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Review of Non Forestry Managed Investment Schemes  
Business Tax Division  
The Treasury  
Langton Crescent  
PARKES ACT 2600

### **Review of Non-Forestry Managed Investment Schemes (MIS)**

Reference is made to the Federal Government's release on the 1 August 2008 of the above-mentioned Issues Paper and the invitation for comment on the content of the paper and associated matters.

The Barossa Council is responsible for local government administration within its defined area of 912 square kilometers, serving a population of 23,000. The area is located within Australia's best known premium wine producing region and also provides a major hub of the Australian wine industry with many of the large wine companies consolidating crushing, fermenting, bottling, packaging and distribution centres within the locality. These activities together with local tourism (primarily driven by the wine industry), are the two major industries contributing the economic sustainability of the area. Agriculture and extractive industry providing diversity and very important support.

A major portion of the area is included within the Barossa Geographical Indications Zone incorporating the Barossa Valley and Eden Valley Regions, Barossa Zone and sub-regions. The Geographical Indications Zone extends into two adjoining councils – the Light Region and Mid-Murray Councils.

Council has a responsibility to work with all stakeholders in promoting economic development within the area and region and in doing so works closely with Federal and State Governments, Regional Economic Development Boards and the wine industry (in this instance) ensuring that there is growth within the industry and that it is economically and environmentally sustainable.

Notwithstanding the above, Council's role in development assessment can sometimes conflict with policies adopted for economic development and/or protection.

In recent years there have been a number of properties within the area that have been developed utilizing MIS initiatives which have been noted by Council and the industry generally, raising concerns in relation to their potential impact on the more traditional and predominantly smaller vineyards established by local growers. (Phylloxera & Grape Industry Board of South Australia statistics reveal that 82.5% of Barossa growers have less than 25 hectares planted.)

State planning legislation (Development Act, 1993) and Council's authorized Development Plan provides for vineyard development within rural zones identified within the area, subject to assessment primarily focused on objectives and development control principles addressing heritage, landscape character, land use and associated environmental management criteria.

When assessing an application for vineyard development against environmental criteria, larger projects demonstrate the ability undertake risk assessments and develop management plans to address, monitor and report on critical environmental issues associated with the development. MIS funded projects fit this mould in general. However, observers from outside the industry will question the nature and extent of the development in terms of its impact on the natural landscape, native fauna and flora and associated resources.

As with many other parts of Australia reliant on water derived from the Murray Darling Basin River System, the Barossa has restrictions applying to potable and non-potable water supplied via SA Water. Other sources of water including surface and ground water, and treated wastewater have also been allocated and required to meet strict conditions for use. To the contrary, larger vineyard developments including MIS supported projects have the ability to purchase water allocations at inflated rates to assist with the establishment of new vineyard plantings. The use of this water is questioned relative to its environmental impact particularly in relation to the additional salt load likely to impact on local soils, surface and ground water sources.

The development legislation does not permit Council's to make decisions on applications based on the economic benefit or otherwise of the proposed activity. In other words, Council would not decide against the merit of an application based on the proponent or type of investment supporting the proposed application, nor would it make an assessment on the long term economic viability of the proposed activity. These matters are market driven and are determined by economic factors beyond the control of Council.

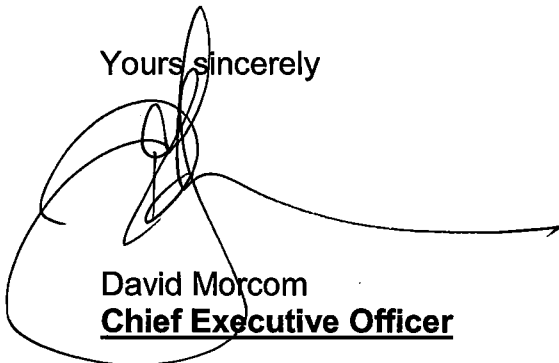
Council recognises that under favourable economic conditions that both MIS and alternatively funded projects will contribute to development in the region.

It is in times of economic decline that Council acknowledges and supports local wine industry concerns relative to the potential impact that MIS supported projects will have relative to the following:-

- Advantages gained from Federal government tax breaks influencing the ability to acquire large tracts of land and to purchase at high prices scarce water allocations to aid development
- Distortion of natural market forces influenced by large scale development and oversupply
- Negative economic and social impacts on smaller growers who are unable to maintain competitiveness
- A reduction in the quality of wine produced within the region which may influence demand for the "Brand Barossa" in the future

The recent large scale MIS development of vineyards in the adjoining Light Regional Council has highlighted the above concerns and indicates the need for an amendment to be made to Federal tax law to restrict the benefit and operation of Non-Forestry Managed Investment Schemes.

Yours sincerely

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**David Morcom**  
**Chief Executive Officer**