11 September 2015

Mr Russell Campbell
General Manager
Small Business Tax Division
The Treasury
Langton Crescent
PARKES ACT 2600
wineequalisationtax@treasury.gov.au

Dear Mr Campbell

Cider Australia appreciates the opportunity to comment on the Wine Equalisation Tax (WET) Rebate Discussion Paper.

Cider Australia represents the interests of the cider and perry (pear cider) industry in Australia. We have more than 60 member organisations including cider makers, Australian agricultural producers, manufacturers and distributors. Our primary concern is to build a sustainable category through maintaining and improving the quality of ciders produced and marketed in Australia.

The WET rebate is crucial to the viability of the domestic cider industry and the growers and local communities it support. Significant changes to the rebate scheme could destabilise the cider category which relies on the quality, diversity and innovation brought about by smaller producers, and extinguish the emerging opportunities for exporting cider.

Cider Australia supports reforms to the WET rebate to close loopholes in line with its original policy intent. Cider Australia's position is generally in line with that of the Winemakers' Federation of Australia and Wine Grape Growers Australia. Cider Australia's responses to the specific questions in the Discussion Paper are *attached*.

It would be unfair to reduce support for smaller cider producers through abolition or reduction of the WET rebate when inadequate and poorly enforced labelling laws prevent the same producers from competing on a level playing field with larger producers. Addressing this market failure by including cider in the proposed new mandatory Country of Origin Labelling system and strengthening the Australia New Zealand Food Standards Code definition of cider is a necessary prerequisite to any major reforms to the WET rebate scheme.

Please do not hesitate to contact me on 0434 734 797 or president@cideraustralia.org.au if you require any additional information.

Yours sincerely

S B Reid

Sam Reid
President

ATTACHMENT: CIDER AUSTRALIA'S RESPONSE TO WET REBATE DISCUSSION PAPER QUESTIONS

Question	Cider Australia comment
1. Is the WET rebate delivering benefits to the wine industry and/or contributing to distortions in the wine industry? How?	- Yes, the rebate is delivering benefits to small independent producers in regions. - Yes, in some circumstances the rebate is contributing to distortions in the wine industry by subsidising uneconomic production and reducing prices.
2. Is the future sustainability of the Australian wine industry linked to the production of high quality wine? How?	- Yes, high quality wine with effective regional/country of origin labelling will build strong brands that consumers identify with. This is needed to compete globally. - Current labelling requirements for cider are inadequate and threaten the sustainability of the cider category.
3. Is there a policy case to be made for the WET rebate continuing to operate in its current form?	- Yes, particularly for cider as it is a burgeoning category that relies on the quality, diversity and innovation brought about by smaller producers to continue to develop and mature.
4. How could the WET rebate be redesigned to better support the wine industry?	- Refer to WFA Submission - Cider Australia notes in relation to WFA's proposed definition of rebatable wine, that for cider and perry, the capacity of a single container should not exceed 51 litres at the time of the dealing (rather than the 5 litres proposed by WFA). The reason is that it is a common and highly efficient practice within the cider industry to sell branded cider in 30L and 50L kegs. In terms of efficiency and sustainability, packaging in glass bottles costs up to 3 times more than reusable kegs. Furthermore, packaging cider and perry in kegs does not indicate a lower quality product. On this basis, it is important that the definition of rebatable cider and perry include branded products sold in 30L and 50L kegs.
5. Should the purpose of the WET rebate be to support rural and regional winemakers only? How could this be achieved?	- Agree in principle. Note this objective would be very difficult to achieve. - Refer to WFA Submission

6. What other policy goals should the WET rebate pursue? Why?	- Refer to WFA Submission
7. Should the WET rebate be abolished? Why?	- No, the WET rebate still meets its key objective and is supporting small producers and, in turn, rural & regional communities.
8. If the WET rebate was removed, what would be the likely effects for the wine industry?	- The cider category could lose all of the smaller independent producers and become a generic category with only large scale foreign owned corporations with the economies of scale with cost structures required to compete.
9. Should the WET rebate be replaced with a grant scheme that would phase out over a defined period of time? Why/not?	- No, this would be difficult to administer and would add significant compliance and administration costs for government and producers. The relative burden of any change would greatest on the smaller start-up producers. - Refer to WFA Submission
10. Over what period of time should the grant phase out? What transitional arrangements should apply?	- Any phasing out of industry support should be over a minimum of 10 years. This is the minimum time required for apple plantation investments to break-even.
11. Are there other ways that the wine industry could be supported to restructure? What are they?	- Refer to WFA Submission - Level the playing field for small and medium producers by strengthening the integrity of cider labelling laws in Australia. This can be achieved by including cider in the new mandatory country of origin food labelling system and by updating the Australia New Zealand Food Standards Code definition of cider to include a minimum juice content requirement.
12. Should eligibility to the WET rebate be restricted by excluding bulk, unpackaged and unbranded wine?	- Refer to WFA Submission - Cider Australia notes in relation to 'bulk' sales that it is common practice within the cider industry to sell branded cider (intended for retail sale) in 30L and 50L kegs. In terms of efficiency and sustainability, packaging in glass bottles is much less efficient and costs up to 3 times more than

	reusable kegs. Furthermore, packaging in kegs does not indicate a lower quality product. On this basis, it is important that the definition of 'rebatable wine' include branded products sold in 30L and 50L kegs.
13. Should the definition of 'producer of wine' be amended to restrict claims for the rebate?	- Refer to WFA Submission, noting the qualification above in relation to the maximum size of containers of cider and perry.
14. Should the WET rebate only be allowed for wine on which WET has been paid? Why?	- Agree in principle, but note it is unclear how this could be implemented without introducing excessive compliance costs for all parties.
15. If the cap was reduced, what should the maximum WET rebate be?	- Refer to WFA Submission
16. If the rebate was only available for a proportion of the WET, what should that proportion be?	- Refer to WFA Submission - This proposal is nonsensical is it would have the greatest impact on smaller producers and start-ups.
17. Should New Zealand producers' access to the rebate be changed? If so, how?	- Refer to WFA Submission
18. Should the WET rebate be replaced by a small rebate for independent Australian alcohol producers such as wineries, distilleries and breweries?	- No, but Cider Australia believes that small producers in other categories should also have access to a rebate reflecting the challenges of starting and running a small business.
19. Would any significant changes to the rebate require transitional arrangements to help the wine industry restructure? How should transitional arrangements be designed?	- Refer to WFA Submission