



TREASURY  
WINE ESTATES

7 August 2020

Australia – UK FTA Coordinator  
Regional Trade Agreements Division  
Department of Foreign Affairs and Trade  
RG Casey Building, John McEwen Crescent  
BARTON ACT 2600  
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BY EMAIL

**RE: Submission to the FTA Coordinator  
UK-Australia Trade Negotiations**

Dear Sir/Madam

Attached is a submission from Treasury Wine Estates (TWE) regarding market access considerations we believe should be taken up by the Australian Government in formal trade negotiations between Australia and the United Kingdom of Great Britain and Northern Ireland (UK).

The UK is a significant export market for the Australian wine industry – it is Australia's number one export destination by volume accounting for one third of Australian wine exports, and the second largest source of wine into the UK behind Italy. A closer trade relationship with the UK, on its exit from the European Union (EU), presents a rare and significant opportunity to increase the competitiveness and profitability of the Australian wine industry in that market.

TWE welcomes the opportunity to continue to evolve and discuss these priorities with the Australian government to ensure the best outcome for trade and the sector.

For information about this submission, please contact Rob Cairns – Director, Public Affairs +61 (0)447 238 382 or [rob.cairns@tweglobal.com](mailto:rob.cairns@tweglobal.com).

Yours sincerely

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## TREASURY WINE ESTATES

### **ABOUT TREASURY WINE ESTATES**

Treasury Wine Estates (TWE) is one of the world's largest wine companies, listed on the Australian Securities Exchange (ASX) and headquartered in Melbourne.

The company has a rich heritage and a portfolio of some of the most recognised and awarded wine brands in the world, including Penfolds, Pepperjack, Wynns, Wolf Blass, 19 Crimes, Devil's Lair, Lindeman's, Rawson's Retreat and Blossom Hill. TWE is focused on portfolio premiumisation and brand-led marketing, with world-class production facilities in internationally recognised wine regions.

The company sources grapes from a mix of owned, leased and third-party vineyards. Employing approximately 3,000 winemakers, viticulturalists, sales, marketing, distribution and support staff across the globe, TWE's wine is sold in more than 100 countries around the world.

TWE's Europe, Middle East and Africa (EMEA) operations are based in Twickenham, London, with 95 permanent employees and a further 20 in offices and sites across Europe and the Middle East (excluding winery sites in France and Italy). TWE is one of the biggest wine companies in the UK selling iconic and award-winning brands into all channels in the market (supermarkets, convenience, bars, pubs and restaurants). In the 2019 financial year TWE had sales volume of 5.2m 9LE cases to the UK worth £102.6m.

TWE owns some of the biggest Australian wine brands in the UK off-trade retail market, including Wolf Blass, Lindeman's and 19 Crimes. The UK, and particularly London, is the centre of the fine wine world. As owners of some of the best luxury wines from the New World, not least Penfolds, we play a unique role in this market. TWE is also a major player in the commercial wine market, through its ownership of Blossom Hill, which is one of the top five wine brands in the UK and the number one rosé.

### **SUBMISSION**

TWE welcomes the opportunity to make a submission as formal trade negotiations commence between Australia and the United Kingdom (UK).

TWE believes that a closer trade relationship with the UK, on its exit from the European Union (EU), presents a rare and significant opportunity to increase the competitiveness and profitability of the Australian wine industry in that market.

As a member of Australian Grape and Wine (AGW) and a levy payer to Wine Australia (WA), TWE supports both their submissions on this matter. The following comments are complementary to those previously provided through TWE submissions to the Department of Foreign Affairs (DFAT) and via the Market Access Group (MAG).



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### UK MARKET

The UK is a significant export market for the Australian wine industry. Not only is the market Australia's number one export destination by volume (219 million litres in the 12 months ended March 2020), accounting for one third of all Australian wine exports, but Australia is also the UK's second largest source of wine behind Italy. The value of this wine, ex-Australia, was \$347 million, split roughly equally between packaged and bulk wine shipments.

However, the market is a very tough one, with significant retail competition resulting in low margins and fierce competition between global wine producers. The current high level of tariffs, coupled with excise duty and plans to review alcohol taxation in the UK makes an already hard job for Australian wine producers even harder. While this has resulted in the UK traditionally being an export market based on high volume, lower value wine. However recent export market data highlights the opportunity in this critical export market, particularly for more premium wines.

### TARIFFS

Given the growth potential and highly competitive nature of the UK market TWE recommends the Australian Government should prioritise the negotiation of the FTA with the ambition to secure zero tariff treatment for Australian wine.

All Australian wines imported into the UK are subjected to import duties. These rates are currently aligned to the Common Customs Tariffs (CCT) of the EU until the end of the Brexit period (Table 1).

Alcohol strength	EU import duty (Euro per litre)	
	Bottled wine	Bulk wine
< 13%	0.131	0.099
13-15%	0.154	0.121
15-18%	0.186	0.154
18-22%	0.209	0.209

Based on Wine Australia analysis of customs data, it is estimated that the cost of the EU import duty on Australian wine exported to the UK alone totalled AU\$50 million in 2019. For FY19 TWE paid a total of £6,628,996.19 in CCT and £6,206,425.57 in FY20.

As of 1 January 2021, the UK's Global Tariff Schedule (Schedule) will replace the EU CCT for imported goods. While the Schedule will not substantially change tariff costs all countries without an FTA in place will have to abide by the Schedule. Of concern for TWE is that two of our major competitors, Chile and South Africa, have existing FTA's with the UK and therefore will pay zero tariffs. Without a similar arrangement in place for Australia this provides them an unfair advantage in the market.

Importantly in the absence of an agreement between the UK and EU all wines either imported to, or exported from, the EU will also pay tariffs under the UK Schedule. This



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would result in an additional charge of 7-9p per bottle on still wines of 19p per bottle on sparkling wines.

To this end TWE also supports the Wine Australia and Australian Grape and Wine submissions that highlight any tariff elimination should also recognise that the UK acts as a hub for Australian wine trade to Europe, and that in any negotiations, Australia should seek to eliminate tariffs of wine packaged in the UK or re-exported from the UK to Europe.

### **AUSTRALIA-UK AGREEMENT ON TRADE IN WINE**

While a zero-tariff treatment in an Australia-UK FTA would be a significant benefit to the Australian wine industry, TWE recognises the importance of ensuring key elements of the current agreement between Australia and the European Community on Trade in Wine (the Wine Agreement) is maintained, or improved, for exports to the UK and the EU.

TWE is supportive of the current approach which replicates the EU Wine Agreement in the Agreement on Trade in Wine between Australia and the UK (known as the Wine Agreement).

While not perfect the Wine Agreement has harmonised winemaking practices; established protection for geographical indications and traditional expressions; and reduced analytical requirements for the European Import Certificate of analysis.

In this regard, TWE supports the current approach which acknowledges the Wine Agreement at a minimum is maintained, securing technical market access.

TWE sees the Wine Agreement as advantageous to Australian wine exporters for the following reasons:

- Acceptance of Australia's authorised winemaking practices.
- Simplified wine certification arrangements.
- Labelling concessions.
- Protection of Australia's registered geographic indicators (GI's).
- Recognition of the influence of Australian agricultural soils on wine composition.
- 'Standstill' clause (preventing the introduction of more restrictive conditions in future reviews of domestic wine regulation).

However even with the Wine Agreement in place there are numerous issues that continue to be a barrier to wine exporters to the UK. The Wine Agreement does not address the issue of tariffs and there are a range of technical problems that remain unresolved by the Wine Agreement.



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Any trade agreement between Australia and the UK should consider building on the Wine Agreement to the extent where it can address the following:

- 1). The elimination of tariffs on Australian wine.
- 2). The provision for mutual acceptance of winemaking practices enabling any practice that is permissible in both markets to be performed on Australian wine in the UK. Unfortunately, the very prescriptive approach employed by current Wine Agreements only permit practices that were allowed under the Food Standards Code in 2010. This fails to recognise the significant changes in practices since that date.

Mutual acceptance which better reflects current practices could be achieved either through the FTA negotiations or, more simply, by the UK becoming members of the World Wine Trade Group (WWTG) where obligations regarding mutual acceptance are set out in the Mutual Acceptance Agreement on Oenological Practices. The Australian industry believes the Wine and Spirits Trade Association in the UK is supportive of this approach.

If, however mutual recognition cannot be negotiated then TWE supports the key technical points for negotiation as highlighted in the Wine Australia and Australian Grape and Wine submissions. If these can be incorporated into an agreement this would reduce unnecessary and costly technical barriers to trade currently frustrating Australian exporters.

## **CLOSING**

TWE wishes the Australian government well as formal trade negotiations between the two countries commence. TWE appreciates the opportunity to make this submission and looks forward to working with the Australian Government to secure greater opportunities and advantages for Australian wine exporters. This is particularly important as the industry struggles to recover from drought, bushfires, smoke taint and the ongoing economic pressure as a result of the COVID pandemic.

For further information on any aspect of this submission please contact:

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