/_data/assets/pdf_file/0009/47178/motivations.pdf

⁸ <http://www.tourismtasmania.com.au/research/tvs>

⁹ <http://www.tourism.australia.com/campaigns/tnla/9937.aspx>

¹⁰ <http://www.tourismtasmania.com.au/research/tvs>

With the majority of Tasmanian wine producers selling their wines within Tasmania, including about half through cellar doors, encouraging visitation by sea and with vehicles is seen as critical. The BSPVES is seen as an important aspect in continuing to encourage visitation by those who spend more time and more money within Tasmania, including at cellar doors.

Further Information

Wine Tasmania would be pleased to provide further input to the Productivity Commission's deliberations, including broader consultation with Tasmanian wine producers.