SUBMISSION OF: SOUTH AUSTRALIAN WINE INDUSTRY ASSOCIATION INCORPORATED

(A South Australian Employer Organisation)

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Basis of Submission

The Australian Fair Pay Commission (AFPC) is seeking submissions from interested groups and individuals who wish to provide input into the 2009 Minimum Wage Review. This Review will take into account recent stakeholder and consultation sessions, as well as the AFPC’s recently released Economic and Social Indicators – Monitoring Report\(^1\).

The South Australian Wine Industry Association (SAWIA) welcomes the opportunity to make a submission to the Commission in relation to the 2009 Minimum Wage Review.

SAWIA’s submission addresses the following three of the four\(^2\) key objectives of the AFPC in performing its wage setting function, which is to promote the economic prosperity of the people of Australia having regards to:

- the capacity for the unemployed and low paid to obtain and remain in employment;
- employment and competitiveness across the economy; and
- providing a safety net for the low paid.

SAWIA’s submission also addresses the impact of the AFPC’s wage-setting decision handed down on 8 July 2008 in relation to the above objectives and minimum wage rates in general.

1. Summary of Submission

A summary of SAWIA’s submission is as follows:

1. The capacity for the unemployed and low paid to obtain and remain in employment

- The wine industry has base level positions for inexperienced persons, which offer employment opportunities for the unemployed with the opportunity to progress to higher paid and more skilled work.

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\(^1\) July to December 2008, Issue 03
\(^2\) The fourth being to provide minimum wages for junior employees, employees to whom training arrangements apply and employees with disabilities that ensure those employees are competitive in the labour market.
2. Employment and competitiveness across the economy

- According to the Australian Wine and Brandy Corporation (AWBC), the 2009 Australian vintage is set to come in at around 1.63 million tonnes. (11% down on 2008 and 20% below the long-run average).

- Water restrictions are currently in place in many parts of Australia due to the severe drought;

- Many businesses have purchased water in order to maintain the viability of their crop. This has increased the costs to business;

- These issues, when combined, impact on employment opportunities within the wine industry and their ability to pay higher wages to their employees.

3. The provision of a safety net for the low paid

- Safety net wage rates provide a guaranteed living wage and a certainty of income level, which assists employees to meet their cost of living;

- Safety net wage rates have to be at a level that employers can afford to pay (taking into account current national economic indicators such as the unemployment figures, the Gross Domestic Product, wages growth, the Consumer Price Index and industry performance), in order to retain and recruit new employees and not act as a disincentive for workplace bargaining.

- 2009 is shaping up as a very difficult year for the global economy. World growth is forecast at half of 1 per cent this year, with the G7 economies contracting by 2 per cent. If these forecasts are realised, it would amount to the weakest year for the global economy, and for the advanced industrial countries, in the post-war period.

- The global economy has changed markedly in a very short period of time compared to the global outlook six months ago. This situation is now having an impact on the Australian economy with higher unemployment and a tightening of available credit.

- The wine industry is feeling the impact of the global recession on two fronts; firstly the impact on wine exports which in 2007-08 fell by 9.2% volume and 6.9% value ($198m); and secondly, the impact of falling domestic sales, down 4.8% last year. If sales revenue continue to decline employment levels will be negatively impacted.
• As a result of the Victorian bushfires in February 2009 entire vineyards were destroyed while other neighbouring vineyards have reported lower crop yields due to smoke taint caused by the bushfires.

• The modern award process is reducing the number of pre-reform Federal awards and State NAPSA’s and introducing new modern awards from 1 January 2010. Modern awards will likely increase employment costs because varying terms and conditions are being “standardised” eliminating state differentials.

For example, the default casual loading under the Workplace Relations Act 1996 and under many awards and NAPSA’s is 20%, while other Federal pre-reform awards provide for a higher casual loading, often 25%. Any increase in the casual loading rate will have an immediate cost impact on employers with potential flow on impacts when penalties apply.

4. The impact of the AFPC’s 2008 Minimum Wage Decision

• While there have been no reports that wine industry employers had difficulties paying the 2008 minimum wage increases, the on-going drought and water restrictions will continue to threaten the financial viability facing wine industry employers. Costs of employing labour will increase while sales figures are in decline.

• Australia’s unemployment rate rose to 5.2%\(^3\) in February 2009, which is the highest level since November 2005. The seasonally adjusted unemployment rate increased by 0.4% in February 2009 to 5.2%, up from 4.8% in January 2009.

5. Conclusion

• The Australian wine industry has been severely impacted by the on-going drought and water restrictions. The 2009 Australian vintage is estimated to be approximately 1.63 million tonnes which is 11% down on 2008 and 20% below the long-run average.

• The November 2008 drought update from the Murray Darling Basin Commission shows that inflows remain at record low levels and the outlook for 2009/10 remains grim.

\(^3\) Source: ABS publication 6202.0 – Labour Force Australia February 2009 – issued 12 March 2009
Even with above average rainfall in the coming months, inflows would likely remain well below average. Recovery of the system is likely to take several years of above average rainfall.

The wine industry is being challenged by many issues including:
- Drought and water restrictions
- Reduced wine grape harvest, down 11% on 2008
- The current global recession
- The bleak short to medium term outlook for the Australian economy
- Falling export and domestic sales
- The impact of new modern awards

SAWIA submits that the AFPC should consider the challenges facing the wine industry in these unprecedented times. With unemployment on the rise throughout Australia the 2009 wage-setting decision must have a primary focus on retaining and creating jobs and as a consequence any increase to wages should be kept to a minimum.

2. Overview of the Wine Industry

The wine industry is both unique and complex in nature. It takes raw produce, wine grapes, and turns them into a value added product, wine, that is sold throughout the world. Unlike other manufacturing sectors, the wine industry’s viticultural foundations require long lead times to produce a crop and based on the vagaries of nature each vintage make the balance of supply and demand a constant challenge.

The industry is ‘vertically integrated’, spanning agriculture (wine grapes), manufacturing (winemaking) and sales into a global marketplace. Sales growth is driven by exports through the main channels of off-premise (supermarkets and wine retail) and on-premise (restaurants, clubs, pubs), often through company owned distribution channels.

Some businesses in the wine industry are extremely diverse, and employ persons in any number of the following occupations:

- agriculture (grape growing);
- manufacturing (winemaking);
- science (laboratory);
- retail (cellar door sales);
- horticulture (nursery);
- food and beverage (cellar door / café & restaurant);
- administration (clerks);
- cleaning (cleaners);
- security (security officers);
The wine industry in Australia has grown significantly over the past 15 years. Strong industry growth in the early 1990's was further spurred by Strategy 2025, the industry's blueprint for success released in 1996 and the massive planting spree of wine grape vines that followed.

The Strategy 2025 target of $4.5 billion in annual sales was surpassed in 2005 – 20 years ahead of time. However, after a decade of unprecedented change in global wine trading conditions there was a need to reassess the priorities and challenges facing Australian wine, most of which were anticipated in Strategy 2025. That reassessment was Directions to 2025 launched in May 2007 and is a process which represents the best opportunity to secure the future of Australian wine through economic prosperity, environmental sustainability, technological innovation and social responsibility.

Based on the most current statistical information Australia has 2,299 wine producers and the industry employs around 28,000 employees. Best estimates indicate that the wine industry workforce employs males and females in the ratio of 62% / 38%.

In South Australia there are some 607 wine producers employing some 10,750 employees (engaged in wine production and wine grape growing) and produces 60% of export sales for Australia. Impacts within the South Australian context affect the Australian wine industry significantly with over a third of all winemaking locations being in South Australia and these account for 45% (up from 43% last year) of the national wine grape crush.

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4 Source: The Australian and New Zealand Wine Industry Directory 2008
7 Source: The Australian and New Zealand Wine Industry Directory 2008
8 Source: Australian Bureau of Statistics 1329.0 – Australian Wine and Grape Industry, 2008 published on 29 January 2009
In 2007-08 Australian wine exports fell by 9.2% on the previous year. The value of exports fell by $198m (or 6.9%) to $2.7 billion dollars. However, the average price per litre rose 2.6% from $3.66 in 2006-07 to $3.75 in 2007-08.\(^9\)

For the past five months the Australian dollar has been around US$0.65, down substantially from highs of around US$0.97 in July 2008. While a weaker Australian dollar is advantageous to exports those advantages are offset by a decrease in demand from our major export countries of the USA and the United Kingdom.

According to Rabobank senior analyst Adam Morris\(^10\), for the year to January 2009, Australian exports to the UK were down 9.6% in volume and 17.5% by value. In the US export volumes remained flat but value dropped by 23%. These two markets account for 66% of Australia’s wine exports by volume. The significant decrease in export volumes and dollar value pose serious issues for the Australian wine industry.

3. Economic Prosperity

a. The Capacity for the Low Paid and Unemployed to Obtain and Remain in Employment

The wine industry in Australia predominantly employs people in the vineyards, cellar, cellar door sales, laboratory, bottling, warehousing and supply streams. Trainees can be employed in all of these streams at the base level. In addition to the permanent and casual workforce of wine industry employers, temporary or seasonal labour is often specifically engaged for the vintage period (within the vineyards or wine production for example).

There are a number of awards that cover employment in the Australian wine industry and each of these awards contain a unique classification structure which form part of the preserved Australian Pay and Classification Scales (Pay Scales). As has been the case with the past three SAWIA submissions, the *Wine and Spirit Industry (South Australia) Award (NAPSA)* is referenced in order to illustrate the base level duties to which an inexperienced person can be employed and the opportunities available for an employee to progress through the Levels in the classification structure.

Under the *Wine and Spirit Industry (South Australia) Award (NAPSA)*, an inexperienced person can be employed at the base level (Grade 1) in the bottling stream (for example) to be trained in attending packaging equipment, performing repetitive tasks (eg hand labelling, carton making) and conducting

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\(^10\) Daily Wine News article 2/03/09 “Australian wine industry – feeling the heat”
bottle hygiene/housekeeping. The employee can then advance through the Grades in the bottling stream by completing the required training and receiving successful assessments on the skills and competencies gained.

Classification structures that contain the opportunity for employees to gain skills and competencies in order to advance through the Grades are of benefit to both the employers (eg higher skilled workforce, higher morale) and to the employees (eg higher remuneration, greater job satisfaction).

Annexure A shows a comparison of current wage rates (which operate as preserved Pay Scales, the wage rates shown incorporate the 2008 AFPC increase) between the Australian wine industry awards / NAPSA’s.

The wine industry therefore has base level positions, which offer employment opportunities for the unemployed and the ability to progress to higher paid and more skilled work.

b. Employment and Competitiveness Across the Economy

2008 and 2009 Australian Wine Grape Harvest

There were 1.8 million tonnes of grapes crushed in 2008, an increase of 31% on the previous year. This produced 1.3 billion litres of wine, an increase of 28.5% on 2007. In contrast exports of Australian wine fell 9.2% and domestic sales also dropped by 4.8%. The result of these movements was an increase in inventory values of 5% to 1.9 billion litres in 2008.

At the half way mark of the 2009 Australian wine grape harvest the current estimate is for 1.63 million tonnes (11% down on 2008 and 20% below the long-run average). This would make the harvest well below the 2005 record harvest of 1.93 million tonnes but well above the drought and frost affected 2007 harvest of 1.34 million tonnes.

In January 2009 South Australian and Victorian wine regions were subject to a heatwave that resulted in some crop damage, while the Victorian bushfires in February 2009 impacted the Yarra Valley wine grape growing region. Weather conditions in the latter part of the harvest may still influence the final outcome.

However, while it is likely that the Australian wine industry will return to a supply-demand balance by 2009-10, SAWIA reiterates that wine industry employers will be facing financial difficulties in the interim as a result of reduced grape harvest tonnages and a fall in export and domestic market demand.

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12 Ibid 7
Effect of Drought and Water Restrictions on Employment Levels and Ability to Pay Higher Wages

Water restrictions for irrigators remain in place in parts of Australia due to the severe drought. As a result, vineyard managers will need to closely evaluate their irrigation management practices in order to ensure that future production capacity is protected with very limited water supplies.

The Australia Bureau of Statistics reported that during 2008 there were 8,000 vineyards in Australia, and nearly all (88.3%) were irrigated. With more than 60% of wine grape production being sourced from regions that take their supplementary water from the Murray-Darling Basin system\textsuperscript{13}, the 2009 Australian wine grape production yield will be strongly influenced by water allocations dependant on the winter rains.

The November 2008 drought update\textsuperscript{14} from the Murray Darling Basin Commission (the MDB Commission) states that system inflows remain critically low. September inflows were 400 GL which is only a quarter of the long term September average of 1,610 GL and October inflows were 205 GL, which is less than one-sixth of the long term average of 1,390 GL. Monthly inflows for the Murray system have been below average for the last 37 consecutive months. The 2008-09 water year is currently tracking as the 7th driest in 117 years of records.

The volume of storage under MDBC control is 1,890 GL or 22 % of capacity, which is slightly higher than this time last year, but well below the October average of 6,020 GL. Unless there is a very significant improvement in water availability, current forecasts indicate that by autumn 2009, storage levels in the Murray system will again be very low. Elsewhere in the Basin, most storage levels also remain very low.

The Bureau of Meteorology’s 3 month outlook (to March 2009) indicates neutral conditions for rainfall and a moderate to strong shift towards warmer than normal temperatures. This, combined with the fact that only 20 % of Murray system inflows normally occur in summer and autumn, indicate that the chances of a significant improvement in Murray system inflows during the coming months is low. Historical records also indicate that it is rare to have a significant improvement in Murray system inflows after a dry winter and spring.

The MDB Commissions concludes\textsuperscript{15} that the outlook for the Murray system remains very serious. Critical human needs can now be met through to next winter but water available for irrigation remains very low. Prospects for the

\textsuperscript{14} Murray Darling Basin Commission – Murray System Drought Update – Issue 16: November 2008
coming season are dependent on rainfall and run-off that is yet to happen. Even with above average rainfall in the coming months, inflows would likely remain well below average. Recovery of the system is likely to take several years of above average rainfall.

Given the MDB Commission's comments, it appears that the drought situation will not improve by the time the AFPC hands down its Minimum Wage Review decision in July 2009 but more information about allocations may be know by the time the decision is due to become effective in October 2009. If the drought continues with no improvement or a further decline in water allocations then the outlook will be grim for the wine industry.

Whilst the wine industry does not appear to have made significant reductions in employment levels over the past 12 months we have seen an increase in business restructures and redundancies, either resulting in the position disappearing all together or changing one or more positions in an organisation to part-time (mainly representing a reduction in work hours). Many businesses are mindful of the skills shortage in some parts of Australia and want to maintain their workforce yet climatic, global financial and trading conditions are challenging that objective.

Based on the issues facing the wine industry; long term and on-going drought conditions; a global recession; and falling export and domestic sales, employers will suffer financial hardship, which will significantly affect their ability to pay higher wages to their employees.

c. Provision of a Safety Net for the Low Paid

The provision of safety net wage rates for the low paid has been a feature of the Australian industrial relations system over many years.

These safety net wage rates provide a guaranteed living wage and a certainty of income level, which assists employees to budget their cost of living expenses accordingly.

However, the safety net wage rates have to be at a level that employers can afford to pay in order to retain and recruit new employees. The Consumer Price Index (CPI) and Wage Price Index (WPI) are good national indicators in this regard.

Principal objects listed in Section 3 of the Workplace Relations Act 1996 relating to the provision of a safety net for the low paid are as follows:

\[(c)\] providing an economically sustainable safety net of minimum wages and conditions for those whose employment is regulated by this Act;
(g) ensuring that awards provide minimum safety net entitlements for award-reliant employees which are consistent with Australian Fair Pay Commission decisions and which avoid creating disincentives to bargain at the workplace level; and

(k) protecting the competitive position of young people in the labour market, promoting youth employment, youth skills and community standards and assisting in reducing youth unemployment.

The emphasis of the Workplace Relations Act 1996 encouraged individual agreement making which displaced awards. The Fair Work Bill 2008 which is currently being debated in the federal Parliament and is likely to become operational in stages on 1 July 2009 and 1 January 2010, has at its core an emphasis on collective agreement making. Before becoming operational collective agreements will be required to pass the “better off overall test” (BOOT)\(^\text{16}\). The abolition of individual agreements may result in a return to award-reliance (all be it a reliance on new modern awards) for many employees because employers may not see great benefits in moving to collective agreements.

**Australia’s Current Economic Outlook for 2009**

Australia is either in a recession or appears very close to one. The Prime Minister Kevin Rudd\(^\text{17}\), commenting on the Australian National Accounts\(^\text{18}\) release on 4 March 2009 says Australia can cushion the impact of the global recession on its economy, but not stop it.

The national accounts showed gross domestic product dropped 0.5% in the December 08 quarter - the first negative result in eight years. The September quarter GDP was unrevised at 0.1 per cent, meaning the economy had avoided a “technical” recession of two successive negative quarters. A "technical" recession is defined by two consecutive quarters of contraction.

Malcolm Edey, Assistant Governor (Economic), Reserve Bank of Australia, in a speech at the Australian Industry Group Annual Economic Forum in Sydney on 4 March 2009\(^\text{19}\) stated “there’s no doubt that 2009 is shaping up as a very difficult year for the global economy. IMF forecasts released in late January were for world growth of half of 1 per cent this year, with the G7 economies contracting by 2 per cent. If these forecasts are realised, it would amount to the weakest year for the global economy, and for the advanced industrial

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\(^\text{16}\) The BOOT test will compare the conditions provided in the collective agreement against the new modern award applicable to the employees to be party to the collective agreement.

\(^\text{17}\) Adelaide Now 4 March 2009

\(^\text{18}\) Source: Australian Bureau of Statistics 5206.0 – Australian National Accounts published on 4 March 2009

\(^\text{19}\) Source: Malcolm Edey, Assistant Governor (Economic), RBA Address to the Australian Industry Group Annual Economic Forum in Sydney on 4 March 2009
countries, in the post-war period". According to Mr Edey, recent global events clearly represent a major change to the environment for the Australian economy from the one prevailing as recently as six months ago.

The wine industry is feeling the impact of the global recession on two fronts; firstly the impact on exports (as outlined in part 2 of this submission), in 2007-08 Australian wine exports fell by 9.2% volume and 6.9% value ($198m); and secondly, the impact of falling domestic sales, down 4.8% last year. If sales revenue continue to decline employment levels will be negatively impacted.

As a result of the Victorian bushfires in February 2009 entire vineyards were destroyed while other neighbouring vineyards have reported lower crop yields due to smoke taint caused by the bushfires.

SAWIA submits that the AFPC should consider the current economic outlook facing Australia and the resulting financial pressures continuing to be faced by the wine industry when making its 2009 wage-setting decision.

**Impact of Award Modernisation**

The award modernisation process was initiated by a request signed by the Minister for Employment and Workplace Relations on 28 March 2008 pursuant to s.576C(1) of the Workplace Relations Act 1996. The Minister's request was made with the aim of reducing the number of awards in the workplace relations system and minimising the number of multiple awards which might apply to an individual employee or employer.

The process has involved the creation of a system of modern awards to operate in conjunction with the new Australian workplace relations system (which will be introduced following the passing of the Fair Work Bill 2008 which is currently before parliament), and foreshadowed to become operational from 1 January 2010.

The process has required the Australian Industrial Relations Commission (AIRC) to review all of the multiple employer federal awards as well as many state awards or Notional Agreements Preserving State Awards (NAPSA's) operating in the national industrial system.

A reduction in the number of existing awards should result in a decreased administrative burden on employers as there will be a reduction in the ambiguity and confusion involved in interpreting which awards apply to particular employees. For employers who have operations in more than one state or territory there will be a more “national” approach to the obligations they owe to their staff.
The modern award process is reducing the number of pre-reform Federal awards and State NAPSA’s and introducing new modern awards from 1 January 2010. Modern awards will likely increase employment costs because varying terms and conditions are being “standardised” eliminating state differentials. For example, the default casual loading under the Workplace Relations Act 1996 and under many pre-reform awards and NAPSA’s is 20%, while other awards provide for a higher casual loading, often 25%. Any increase in the casual loading rate will have an immediate cost impact on employers.

Other examples of how modern awards may increase employment costs include:-

- Introduction of any standard minimum engagement period. Currently some awards do not provide for a minimum engagement period while some provide for 1 or 2 hours only.

- Access to adult rates of pay from 18 years of age rather than 21 years. Currently awards vary considerably with adult rates of pay being available in some awards from 18 years of age and in others from 19, 20 or 21 years of age.

- Ordinary Hours may only be able to be worked on a Monday to Friday (inclusive). Currently awards vary considerably, with some awards providing for the span of “ordinary hours” to be varied during the week (i.e. from Monday to Friday) and also provide for “ordinary hours” to be worked on weekends.

Subject to the passage of the Fair Work Bill 2008 (The Bill), employers will face increased costs associated with the implementation of the new industrial relations system; changes to IT systems; workplace bargaining; unfair dismissal laws; and payroll system adjustments (calculations of loadings).

The Bill removes the distinction between an employee agreement and a union agreement that exists under the current Workplace Relations Act 1996, and instead, allows a union that acted as a bargaining representative during the negotiation of an agreement to notify Fair Work Australia that it wishes to be covered by the enterprise agreement.

The Bill requires that an employer who will be covered by a proposed enterprise agreement must take all reasonable steps to issue all employees who will be covered by the enterprise agreement and are employed at the time, a notice of their right to be represented during negotiations. The Bill specifies certain procedures that must be followed for an employee or an employer to appoint an individual or organisation to be their bargaining representative. Importantly, if an employee is a member of a union, the union
is deemed to be the employee’s bargaining representative unless the employee nominates another person.

Given that a union is the default bargaining representative for an employee who is a member, it is likely that employers will in many situations be required to negotiate with a union where that has not been the case under current legislation.

The imposition of “mandatory” bargaining with unions will be onerous on employers, particularly small to medium employers who have not traditionally been directly involved with unions. Julia Gillard, Deputy Prime Minister, has also proposed changes\(^\text{20}\) to the Fair Work Bill that will give Fair Work Australia stronger powers to intervene if disputes arise over union bargaining. Legislative powers that provide for intervention of third parties into the employment relationship will add to the employer’s down time when negotiating with employees and indirectly increase the employer’s costs.

SAWIA’s members comprise a variety of differing sized companies ranging from global companies with interests in Australia and overseas, Australian based companies with assets and facilities in multi wine regions throughout Australia and smaller to medium companies domiciled in one regional area.

Many of SAWIA’s larger company members already deal regularly with unions and government agencies and as a consequence will not be greatly impacted by good faith bargaining. However, a number of SAWIA’s small to medium sized members have non union agreements negotiated either individually with employees (in the case of Australian Workplace Agreements (AWA) or Individual Transitional Employment Agreements (ITEA)), or with group/s of employees in the case of collective agreements. These smaller employers, many of whom are in regional areas will be significantly impacted by the process of good faith bargaining if they are required to deal with unions and / or Fair Work Australia on a regular basis.

SAWIA submits that the AFPC should consider the impacts of future changes to the Australian Industrial Relations system, including the Award Modernisation process, in its 2009 minimum wage review.

d. The Impact of the AFPC’s 2008 Minimum Wage Decision

The 2008 Wage-Setting Decision handed down by the AFPC on 8 July 2008 granted a general pay increase that adjusted the standard Federal Minimum Wage and Pay Scales as follows:

\(^\text{20}\) Source: The Australian 10 March 2009 “Gillard beefs up work umpire”.
• An increase of $21.66 per week ($0.57 per hour) to the standard FMW bringing the weekly rate to $543.78. The standard FMW increases from $13.74 to $14.31 per hour;

• An increase of $21.66 per week ($0.57 per hour) in all adult Pay Scales.

By the time the 2009 Wage-Setting Decision becomes operative it will be 12 months since the last pay increases arising from the AFPC’s 2008 Minimum Wage Case Decision effective from the first pay period on or after 1 October 2008. While there have been no reports that wine industry employers had difficulties paying those increases, the on-going drought and water restrictions will continue to threaten the financial viability facing wine industry employers as outlined earlier in this submission.

Australia’s unemployment rate rose to 5.2%\(^{21}\) in February 2009, which is the highest level since November 2005. The seasonally adjusted unemployment rate increased by 0.4% in February 2009 to 5.2%, up from 4.8% in January 2009.

Australia’s Consumer Price Index fell 0.3% in the December 2008 quarter, compared with a rise of 1.2% in the September 2008 quarter. This is the largest quarterly fall since September quarter 1997\(^{22}\). It is likely that the CPI will fall further in the March 2009 quarter due to the global economic downturn.

In the AFPC’s 2009 Minimum Wage Review, the AFPC should consider the affects of the current global economic downturn on employment in Australia.

4. Conclusion

It has only been just over five and a half months since the last pay increases arising from the AFPC’s 2008 wage-setting decision effective from the first pay period on or after 1 October 2008. Since this time the Australian wine industry has commenced the 2009 vintage and at the half way mark of the wine grape harvest it looks like the current estimate of 1.63 million tonnes will be 11% down on the 2008 harvest. The wine industry has been severely impacted by the current drought and water restrictions with a number of employers in the industry continuing to tackle financial pressures.

Given the drought update from the Murray Darling Basin Commission that system inflows remain critically low and that the 2008-09 water year is currently tracking as the 7th driest in 117 years of records, it appears that the drought

\(^{21}\) Source: ABS publication 6202.0 – Labour Force Australia February 2009 – issued 12 March 2009

\(^{22}\) Source: ABS publication 6401.0 – Consumer Price Index, Australia, December 2008 – issued 28 January 2009
situation will not improve by the time the AFPC hands down its Minimum Wage Review decision in July 2009. If the drought continues with no improvement or a reduction in water allocations then the outlook will be grim for the wine industry.

2009 is shaping up as a very difficult year for the global economy. Recent global events clearly represent a major change to the environment for the Australian economy from the one prevailing as recently as six months ago. Many of Australia’s major trading partners are facing a recession, and while Australia can cushion the impact of a global recession on its economy, it can not stop it.

In summary, the wine industry is being challenged by many issues including:

- Drought and water restrictions
- Reduced wine grape harvest, down 11% on 2008
- The current global recession
- The bleak short to medium term outlook for the Australian economy
- Falling export and domestic sales
- The impact of new modern awards

SAWIA submits that the AFPC should consider the challenges facing the wine industry in these unprecedented times. With unemployment on the rise throughout Australia the 2009 wage-setting decision must have a primary focus on retaining and creating jobs and as a consequence any increase to wages should be kept to a minimum.
Annexure A – Summary of Award Wage Hourly Rates across Australia (Grade and Level No.s are colour coded)

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NOTE: these award rates are current as at March 2009 to the best knowledge of SAWIA.

* The hourly rate for the Fruit and Vegetable Growing Industry Award – State 2002 in Queensland is based on a 40 hour week.

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\(^{23}\) Wine Industry – AWU – Award 1999 (Pre-Reform Award)

\(^{24}\) Wine Industry Consolidated (State) Award

\(^{25}\) Wine and Spirit Industry (South Australia) Award (NAPSA)

\(^{26}\) Wine Industry (WA) Award 2005

\(^{27}\) Fruit and Vegetable Growing Industry Award – State 2002 (Northern District) applicable to persons employed in fruit growing industry, including the preparation of the land, cultivation, planting, care, picking, handling, treating, packing and dispatching all fresh fruits..., on or from...vineyards. For persons employed in wine production refer to the Federal Wine Industry – AWU – Award 1999 for those named employers.

\(^{28}\) Farming and Fruit Growing Award applicable to persons employed in viticulture and / or grape growing including management, cultivation, picking, grading, processing. The Federal Wine Industry – AWU – Award 1999 is not applicable to Tasmania.