



AUSTRALIA'S SOUTH WEST

AUSTRALIA'S SOUTH WEST RESPONSE TO WET REBATE: TIGHTENED ELIGIBILITY IMPLEMENTATION PAPER

Australia's South West Inc. (ASW) is the peak tourism body for the south west region of Western Australia, stretching from the Shire of Harvey to the Shire of Jerramungup. Our primary role is to stimulate visitation to the South West Region.

The WET Rebate Implementation Paper released by the Federal Government on 2nd September confirms the Government's failure to recognise the importance of the wine industry to rural and regional communities and the significant damage that will be caused to small wine producers, their communities, and tourism opportunities in those communities by the proposed changes to the WET Rebate.

In the 2016 Budget, the Government announced two major changes to the WET Rebate system that will hurt small wine producers and their communities. It plans to:

- Reduce the WET Rebate cap from \$500,000 to \$290,000 over two years
- Change the eligibility criteria so that only producers that own an interest in a winery can claim the rebate

Both changes fail to recognise the valid reasons why the WET Rebate was introduced in 1999, and demonstrate a fundamental lack of understanding of how the wine industry operates and the importance of maintaining the support to small wine producers and their communities that the rebate provides.

The second change will disqualify many small producers in the South West from claiming the rebate at all and lead to an almost certain reduction in the number of producers and cellar doors in the region.

The WA wine industry is located in 9 premium wine growing regions. More than 90% of production is located in the state's South West, the area for which Australia's South West carries a mandate to develop and support tourism services.

These producers are predominantly small, family owned businesses, focusing on premium wine. In 2015, nearly 90% of WA producers processed less than 500 tonnes of fruit, and nearly 70% processed less than 100 tonnes of fruit.

A significant proportion of sales are based on cellar door/wine tourism activities and direct to consumer sales. These activities form an integral part of the regional economies in which they are located and employ a significant number of people in those cellar door and tourism-related capacities.

Tourism is the largest industry in WA, and employs 94,000 people with over 7,000 of those in the south west of WA. Tourism in WA is set to generate over \$8.5 billion in 2016, with an aim to reach \$12.4 billion by 2020 (source: Tourism WA).

In the Margaret River Region alone, the Margaret River Busselton Tourism Association (MRBTA) is focused on increasing visitation from 1.164 million overnight visitors and \$521 million spend in 2013, to 1.63 million visitors and \$729 million spend by 2020, a growth of 40%.

In June 2016 the MRBTA stated:

The wine industry is the cornerstone of tourism in the Margaret River Region, and continues to be the key focus in our destination marketing strategies ... the impact [of reduction in the rebate] to our local industry will result in reduced cash flow, potential job losses and, in some cases, the closure of some smaller operations all of which would be detrimental to both tourism industry, and the local economy

This is consistent with, and a microcosm of, the importance of the wine industry in other regional tourism destinations in the south west of WA and in other regional tourism destinations throughout Australia that include wine producing areas.

At a national level, WA's south west region was ranked twelfth in Australia in terms of tourism expenditure in 2013-14 (source: Austrade). Tourism Australia has developed a food and wine strategy built around the concept of "Restaurant Australia" that seeks to capitalise on gourmet tourism and is underpinned by the quality and diversity of premium Australian food and wine, and will be a major feature of its global marketing campaigns.

A May 2014 survey conducted by Tourism WA confirmed that good food, wine, local cuisine and produce was the fourth most influential factor when choosing a holiday destination, with almost two thirds of visitors regarding this factor as important.

The wine industry in the South West is made up of the type of businesses that the WET Rebate was intended to support – smaller regionally based producers who are the owners of the brands under which their production is sold. These businesses form an integral part of the regional economies in which they are based, generating significant employment and economic activity and supporting the local tourism industries.

ASW makes three proposals to restore the intent and integrity of the WET Rebate system and support smaller scale wine production and the allied tourism activities in Australia's South West:

- Eliminate the rebate for bulk and unbranded wine by limiting the rebate to packaged, branded wine which is for sale to domestic customers – this element is supported by both the Government and the wine industry
- Expand the existing eligibility criteria to provide that a producer must maintain ownership and control of the grapes from which wine is made from the crusher to the finished bottled and branded product – the Government's proposal that a producer must own an interest in a winery does not recognise the many legitimate business models used by smaller wine producers
- Maintain the overall rebate of \$500,000 but refocus it so that the full amount is only available on cellar door or direct sales, and introduce a limit within the cap on the rebate available for wholesale sales at \$350,000, transitioned in over four years – the Government's proposed reduction in the cap for legitimate producers will damage their viability and their ability to invest in their businesses

ASW urges the Government to focus on integrity measures that do not prejudice the sustainability of regional wine communities and the visitation and tourism businesses that those producers support through cellar door activities.

CONTACT:

Catrin Allsop
A/Chief Executive Officer
Australia's South West Inc.
Regional Tourism Organisation

Location Address: Level 1, Dolphin Discovery Centre, Lot 830 Koombana Drive, Bunbury.

Postal Address: PO Box 252, Bunbury, Western Australia 6231.

Phone: (08) 9791 9197

Email: ceo@australiassouthwest.com



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