



Submission in response to the Issues paper: Review of the access regime that applies to the South Australian water industry

SUBMISSION OF: SOUTH AUSTRALIAN WINE INDUSTRY
ASSOCIATION INCORPORATED

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ABOUT THE SOUTH AUSTRALIAN WINE INDUSTRY ASSOCIATION

The South Australian Wine Industry Association (SAWIA) is an industry association representing the interests of wine grape growers and wine producers throughout the state of South Australia.

SAWIA is a not-for-profit incorporated association, funded by voluntary member subscriptions, grants and fee for service activities. Our mission is to provide leadership, advice and support to South Australian grape and wine industry businesses, assisting them to prosper within a dynamic, diverse industry.

SAWIA membership represents approximately 96% of the winegrapes harvested in South Australia and about 40% of the vineyard area. Each major wine region within South Australia is represented on the board governing our activities.

SAWIA has a strong track record as an industry leader and innovator in many areas, and proactively represents members and the greater wine industry to government and related agencies on a wide variety of matters.

ABOUT THE SOUTH AUSTRALIAN WINE INDUSTRY

The South Australian wine industry is worth about \$2.25 billion to the state's economy¹. South Australia has 18 distinctly named wine regions with at least three having international recognition. South Australia is a premium wine state responsible for producing about 60% of Australia's wine production² (currently around 500 million litres of wine).

South Australia has approximately 75,500 hectares under wine grapes³, representing about 52% of Australia's vineyards, and comprise of 77% red and 23% white wine grape varieties. The total wine grape crush in 2023 in South Australia was 661,984 tonnes, 55% of Australia's crush. For South Australia, this was 14% below the 10-year average.

In the twelve months to June 2023, South Australia exported 362 million litres for a value of \$1.29 billion (about 70% of Australia's total value). South Australia's major export markets are currently Hong Kong, Singapore, UK, USA, Canada and New Zealand. Of international exports with a label claim from the regions of South Australia, about 70% are in bottled format, comprising over 90% of the value. Wine is currently South Australia's fourth largest single export sector. South Australian wine businesses export to about 100 countries.

In South Australia there are approximately 1,250 licensed⁴ wine producers (including about 600 processing facilities, 340 cellar doors⁵) and 3,246 registered vineyard owners⁶, who together directly employ around 8,990 persons⁷ and indirectly support another 81,900 jobs⁸.

South Australia has significant cross-border trade across the States and Territories of Australia. For example, more than three times the number of bottled South Australian wine is sold in NSW and ACT than in South Australia (pers. comm. Wine Australia). Regulations relating to bottled wine sold in the ACT will therefore impact winemakers and growers in South Australia, and indeed those in all jurisdictions. Therefore, SAWIA (and its equivalents in other state) has significant interest as a stakeholder in the proposed expansion of CDS by the ACT government.

¹ Primary Industries Scorecard 2021-22.

² Wine Australia, Production, Sales and Inventory Report 2021-22

³ SA Winegrape Crush Survey 2023, Wine Australia

⁴ Consumer and Business Services SA

⁵ The Australian and New Zealand Wine Industry Directory

⁶ SA Winegrape Crush Survey 2023, Wine Australia

⁷ Census 2021, Australian Bureau of Statistics

⁸ Derived from Economic Contribution of the Australian Wine Sector 2019, AgEconPlus. Wine Australia [website](https://www.wineaustralia.com.au)

1. SUBMISSION

The South Australian Wine Industry Association (SAWIA) is pleased to provide feedback to the Essential Services Commission of South Australia (ESCOSA) on the *Issues paper: Review of the access regime that applies to the South Australian water industry* (Issues Paper).

2. Responses to the questions in the issues paper

SAWIA's responses to some of the specific questions addressed in the Issues Paper are outlined below.

Nature and characteristics of demand

What factors have led to the increase in voluntary access agreements over the past decade? Are these factors likely to support further growth in access agreements, or do stakeholders anticipate stable or decreased demand for commercial access in future?

Water is a scarce resource and the SA wine industry is highly dependent on the availability of affordable water of the required quality. Third party access arrangements have allowed viticulture businesses to access alternative fit-for-purpose water for irrigation in the face of increased competition and community need for potable water. This has been driven in part by increasing aridity in a changing climate and is likely to continue to grow in the future.

Are current access seekers looking to expand? Are prospective access seekers considering any new third party access arrangements or schemes?

The current economic climate and recent trends in the domestic and international wine markets suggest that in the short term, demand for vineyard irrigation water may not increase. However, even without any change in wine market demand, it is likely that the increasing aridity of wine growing regions could drive an increase in demand for access seekers.

Market power and competitive pressures

To what extent do access seekers have bargaining power when seeking access to declared pipeline infrastructure? Can this differ across SA Water's declared pipeline infrastructure and across geographic regions?

Feedback that we have received from SAWIA members and regional associations where such access arrangements exist suggests that access seekers feel that they have little bargaining power given that they are dealing with a monopoly.

Benefits and costs arising from the presence of the access regime

To what extent do stakeholders see value in having an access regime as a form of protection for access seekers?

From the perspective of wine grape growers, the planning cycle for product to market stretches over several years and therefore a degree of certainty over the medium term is essential. Availability of affordable water for irrigation is a critical element in this planning cycle and the access regime can contribute to providing some certainty.

To what extent do stakeholders see value in the information disclosure requirements under the access regime?

Further to the response immediately above, transparency in the accessibility and price paid for access to water is likely to be highly valued, since it can help provide for more confidence to vineyard businesses in their decision making.

What are the direct and indirect costs of the access regime?

Time for engagement and negotiation is an administrative cost that the business will incur.

Alternatives to the current access regime

To what extent would the national access regime apply in the absence of a state regime?

It is not clear to us as to how a national access regime would operate and if such a scheme would result in any gaps or increase the costs and administrative burden. If more details were available comparing the two alternatives, then it might be possible to provide a more meaningful response.

What would be the costs and benefits of regulating access arrangements through the national regime?

It would appear to be sensible that any change to the current regime should only be made where there is an improved outcome and the benefits outweigh the costs. We would expect that a cost-benefit analysis should be undertaken to refute or support any change.

Access prices

Do stakeholders consider current access pricing to be transparent?

Feedback that we have received from SAWIA members and regional associations where such access arrangements exist suggests that there is concern that access pricing is not optimally transparent and should be improved.

Limited criteria and mechanism to obtain declaration for infrastructure

What would be the costs and benefits of introducing a mechanism for stakeholders to seek to have water and sewerage infrastructure and infrastructure services declared or excluded from the access regime, and what form should it take?

It would appear to be sensible that such a change should only be made where there is an improved outcome and the benefits outweigh the costs. We would expect that a cost-benefit analysis should be undertaken to refute or support any change.

End of submission