

1994

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

WINE GRAPES LEVY AMENDMENT BILL 1994

EXPLANATORY MEMORANDUM

(Circulated by authority of the Minister for Primary
Industries and Energy,
Senator the Hon Bob Collins)



WINE GRAPES LEVY AMENDMENT BILL 1994OUTLINE

1. The purpose of this Bill is to introduce efficiency and consistency into the process of changing the rate of levies charged under the Wine Grapes Levy Act 1979 (as amended) ('the Act'). In addition, the exemption that applied to winemakers processing less than 10 tonnes of fresh grapes (including its equivalent in dried grapes and grape juice) will end. The proposed amendments also impose a maximum limit on the amount of levy that may be charged to support marketing, while raising the present limit of the component dedicated to research.
2. The Act imposes a levy on producers, part of which (the 'marketing component') funds the operations of the Australian Wine and Brandy Corporation (the Corporation). The Corporation's statutory responsibilities include wine promotion, administering the wine Label Integrity Program, export control and determining Australia's geographical indications for use in describing and presenting wine.
3. The remainder of the levy (the 'research component') supports the operations of the Grape and Wine Research and Development Corporation (the R&D Corporation). The R&D Corporation has the statutory responsibility to co-ordinate and fund research and development undertaken on behalf of the grape and wine industry. The Government provides matching funding for research and development expenditure on a dollar for dollar basis.
4. Subsection 6(1) of the Act specifies a complex range of rates for the marketing component of the levy, while the rate for the research component, like most horticultural levies and charges, is set out in Regulations. The Bill will amend the Act to provide that the levy rates for the marketing component will also be set by Regulations.
5. The power for the Governor-General to approve Regulations is specified in Subsection 9(1) of the Act. The Section specifies that the Governor-General must take into account any recommendation from the Corporation on matters relating to the marketing component, if the issue has been discussed at the Corporation's annual general meeting. Similarly, the Governor-General must take into account recommendations from a declared winemakers association (currently the Winemakers' Federation of Australia) in considering regulations relating to the research component.
6. Subsection 8(1) of the Act exempts producers who process less than 10 tonnes of fresh grapes (including its equivalent in dried grapes and grape juice) at a winery from levy. The Subsection is to be deleted. It is intended that small winemakers will pay a flat fee as the marketing component of the levy. They will then be entitled to attend, debate and vote at annual general meetings of the Corporation.

7. The current legislation does not specify a maximum limit for the marketing component. The Bill provides that the total of the marketing component not exceed 0.5% of the gross value of production of the industry (GVP) (as determined by the Minister) and also permits the Regulations to specify an approved method of calculating the GVP. Current estimates set the marketing component levy collections at less than 0.1% of GVP.

8. The Act prescribes a maximum rate of levy for the research component of \$2 per tonne of grapes. It is proposed to raise this ceiling to \$3 per tonne. At present, the actual levy rate prescribed by the Regulations is \$1.90 per tonne and allows little flexibility should winemakers wish to increase their funding of research and development.

FINANCIAL IMPACT STATEMENT

9. The proposed amendments increase the ceiling on the research component of the levy which is levied on producers. As the Government is committed to matching research outlays on a dollar-for-dollar basis, Commonwealth expenditure may rise higher than previously permitted under the Act. However, the provisions of the *Primary Industries and Energy Research and Development Act 1989* place a ceiling on the extent of Commonwealth expenditure. The Bill itself has no direct financial impact. Any staffing increases necessitated for the Department of Primary Industries and Energy, which has statutory responsibility for collecting the wine grapes levy, will be charged to the industry under the Levies Management Unit's full cost recovery policy.

NOTES ON INDIVIDUAL CLAUSESClause 1. - Short title etc.

10. The short title of the Act is given and the Wine Grapes Levy Act is named as the Principal Act.

Clause 2. - Commencement

11. The Act takes effect on the day it receives Royal Assent.

Clause 3. - Rate of levy

12. Subsection 6(1) of the Principal Act is replaced. The new subsection omits specific rates for the marketing component and states that the rates applying to the marketing component and the research component are to be set by regulation.

13. Subsection 6(2) is amended to permit the maximum rate of levy for the research component to be raised from \$2 to \$3 per tonne.

14. New Subsections 6(3) and 6(4) are added to limit the maximum total marketing component to be 0.5% of the gross value of production (GVP) of the industry. The Minister is to determine the GVP and the regulations may specify how GVP is to be calculated.

Clause 4. - Exemption from levy

15. Subsection 8(1) of the levy is omitted. As a result, there is no minimum leviable amount of product that winemakers may process below which they are exempt from levy.

Clause 5. - Regulations

16. Section 9 deals with the regulatory powers of the Governor-General and the matters he must take into account when making regulations is amended to take into account the changes to the numbering of Section 6 of the Act.