

14 November 2002

Mr RJ Bunch
Clerk of the Committee
Primary Production Select Committee
Parliament House
WELLINGTON, 1.

Dear Sir,

Re: THE WINE BILL - SUBMISSION ON PART 5

Enclosed please find the submission of New Zealand Winegrowers on Part 5 of the Wine Bill. As previously advised we wish to appear before the Committee to make an oral presentation in support of this submission.

If there are any queries concerning this submission please contact the undersigned at your convenience.

Yours faithfully
NEW ZELAND WINEGROWERS

Philip Gregan
CHIEF EXECUTIVE OFFICER

Submission on the Wine Bill, Part 5

New Zealand Winegrowers

14 November 2002

□ About Us

- 1.1. New Zealand Winegrowers (Winegrowers) is the joint venture body established by the New Zealand Grape Growers Council Inc¹ and the Wine Institute of New Zealand Inc² to represent, research and promote the interests of New Zealand grape growers and winemakers.
- 1.2. Winegrowers commenced operations on 1 March 2002. We have over 400 winery and 800 grower members.
- 1.3. This submission is also the submission of the New Zealand Grape Growers Council and the Wine Institute of New Zealand Inc.

□ The New Zealand Grape and Wine Industry

- 2.1. The New Zealand grape and wine industry is still relatively small comprising over 1,200 individual business enterprises throughout New Zealand. The industry is concentrated in a number of regions principally Marlborough, Hawkes Bay, and Gisborne, while the industry is also growing rapidly in Northland, Auckland, Wairarapa, Nelson, Waikato/Bay of Plenty, Canterbury/Waipara and Central Otago.
- 2.2. The total producing vineyard area in 2003 will be approximately 15,000 hectares. This is expected to rise to circa. 20,000 hectares by 2006.
- 2.3. Total grape production in 2002 was 118,700 tonnes, valued at around \$200 million. Grape production is expected to rise to nearly 200,000 tonnes by 2006.
- 2.4. Total sales of New Zealand wine for the year ended June 2002 were 54.8 million litres,³ valued at around \$550 million. Domestic sales accounted for approximately 31.8 million litres valued at slightly over \$300 million.
- 2.5. Exports of wine were 23.6 million litres valued at \$255.8 million for the year ended 31 August 2002. Exports have grown exponentially in the past decade, being just 4.0 million litres valued at \$18.4 million in 1990. Exports to the European Union (EU) account for over 50% of total wine exports.

¹ NZGGC was established in 1968 to represent independent grape growers

² WINZ was established in 1975 to represent licensed wineries

³ This level was depressed by a small vintage in 2001, which reduced the amount of wine available for sale.

2.6 Exports currently represent 43% of total industry sales. Latest surveys indicate exports growing very rapidly in forthcoming years as increased grape supply makes greater quantities of wine available for export. Surveys project exports will exceed \$730 million by 2006, representing over 60% of total industry sales at that time.

2.7 Wineries in New Zealand are divided into three categories - small, medium and large. At current time there are some 405 wineries (up from just 130 in 1990) of which 3 are classified as large. For the year ended 30 June 2001⁴, large wineries accounted for 64.3% of total New Zealand wine sales, the medium wineries 20.9% and the small wineries 14.8%.

□ Part 5

3.1 Part 5 of the Bill is separate from Parts 1-4 of the Bill. It amends the existing Winemakers Act 1981. This Part will cease once the balance of the Bill comes into force, as at that time the Winemakers Act and Regulations will be repealed.

3.2 The purpose of this Part is to enable regulatory authorities to meet the import requirements of other countries.

3.3 More specifically the purpose of this Part is to enable the New Zealand Government to meet the requirements of European Commission Regulation (EC) 753/2002 published on 29 April this year. This Regulation (notably Article 37) requires exporting countries to regulate certain matters as a prerequisite to export to the EU.

3.4 The initial intention of the EU was that this Regulation would come into force on 1 January 2003. However, we understand that implementation date has now been delayed until 1 August 2003. We are not aware of the reason for this delay, but are confident opposition from New Zealand and other countries has played some part in it.

3.5 In our view, Regulation 753/2002 is a non-tariff trade barrier that breaches the Technical Barriers to Trade Agreement (TBT Agreement) of the World Trade Organisation. It forces countries to regulate where regulation (in our view) is not necessary, and has the potential to raise the costs of production and limit innovation in New Zealand's wine industry.

3.6 We have communicated this view to the Government, and have worked with the Government to oppose the implementation of the Regulation. We are aware that the New Zealand Government has spoken against the Regulation at the TBT Committee of the WTO (as it did against its predecessor regulation, 881/98). New Zealand has also spoken directly to the EU on the matter, including at Ministerial level.

3.7 Industry colleagues in other New World countries (eg Australia and the United States) are similarly concerned about 753/2002. The New Zealand Government has worked closely with other New World governments when raising issues about Regulation 753/2002 at the WTO.

3.8 Despite our opposition to Regulation 753/2002 and our strong opposition to unnecessary regulation, we have no option but to support Part 5 as it will enable

⁴ Data for the 2002 year will be available shortly

New Zealand wineries to continue trading with the EU once 753/2002 comes into force.

- 3.9 In a series of industry seminars in the eight main winegrowing areas in the week commencing 29 October 2002, we advised growers and wineries that we supported passage of Part 5. Further we advised the industry that we believed individual industry participants should also support Part 5, as it will enable trade with the EU to continue. We are aware that a number of industry businesses have written to the Committee in support of this Part.
 - 3.10 We have had extensive discussions with officials about the content and the detail of Regulations/Notices that may be need to be promulgated under Part 5. Those discussions are not yet complete, but in general we are pleased to note that there has been a high level of agreement between officials and ourselves on the draft documents. Some matters are still being discussed, and our next meeting is scheduled for November 29.
 - 3.11 In the industry seminars mentioned above, we advised our members that discussions with officials on the draft Regulations/Notices were progressing well. This was one of the reasons we were able to encourage the industry to support Part 5 of the Bill. However, growers and wineries have not seen the detail of these Regulations/Notices given the tight timeframes that officials and we have been working to.
 - 3.12 We wish to make it clear that the need for Part 5 does not arise because of any failing of the current system for export certification of New Zealand wine, under the Winemakers Act 1981. We have full confidence in the current system, and it has served the New Zealand wine industry very well over the past two decades. The current system has underpinned the industry's export success in this time.
 - 3.13 The current provisions, however, do not contain the flexibility needed to meet the new requirements of EU, or those requirements that have previously not been enforced. Part 5 of the Bill contains that flexibility.
 - 3.14 As noted above, originally Part 5 of the Bill was designed to meet a 1 January 2003 implementation deadline. That deadline no longer exists. However, we still support passage of Part 5 pre-Christmas, as that will retain the added flexibility to meet the current EU timeline if and when 753/2002 comes into force, particularly if the balance of the Bill has not passed through Parliament at that time.
 - 3.15 To summarise, we support Part 5 of the Bill being passed by Parliament prior to Christmas.
 - 3.16 We would, however, note that there are some aspects of Part 5 that replicate certain aspects of Parts 1-4 of the Bill about which we have concerns. For example, those provisions relating to definitions and fees and charges. We do not see these provisions as establishing any precedents for Parts 1-4 and we will be providing the Select Committee with detailed comments on these aspects when we submit our thoughts on Parts 1-4. In the meantime, however, we have no option but to support Part 5 as it currently stands so as to ensure that it is enacted and our trade with the EU continues.
- Parts 1-4
- 4.1 We have not yet completed our assessment of Parts 1-4 of the Bill.

- 4.2 We met with officials on September 30 to discuss a draft of the Bill. At conclusion of that meeting we advised officials we still had concerns about the Parts 1-4 of the Bill. We subsequently advised the Minister of Agriculture of this, and are working with officials to address our concerns on the balance of the Bill.
- 4.3 We will complete a detailed submission on Parts 1-4 prior to Christmas and ask to be heard in support of that submission.
