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Consultation on Draft Grant Guidelines:

Wine Tourism and Cellar Door Grants

Wine Export Grants

International Wine Tourism State Grants

International Wine Tourism Competitive Grants

Introduction

We provide the following comments on behalf of the members of the Winemakers' Federation of Australia (WFA) and Australian Vignerons (AV). As the two national peak industry bodies representing the interests of winemakers and grape growers, respectively, we are very supportive of the grant programs and provide these comments in the interests of maximising benefits to the Australian wine industry as a whole. Although both organisations are eligible for certain grants, we wish to advise that we will not be applying for any grants under these programs.

Wine Tourism and Cellar Door Grant

The Wine Tourism and Cellar Door Grant was announced by the Australian Government on 2 December 2016. The grant aims to encourage Australian wine tourism and will be administered by the Australian Grape and Wine Authority from July 2019. Draft grant guidelines and draft application forms for the Wine Tourism and Cellar Door Grant are available for public comment until Wednesday 18 October 2017.

We note that the draft grant guidelines incorporate the eligibility criteria already finalised by the Australian Government in July 2017. As a result, the following sections are not open for further comment:

- Section 3 'Who is eligible to apply for funding'
- Section 4 'What qualifies for funding'
- Glossary.

We understand all other content and dates are open for consultation and remain subject to change.

General comments

Industry has long held the view that part payment should be permitted prior to 1 July 2019 for eligible applicants who have exceeded the threshold of \$1,207,000 in rebatable domestic sales. Opening claims in the third quarter to a maximum of \$25,000 may go some way to alleviating cash flow issues. As more data is collected, the magnitude and timing of early payments could be adjusted. Once 2017-18 tax data is available, this may help in setting the early payment threshold.

Wine Export Grants

We suggest that the criteria that sets an *'aggregated turnover of less than AUD \$20 million'* be amended to *'aggregated export turnover of less than AUD \$20 million'*. This would clarify the focus of the grant on the export market and enable medium sized companies who are well placed in the domestic market to access the benefits of the export grant. As it stands, the criteria currently excludes medium sized companies who are successful in the domestic market from utilising the grant to tap into major export growth opportunities.

It would also make sense to include the flexibility to hold a second grant round if the first round is not spent, so multiple applications can be assessed.

We have concerns about the complaints processes applied across all the grants. Primarily, we believe that the complaints process should be consistent across all grants. We also have serious concerns about a proposed process where complaints are made to the initial decision-making authority, rather than a third party. We would prefer to see a process where the Department of Agriculture and Water Resources receives and reviews complaints about the decision-making process. This would improve the perception by applicants that procedural fairness was a key principle in the delivery of these grants. It could also help to lessen negative public comments and defuse tensions from applicants who may feel they have no other complaint pathway.

International Wine Tourism State and Competitive Grants

We note these programs will offer state-based and competitive grants to strengthen wine-based regional tourism and exports by helping to develop wine tourism experiences. It will complement initiatives under the Tourism 2020 strategy; food and wine experiences are an important plank of this strategy, which aims to grow the overnight spend to more than \$115 billion by 2020 (from \$97.1 billion at 30 June 2016). We also note the program's objective is to help meet increased demand created by Program 1 by building regional wine-based tourism capacity, stimulating innovation and encouraging export activities focused on regions and their wines.

It will include:

- a grants program for state-leveraged activities, where a portion of funding will be specifically allocated to each state based on the value of production and the number of international visitors (\$1 million for South Australia, New South Wales, Victoria and Western Australia, and \$500,000 for Tasmania and Queensland); and
- a competitive grants program, where the balance of funds will be contestable.

Capturing Growth in International Wine Tourism Competitive Grants

The following comments relate to specific sections in the Working Draft Consultation document.

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| <i>Page 1</i> | 1 | <i>Program overview</i> <ul style="list-style-type: none">• Remove the paragraphs (Paras 4 and 6) on state grants as it is unnecessary in this context. |
| <i>Page 1</i> | 2 | <i>Program objectives</i> <ul style="list-style-type: none">• This wording should be consistent with the wording in the State Grants Program. |
| <i>Page 1</i> | 3 | <i>Program evaluation</i> <ul style="list-style-type: none">• The first paragraph is not about evaluation, but rather administration.• With regard to the mid-term review, this section should identify the specific information that will be required from successful applicants, and the timing. |
| <i>Page 2</i> | 4 | <i>How the grant program will operate</i> <p>This requires more clarity on the operation of the program:</p> <ul style="list-style-type: none">• Will the AGWA CEO sign off on the advice of AGWA staff or the expert panel?• How will this process be made transparent?• We believe the Expert Panel should be the final provider of advice to the AGWA CEO.• Unspent funds should be re-allocated to the Export Grants program for individuals to access. Otherwise, there is a clear conflict for AGWA not to commit funds to the grants program. |
| <i>Page 5</i> | 6.4 | <i>Additional eligibility requirements</i> <ul style="list-style-type: none">• The medium grant requirements are very difficult to meet. A 2:1 cash contribution will rule most out. Our preference is a single grant structure with 1:1 contributions that also allow in-kind contributions.• The guidelines should clarify whether each collaborator is required to make a cash contribution. If so, we believe that to be too onerous. |
| <i>Page 6</i> | 7 | <i>Assessment criteria</i> <ul style="list-style-type: none">• These are unclear and require examples to let the assessment panel do its work. For example, how will the panel assess 7.1 b. iv. <i>The scale of potential measurable economic benefit of the project?</i> What specific measures will it need from applicants so the panel can compare competing applications? Alternatively, we suggest a simple matrix approach of meeting program objectives, attractiveness and feasibility. |

- Page 10* *14* *How applications are assessed*
- This requires more clarity on the operation of the program. The first paragraph is not consistent with the flow chart on page iv.
 - We believe the AGWA CEO should sign off on the advice of the expert panel. How will this process be made transparent?
 - It needs to be made absolutely clear whom the panel provides the advice to, and what is done with that advice.

- Page 11* *18* *Management of grant agreements and evaluation*
- All variations should be made by the CEO only (not by AGWA staff) and be transparent.
 - As noted earlier, it needs to be made clear to applicants what specific information will be required by AGWA for evaluation purposes, the timing, who will undertake the evaluation and what will be done with the evaluation results.

Capturing Growth in International Wine Tourism State Grants (State Grants)

We note these State Grants provide state wine industry associations with access to a pre-determined funding allocation. These funds are intended to support a collaborative, strategic approach towards attracting and maximising international wine tourism in their state.

Many of the comments above also apply to this grant.

- Page 2* *4* *How the grant program will operate*
- The draft guidelines state:
- If an entity fails to submit an application which meets the eligibility criteria to the satisfaction of the independent assessment panel by 27 October 2018, the funds will be reallocated within the Package. The reallocation will be informed by the findings of the mid-term review in November 2018.*
- This raises the significant question of who will make the decision about funds reallocation. We strongly believe that AGWA should not be the decision-maker in this instance because they have a conflict of interest in providing it back to their program, rather than to the export grant program. The unallocated money should go automatically to the export program and be quarantined for individuals in those States where the funds were not allocated to a state wine association.

- Page 4* *6.2* *Eligible activities*
- We believe the intent of this program was to permit States to undertake international marketing events to develop export markets and attract international tourists. We would suggest clarification as follows:

6.2 Eligible activities

6.2.1 Grant applications can be made for one or more of the following activities:

- a. Research to inform the development of wine tourism strategies within the state directed at growing international wine tourism.
- b. Facilitation of collaborative planning processes to develop wine tourism strategies within the state directed at growing international wine tourism.
- c. Implementation of international wine tourism activities identified in a strategy developed by a State Wine Association or a State Government.
- d. Seed funding for events or marketing activities to support inaugural events, trial new approaches or fund a one-off expansion of an existing event or marketing activity (including international marketing).

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6.3.3 Commit cash co-contributions at the rate of:

- a. \$1 for every \$1 of grant funding if you are applying for activities 6.2.1a or 6.2.1b
- b. \$3 for every \$1 of grant funding if you are applying for activities 6.2.1c

- This eligibility is too hard for State associations to meet. These activities are for on-ground implementation of strategies that are ready to go. If co-contribution is required, it should only be 1:1 and allow in-kind contributions. This stringent co-contribution requirement risks State wine industry bodies not being able to access the grants, which would be an embarrassing and undesirable outcome.
- We also note the ERWSP is funded from the savings from WET rebate reform. The requirement of such high levels of cash co-contribution is effectively asking the regions most heavily impacted by the reforms to provide additional funding to before they can even access the ERWSP.
- There is an additional potential problem with South Australian and Tasmanian State Governments likely to enter caretaker mode during the period where co-contributions are being sought, possibly jeopardizing access to these grants.

6.3.4 Demonstrate how the benefits of the activity will be sustained beyond the life of the grant

6.3.5 Describe any innovative approaches being implemented as part of the activity

6.3.6 Demonstrate value for money

- What information should applicants provide to demonstrate this? What do they have to compare it against?

- The draft guidelines in this section note that projects will be approved by the Minister based on the recommendations of AGWA, informed by an independent expert assessment panel. This conflicts with Section 4. We strongly believe that the Minister should make the decision based on the advice of the Expert Panel.

Concluding comments

WFA and AV are strong believers that these programs have the potential to deliver major benefits to regional Australia. We believe that the guidelines should support programs that will provide significant regional and national benefit. This may mean a more flexible set of guidelines that can be supported by a robust assessment process. We are happy to add to these comments if required.



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