

11 April 2017

Senator the Hon Anne Ruston
Assistant Minister for Agriculture and Water Resources
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Senate
Parliament House
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Dear Minister

Thank you for the opportunity to provide comment on the eligibility criteria and assessment process for the Wine Tourism and Cellar Door Grant. We are pleased the Government has moved quickly to commence consultation on the grant details.

We note that the Department is consulting further through an industry survey. Pending the information provided from the survey, we offer the following interim comments and raise issues that have been identified by our members.

We would be grateful for an opportunity to provide you with final industry comments on the grant following discussion and analysis of the industry survey results.

Grant Objective

WFA supports the objective of the grant focussed on regional tourism and cellar door operations.

We note that the legislation implementing the WET reforms, including revised eligibility, will be central to establishing eligibility for this grant and we are supportive of that clear linkage. We are currently examining the draft legislation and will provide separate comments by 28 April 2017.

Principle of 'Proportionality'

We acknowledge that currently the grant is capped at \$10 million per year, noting that this excludes administration costs, which will be absorbed by AGWA.

The impact of this cap is uncertainty in investment planning and a negative impact on cash flow. Producers eligible for the grant will have an immediate reduction in the WET rebate to \$350,000, but are not able to access the grant until December of the following financial year. In many cases, the rebate cap and required cellar door/on-line sales may be reached before the end of the relevant financial year, thereby leaving a longer lag time until the grant is received.

Concerns about the impact on cash flow are also compounded by the uncertainty in relation to the final amount of grant funds they will receive. Members have noted that the WET reduction is immediate and the benefit of the grant – to enable businesses to continue to invest in their cellar doors and regions – is diminished due to the negative impact on cash flow.

We would welcome further discussions on options that could alleviate these impacts. One option may be to provide provisional approval for the applicant (based on eligibility criteria excluding sales data) within the first quarter of the relevant financial year. Once the \$350,000 cap is exceeded during that financial year, the approved applicant could then make quarterly claims (administered by AGWA) for that financial year with the final payment reduced, if necessary, to take account of the proportionality principle.

We also note that some members have expressed an interest in administering these funds through the BAS system as opposed to a grant. We are aware that the Department of the Treasury has advised this is not possible but request confirmation of this point and would be grateful for further explanation of that position.

We would like to discuss the various payment options further.

Eligibility criteria

- *have made at least \$1,207,000 in rebatable domestic wholesale sales of wine in the relevant financial year; and*

We note that the Department has clarified by email that the intent of this criterion is to include wholesale sales as well as rebatable cellar door and on-line sales to reach the \$1,207,000 threshold. This will need to be made clear in the final guidelines.

- *accrue rebatable domestic cellar door sales in excess of any such rebatable sales used to meet the \$1,207,000 threshold in the relevant financial year; and*

We support the concept that rebatable domestic sales at the cellar door, on-line and mail order should be used to make up the sales to establish the amount of the grant up to the \$100,000 maximum.

- *be eligible for the WET rebate on all sales used as part of the application; and*

We support the general concept that WET eligible sales are used to establish eligibility for this grant. Our comments regarding the definition of WET eligible sales will be included in our submission on the draft WET legislation.

- *have owned or leased a physical cellar door in Australia in the relevant financial year.*

We generally support this criterion but would like to further consider and discuss the level of prescription in its definition.

Owned or leased

We would like to have further discussions on whether it is necessary to establish a 40 per cent interest or whether proof of some ownership and interest, given the previous sales eligibility criteria, would be sufficient.

Physical cellar door

WFA supports the general definition of a 'physical cellar door', including the proposed requirement of 50 kilometre radius and averaged 20 hours per week opening times. However, we would like to see the results of the industry survey to determine whether this will unfairly exclude genuine winemaking businesses with cellar doors outside this radius.

An alternative may be to consider whether the location of the cellar door is a required eligibility criterion at all, given that the amount of the grant is not enough financial incentive to distort decision-making about cellar door investments. There may also be regional tourism benefits when a cellar door, located outside a region, also promotes that region for future tourism activities.

It would be helpful if the definition could also make clear how it will treat new cellar doors which are opened during a particular financial year. New cellar doors which may not have been opened for the entire financial year should not be disadvantaged if they meet the rebatable sales requirements and a pro-rata for average opening times. One of the outcomes of this grant should encourage the opening of new cellar doors, increasing the diversity of experience for visitors.

50% funding split (cellar door/on-line)

We would like to examine the industry survey results to determine if the 50 per cent requirement is a necessary criterion, or whether demonstration of total domestic sales excluding wholesale will be sufficient to establish eligibility.

Removal of the 50 per cent requirement would significantly simplify reduce red tape for winemaking businesses as well as AGWA's administration.

If the 50 per cent requirement remains, the eligibility criterion needs to be very clear that these rebatable domestic sales need to be identified in two distinct groups 1) direct at cellar door and 2) mail order/on-line, and explanations about how those sales will be determined.

Our members have identified the following scenarios. When visitors buy wine at a cellar door, but have it delivered to their homes, this should constitute a cellar door sale (rather than mail order). In addition, customers will often ring the cellar door to order and purchase wine. Given the cellar door staff are used to take the order and process the payment, will this be classified as a cellar door sale?

In summary, the large majority of people who purchase wine through on-line or mail order clubs have visited cellar doors and want to continue to support the businesses because of that experience. These future on-line/mail order sales have been generated by the cellar door operations.

We would be happy to further discuss these definitions in the light of the industry survey results, to get a better understanding of how it might work against genuine cellar door operators who have been successful in generating ongoing income from their cellar doors through their club and loyalty programs (which also encourages repeat cellar door visits). There is already an eligibility requirement for a physical cellar door and required operating hours. If the 50% requirement was removed, the administration of the grant would be significantly simplified with applicants only required to identify total sales at the cellar door, on-line and mail order without having to make day-to-day decisions about different sales scenarios.

We look forward to receiving the results of the industry survey and in further discussions to finalise the detail of this grant.

Yours sincerely



Tony Battaglione
Chief Executive