WineGB Autumn 2024 Budget submission

Introduction

The English and Welsh wine sector is established, successful and growing rapidly while sustainably. To accelerate the growth of our industry we look at both the home market and abroad. There is much to gain from export-led growth, and the broader luxury halo effect that comes from our traditional method sparkling wines. Equally, we have an advantage in being able to learn from other new world wine nations and to embrace their experience about how they support their wine producing businesses. English and Welsh wine needs the United Kingdom Government to acknowledge where it is currently at and to support our growth now and into the future.

This is WineGB's second Budget submission of 2024. Much of our March Budget submission remains relevant in advance of the October Budget. Therefore much of what is contained within this submission is the same and should not come as a surprise to His Majesty's Treasury. We do hope that with a changed Chancellor of the Exchequer and her Ministers, there will be a greater openness to supporting British wine's needs at this significant inflection point.

In March, and again now for the Autumn budget, we suggested that Government assistance for our growing sector, includes:

- **a fairer tax regime for British wine which would address the competitive disadvantage the category has to contend with**. This would take the form of:
    - **reducing duty for wine.** The UK is one of the few wine (still and sparkling) producing countries in Europe that levies excise on home-grown and produced products which puts its domestic producers at a competitive disadvantage
    - a **cut in excise duty for UK wines** in the Autumn Budget as a means of stimulating sales, which in turn could deliver a knock-on increase in collected excise duty
    - **extending Small Producer Relief (SPR)** by adjusting it so there is an appropriate application threshold for each alcohol beverage category so that English and Welsh wine, which has an ABV of between 11% and 13.5%, can access it
    - introduce an English and Welsh **cellar door duty relief scheme** modelled on the Australian scheme of the same name to support local tourism

- **proposals which encourage domestic and international tourism**, including:
    - restoring **tax-free shopping for third country nationals** visiting the UK

- introduce **arrivals duty-free** so that UK travellers can use their increased duty-free allowances in UK ports and airports rather than third country ones

- **export support** to enable English and Welsh wine to step up to the next level in terms of international sales and new market penetration. Only with concrete UK Government support working in partnership with the sector to open doors will this be possible.

- **improved grant funding** to assist our domestic winemaking sector achieve its goals, by:
  - delivering the **Future Winemakers' Scheme** which was announced in April 2024 and to make this a permanent, annual scheme
  - ensuring that **funding offered within the future Defra kit and equipment fund** include viticulture-specific equipment allowing for improved productivity and sector wide investment in sustainable equipment
  - funding to assist in the **expansion of winery infrastructure** in the UK as there is no wine sector if the grapes cannot be processed. Given that wines can be in storage for many years, there is a great deal of capital expense that takes a long time (potentially as long as two decades) for producers and investors to see a return on their investment, and
  - support for an **industry research and development programme**, specifically tailored to developing measures to address cool climate viticulture with increasing weather variability and to allow for improved winemaking for new, local grape varieties.

WineGB and our members

Wines of Great Britain (WineGB) is the national association for the English and Welsh wine industry. Since our previous submission, the UK has now surpassed the totemic thousand vineyards mark and our members represent the vast majority of the UK's productive hectarage. We seek to establish Great Britain as one of the world's great quality and most sustainable wine regions. We are a relatively new sector, and to enable the sector to mature, a sustained, joined up approach to developing our domestic sales, our tourism proposition, and our exports would be beneficial. This will ensure that sales continue to grow with production and that we can capitalise on the growing interest in our wines.

Two-thirds of our membership are small producers, making fewer than 10,000 bottles a year and often selling directly to consumers through their cellar door, websites, and wider tourism offerings, as well as local retail and hospitality. The largest 25 producers account for over 80% of total sales of domestically produced wine. They continue to invest in growing their plantings and reach, building the domestic wine market in the UK and driving our exports. The sector works collegially to drive growth through awareness. Larger companies contribute through investment in UK and international marketing campaigns, building distribution networks, and driving demand through the on- and off-trade. Smaller producers contribute by creating a gathering point for communities and businesses while driving cellar door sales.

English and Welsh wines are innovative, internationally recognised as a standard for high quality, and growing at pace. It is essential that we capitalise on recent record harvests[1] to draw further attention to our sector and our quality, premium products. This in turn, we hope, will drive sales and accelerate our growth which is helping level up agricultural communities through the provision of highly skilled, sustainable and increasingly high-tech jobs and ancillary requirements.

It is a success story that has shown extraordinary growth and development in the last decade, as a result of significant investment. This growth is projected to continue in years to come if the market conditions continue on their current trajectory and if Government policy enables it to happen.

UK wine's future prospects

English and Welsh wine continues to grow sustainably and manageably as new plantings come into production. Sales rose 10% in 2023 to reach 8.8 million bottles. Over a five-year period since 2018, sales have consistently risen with sales of:

- sparkling wine increasing by 187% since 2018, from 2.2 to 6.2 million bottles in 2023, and
- still wine increasing by 117% over the same period, from 1.2 to 2.6 million bottles.

This growth is even more impressive as it is against the wider trend of falling UK and global wine consumption.

The 2023 wine harvest is the largest ever recorded in Britain with an estimated 22 million bottles of wine in production[2]. UK wine production is projected to reach an estimated 25 million bottles a year by 2030[3].

There has been a nearly 75% growth in vines planted in just five years with just under 4,300 hectares currently under vine in England and Wales. This is projected to yield between 29 to 30 million bottle sales by 2032[4]. That is over a thousand hectares more planted and under vine then there was in 2018. In the coming decade it is estimated that this could double to nearly 9,000 hectares under vine if the economic conditions are right[5].

There are considerable opportunities for growing our exports given that in 2022 Champagne produced 325.5 million bottles of which 57.5% were exported while corresponding UK exports (which went to over 30 countries) accounted for just 4% of our sales in 2021 and have now doubled to 8% of sales in 2023 going to more than 45+ countries[6].

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[1] The 2023 harvest was the largest on record. With the 2024 harvest shaping up to match and possibly even surpass it.
[2] WineGB and Wine Standards July 2024 figures
[3] WineGB Industry Report 2022 - 2023
[4] 2023 Harvest Report - The Big One, WineGB and Stephen Skelton MW, December 2023
[5] WineGB press release "*UK vineyards surpass 1,000 milestone mark and sales continue to buck the wider wine market trend*", 4 July, 2024
[6] "WineGB calls for more support from Government for export", September 2024

At home the sparkling wine-drinking population in the UK has, according to IWSR research[7], grown since 2019. We are taking market share from our friends the French with the category gaining an additional 2.2 million annual sparkling wine drinkers and a further 2.5 million monthly drinkers. This growth equates to 6.2 million bottles sold in 2023 an increase of 187% since 2018.

We have also seen sales of still wine increase from 1.2 million bottles sold in 2018 to 2.6 million sold in 2023, an increase of 117%[8].

In addition to cultivation and production, wine tourism, which around 300 of our members offer, is a key driver in local economies with a recent report[9] for just one region (Sussex) estimating that by 2040, investment in the local economy by vineyards operating visitor attractions will be worth considerably more than £250 million and provide close to 4,000 new jobs.

These figures will be emulated in other counties in the South East, and a lesser degree in the winemaking regions in the South West, Wales, the East, Wessex, and Thames & Chilterns the Midlands and the North.

Why we are making this submission?

The growth of the UK wine industry comes against a background of specific and considerable challenges which are a consequence of being the newest wine category in the global world of wine.

Our sector produces premium wine and sparkling wine products which results in far higher costs and overheads than those experienced our competitors i.e. long-established wine producers in Europe, Africa, Australia, New Zealand and the Americas. For example, the yields from our vines keep improving in quality and quantity, but still lag between 30 to 50% behind that of France and Spain meaning that every bunch of grapes cost significantly more to harvest, process and transform.

In the UK a commercially sustainable yield is considered to be six tonnes per hectare (ha) which works out at roughly 37 hectolitres (hl) /ha. For the period 2016 to 2023 the average yield across England and Wales was 30.9 hl/ha so less than what it needs to be to be commercially viable. By comparison in the Champagne region over the last 10 years yields have varied from 50hl /ha to 75hl /ha depending on the year. In other words, they produce significantly more than English and Welsh producers do with a commercially sustainable yield threshold that is likely lower than ours. While in some of the *Cremant* producing regions, it ranges from roughly 74hl /ha (*Cremant de Loire*) to 80hl/ha (*Cremant d'Alsace*). For the same harvest competitors are getting significantly more in terms of yields than English and Welsh vineyards get with processing costs that are less which puts

[7] United Kingdom Sparkling Wine Landscapes 2023, Wine Intelligence (a division of IWSR)
[8] See this infographic outlining 2023 industry data.
[9] Sussex wine tourism – A plan for growth, Sussex Modern (the wine tourism development agency for Sussex)

them at a significant disadvantage. This is the reality of the competition which our members face.

At the same time our members are also investing heavily in core plant machinery, bottling lines and other necessary infrastructure, working to set up both national, and where possible, international distribution networks, and spending on marketing and PR required to create, rather than maintain, new markets for their products both in the UK and overseas.

As a result of production costs[10] for our members wines and sparkling wines being significantly higher they are more constrained in what they can allocate to making the breakthroughs needed to build new markets, sell their premium products, and keep successfully growing.

The UK wine sector is a UK agriculture success story. One that the UK Government itself has acknowledged as "*Britain's fastest-growing agricultural sector, employing around 2,300 people full time with a predicted 50% growth in jobs by 2025*"[11].

Nevertheless, for UK wine producers to remain so in the current global climate we need all the help we can get from our own Government. It is therefore essential to seize the moment and cultivate our incredible, internationally award-winning wines and sparkling wines now that the world is waking up to its quality.

To do this, and more than any other domestic alcohol beverage category in the UK, our sector need our Government's active support in a number of areas which we will outline in this submission.

[10] Production costs are higher in the UK than they are in other countries we compete with for a number of reasons, including for example:
- lower harvest yields
- higher labour costs – the best grapes are hand-picked. This requires seasonal workers. The cost of employing seasonal workers (including the bureaucracy) is higher than most businesses can afford
- higher duty then nearly all other European countries
- minimal grant support compared to competitors in other countries who access support for the vineyard, winery, cellar door, education and research
- higher equipment prices as most of it must be imported, in particular from continental Europe,
- for most sparkling wine production, capital and money is tied up in stock which is in storage resulting in delayed return on investment and cashflow issues
- new world wines secure wider investment in whole category marketing
- individual brands needing to allocate significant marketing spend to build awareness in the UK against established, imported competition
- export market investment, opening up new countries requires substantial start-up funding

[11] "English Sparkling Wine makers raise a glass to new opportunities", Department for Environment, Food & Rural Affairs, December 2023.

WineGB's ask of the UK Government from its Autumn Budget 2024

A fairer tax regime – addressing the competitive disadvantage for wine

Excise duty on wine

Prior to 1st August 2023, the UK had the third highest rate of excise tax (per 750ml bottle at an ABV of 13%) for still wine and the second highest for sparkling wine in Europe. Only Ireland and Finland had higher excise duty for still wines (€3.19 and €3.16 respectively) compared to the UK's £2.28., while only Ireland's was higher for sparkling wine at €6.37 compared to an excise rate of £2.92 in the UK[12].

As stated in the introduction to this submission, the UK is one of the few wine (still and sparkling) producing countries in Europe that levies excise on home grown and produced products. 10 European countries apply no excise duty on domestically produced sparkling wines while France only applied a rate of €0.07 in 2022[13]. 15 applied no excise duty on domestically produced still wines with France applying a rate of €0.03[14]. This is the reality of the 'level playing' field upon which English and Welsh wine has to compete domestically and internationally.

On 1st August 2023 the UK introduced significant changes to the excise duty regime which impacts, both in terms of the scale of the duty increase and the administrative and financial burden of changing the way excise duty is calculated, still and sparkling wines the hardest of all the alcohol beverage categories.

We share the Government's ambition to simplify the duty system, however we believe that these the changes disproportionately target wine while simultaneously ignoring the significant and mainly positive public health trends of consumers drinking less but better-quality alcohol products. Alcohol consumption has fallen by 15% over the last 15 years and four in five consumers are drinking within the CMO's low risk guidelines or not at all, with a small minority drinking at high risk[15].

Nonetheless, the duty increases proposed were the largest seen in almost 50 years, and while a short-term freeze was announced at last year's Autumn Statement, it leaves open the possibility of another duty increase this year. In the cost of living crisis that most UK households are experiencing, these wine duty increases,

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[12] Irish Wine Market Report 2022, Drinks Ireland, September 2023.

[13] **Austria**, **Bulgaria**, **Croatia**, **Cyprus**, **Greece**, **Italy**, **Luxembourg**, **Portugal**, **Slovenia** and **Spain**, Irish Wine Market Report 2022, Drinks Ireland, September 2023.

[14] **Austria**, **Bulgaria**, **Croatia**, **Cyprus**, **Czechia**, **Germany**, **Greece**, **Hungary**, **Italy**, **Luxembourg**, **Portugal**, **Romania**, **Slovakia**, **Slovenia** and **Spain**, *Ibid.*

[15] Portman Group UK Alcohol Fact summary of UK alcohol trends September 2023 – this draws on secondary data from a number of sources including the Health Survey for England and the World Health Organisation.

together with inflation, are contributing to depressed demand for wine products and also contributing to a reduction in Government revenue[16].

Given this, and the inflationary challenges both our members and the consumer are experiencing, we would ask that the Government consider a cut in excise duty for UK wines in the Autumn Budget so we don't strangle UK sales. Support for our members like this would more than likely deliver a knock-on increase in collected excise duty, which has fallen this year, most likely as a result of the 2023 increase. At the very least we hope that the Government will provide a commitment that our sector will not be have to face a further excise duty hike in the near future.

The other notable change introduced was around how alcohol duty is to be calculated. In implementing four bands for wine, the third band cut-off point for lesser duty at the 8.5% ABV rate seems to us to be a change which directly targets wine by introducing an impossible to reach lower threshold. If our members attempt to produce a product at or below 8.5% then they cannot call it or market it internationally as wine.

Small Producer Relief

WineGB has previously written to HM Treasury[17] on the *Small Producer Relief* (SPR) and we would like to take this opportunity to reiterate what we said then and ask that equitable support be provided to small wine businesses who make up the majority of our industry.

We understand that SPR is intended as a mechanism to support increased investment in the sector[18] and expand the number of producers who can enter a market, ensuring fairness and competitiveness. As it stands in wine, smaller producers are effectively excluded as the vast majority of wine cannot be made under the ABV range for SPR. We simply ask for the chance for our small members to have access to the same support as beer and cider that keeps as broad a range of producers in market and viable as businesses.

As the popularity of English and Welsh wines has grown, so has the diversity of producers. While there are a handful of participants in our sector who have the capacity to make immediate and large investments, the vast majority of our members are businesses built and run by individuals and families who are taking significant entrepreneurial risk. Many are farmers extending their product base, passionate second careerers, and wine professionals taking their first steps into business. These businesses are spread across the country from Cornwall to Yorkshire, Wales to the South East, and there are even a handful of urban wineries in the cities. Our sector is one that is spread throughout the countryside and its

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[16] According to HMRC data, Exchequer duty receipts for wine fell by 8% between September and November 2023. While this data is for overall wine receipts, and industry data suggests that our members are slowly but steadily increasing domestic market share, ultimately if there is less spent on wine then that will flow down sooner or later to affect the sales of our members products.
[17] A proposal submitted by WineGB in March 2020 and a letter sent to the Exchequer Secretary dated 9 October 2023.
[18] Based on the assumption that owner / operators reinvest the money saved through SPR in their business.

growth offers an equally spread out local economic ripple effect. Supporting our sector to grow ultimately is supporting the growth of the local communities our members are based in.

The international standards setter for wine is the *International Organisation of Vine and Wine* (OIV) of which the UK Government is a member. Its rules state that wine cannot be made under 8.5% and still be called wine. English and Welsh wine producers, for reasons of credibility in both the home and export markets, is duty bound to align with OIVs definition of what is, and is not, wine.

SPR on Alcohol Duty in the UK is available on any product with an alcohol by volume (ABV) of less than 8.5%. In effect this means it is only available to domestic beer and cider producers. Generally, wine in the UK has an ABV of between 11% and 13.5%. This is what they UK consumer expects, it is what buyers and consumers in our export markets expect, and it is what producers aim to deliver.

This SPR threshold of 8.5% ABV actively discriminates against English and Welsh wine producers. WineGB believes that this discrimination could be dispensed with if SPR were to be adjusted to make its threshold category specific. This would be the fair way of applying SPR. As it stands, with the availability of SPR to drinks up to 8.5% ABV, beer and cider are favoured and producers of those products are provided by the Government, with a competitive advantage over domestic UK winemakers even when producing their products to very ABV high strengths[19]. It means that the number of units of pure alcohol in a pint can be far higher than in a glass of wine, often double, which does little to encourage desired public health effects.

As it stands today, if English and Welsh wines were able to afford the technology to get the ABV of their products down to below the 8.5% required to avail of SPR, the quality of such products would be substandard, have higher levels of sugar to create mouthfeel, and would fundamentally go against what it is that both the domestic and overseas consumer expects from an English or Welsh wine /sparkling wine product. It would cut against the core of our sector's USP, making any such change highly detrimental to our growth (and ultimately it would likely reverse all of the gains made over the past twenty years). So even if domestic wine producers tried to produce de-alcoholise wine that would be below the 8.5% ABV threshold, they would struggle to sell the quantities[20] of such a non-wine products on the domestic market to even make it cost-neutral.

The only way for small English and Welsh wine producers (the vast majority of wine producers in the UK) to be able to avail of SPR and remain competitive, both at home and overseas, would be for the SPR scheme to be adjusted so that it has category specific thresholds which would enable domestic wine producers to avail

[19] For example, Double Hazy Jane at 7.2% ABV, Double Tonka Frappe Coffee Stout at 8.0% ABV, and Ultra Phase Double IPA at 8.5% ABV to name but three products at the higher end of the beer category whose producers can avail of SPR on these products if they so choose.
[20] Circa 30,000 bottles of a wine brand are required to be sold per annum to ensure that the producers break even on that particular product.

of it by producing products to the lower end of the recognised wine ABV scale i.e. 10.5 to 11.5% ABV.

Just as a reminder, a producer is eligible for SPR if:

- the products made in the previous production year contain 4,500 hectolitres or less of pure alcohol
- a producer reasonably expects that the products it makes in the current production year will contain 4,500 hectolitres or less of pure alcohol, and
- less than half of the total alcohol a producer produces in a production year is made under licence.

A significant proportion of artisanal, micro, and small English and Welsh wine producers do not cross the upper limits of these thresholds. Denying them the relief that small cider and beer producers receive also puts them at a significant competitive disadvantage vis-à-vis these commercial rivals in the local communities that they are based. As important, it competitively disadvantages UK wine producers regarding their third country counterparts given that as many as 15 European countries[21] pay no wine duty at all on any of their wine or sparkling wine products. Our members are not competing on a level playing field either at home or abroad and we urge our Government to do what it is able to do to put micro and small wine producers on a similar footing to their beer and cider counterparts.

Tourism

Cellar door sales duty relief or subsidy – supporting local tourism

Wine is never just about the drink, but as much about the occasion, bringing people, friends, and family together in a convivial environment. Our producers may start out making wine, but many then expand into hospitality providing a whole additional array of services (e.g. tours, tastings and other hospitality offerings) in the rural, countryside settings. A quarter of winery income comes from wine tourism and we estimate that around 300 English and Welsh vineyards sell directly to consumers though wine tourism, visits to and events hosted in their vineyards. This is called cellar door sales and it is a key driver for local growth[22].

Wine tourism is a recognised sector with **VisitBritain** and **VisitEngland**, and the growing importance of cellar door and vineyard experiences looks set to grow, with a recent VisitBritain survey suggesting 42% of inbound tourists would enjoy a visit to an English or Welsh winery if the opportunity arose, equating to a potential market of 16 million visitors.

Tourism is the most important route to market for English and Welsh wine producers outside of the 25 largest domestic producers. Wine tourism is a driver of sales and raiser of awareness of our sector’s diverse range of products. This driver, however, relies heavily on visitors being aware of our members’ vineyards and

[21] See footnotes 13 and 14.
[22] WineGB UK Wine Tourism in 2024 report

making the effort to visit to gain the full experience. The more inducements that there are to attract visitors, the more likely it is that they will visit.

Growth and development of the UK wine sector can be very positive for the rural economy and employment. We are, as already acknowledged by the UK Government[23], "*Britain's fastest-growing agricultural sector*". According to a 2021 South Downs National Park report[24], viticulture has 13 times higher GVA (Gross Value Add) to the economy than traditional cereal crops. In 2019, viticulture in the South Downs National Park alone contributed £54 million GVA of which £24.5 million was directly from wine sales.

As a new country in the new world of wine, English and Welsh producers have the opportunity to learning from our Australian, New Zealand, and South African counterparts about how they have shaped, built and have had their sectors supported to encourage growth and develop markets at home and overseas.
An example of this is Australia, which provides an established model that supports local markets through a cellar door duty relief rebate system which encourages wine tourism.

Taking the Australian cellar door duty relief scheme as a model, we propose that there should be a similar scheme implemented in England and Wales that offers full relief from the excise duty payable on a set number of bottles of wine sold from the actual premises /vineyard of a producer in England and Wales.

This proposal is aimed not at reducing the amount of excise that English and Welsh producers pay, rather it is intended to encourage further investment in their infrastructure, employment and tourist facilities by vineyards and wineries, particularly medium and smaller sized producers. This scheme would permit producers to sell up to 100 HPL[25] per year (roughly 13,350 bottles) to the public from their cellar door (i.e. the vineyard shop) to individuals present on site for personal consumption (i.e. not for resale) only.

It is our firm belief that a relief such as this will itself quickly generate further revenue for the Treasury through supporting tourism and community spaces, creating a multiplier effect that helps to grow the local economies in a sustainable and carbon friendly way.

Australia's established model, if applied in the UK, would have a marginal immediate cost to the Treasury of a maximum of £15 million per annum. The return, however, would drive sector awareness within the UK, which in turn could lead to more jobs, sales and industry investment that would likely match or exceed the duty impact forfeited. This would also have a powering up benefit in hard-pressed rural economies and further embed our sector as a source of local enterprise, dynamism and community spirit.

[23] See footnote 3.
[24] Viticulture Growth Impact Assessment, South Downs Nation Park Authority, 2021.
[25] HPL: Hectolitres of Pure Alcohol

The Australian Government has provided considerable support to its winemakers through reliefs such as this one, advice and associations. It has allowed them to build a market in a relatively short period of time (from the 1960s onwards) to the extent that they are the fifth largest wine producer and exporter in the world contributing $45.5 billion to the Australian Treasury each year[26].

While our ambitions are more appropriate for our stage in our growth, we believe the UK can learn from the Australian experience and can look to make similar progress in years to come. But this requires the support of the UK Government. The Australian Wine Equalisation Tax allows producers to enjoy $350,000 rebate per year where there hasn't been a wholesale sale such as cellar door sales or tastings. It is generally only payable if a producer is registered or required to be registered for goods and services tax - VAT.

Restore tax-free shopping

As a sector, UK wine supports initiatives currently being proposed to restore tax-free shopping for international visitors to the UK and the introduction of arrivals duty-free at the UK's ports and airports for UK and other nationals entering the country.

As a growing and dynamic part of the UK's agriculture sector, we believe that these proposals could make a positive contribution to the competitiveness of domestic UK wine producers by exposing our produce to an expanded customer base, which in turn would have a positive impact on our members' commercial viability and their economic footprint.

These proposals aim to incentivise spending in the UK by two distinct sets of travellers. *Restoring tax-free shopping* would benefit, and therefore encourage, a significant increase in overseas visitors to the UK and a corresponding increase in spending. While introducing *arrivals duty-free* would offer similar opportunities to UK travellers as it would enable them to undertake their duty-free shopping at their point of return to the UK rather than in an overseas location in Europe, the Middle East or Asia.

Restoring tax-free shopping for third country nationals travelling to the UK has the potential to create a unique, new, £10 billion, shopping-led tourism market for Britain[27]. It is estimated that up to £5 billion of this would be on tax-free shopping and £5 billion spent on other goods and services such as hotels and restaurants, on travel, leisure and cultural activities.

It is also estimated that restoring tax-free shopping for international travellers and the new shopping-led experience this would generate could benefit the regions outside of Greater London more than is currently the case from tax-free shopping.

At the moment, around 80% of all spending on tax-free shopping, undertaken by those who can avail of it, takes place in London. It is believed that the regions

[26] For more detailed information on the Australian wine sector see here.
[27] Association of International Retail research

(including the wine producing parts of the UK) would gain disproportionately from an increase in European travellers spending because:

- European visitors are more likely to travel outside London than long haul visitors
- most flights from UK regional airports are to European destinations providing a series of European visitor markets for each region to target and encourage visits from, and
- European visitors, attracted by tax-free shopping, are likely to make more visits to Britain than long-haul visitors who are either just visiting London or using London's airports as connection points to further destinations.

Introduce arrivals duty-free for UK travellers returning to the UK

As already stated, we believe that introducing arrivals duty-free could offer similar benefits to UK travellers as restoring tax-free shopping would for EU visitors. It would enable UK travellers to undertake their duty-free shopping at their point of return to the UK rather than in an overseas departure location in Europe, the Middle East or Asia.

It would also allow UK retailers and their ports /airports partners to build a new stream of non-aviation /non-port revenue which are vital to the commercial sustainability of the UK's ports and airports.

Over 60 countries world-wide currently allow arrivals duty-free shopping. In Europe, arrivals duty-free exists in Norway and Switzerland. In these countries arrivals duty-free sales are almost 100% displaced from third country airports. Arrivals duty-free relocates passenger spending from the point of departure to the point of arrival which would benefit UK travellers, UK retailers and in the case of UK wine we believe it would also be of benefit to UK producers given the importance of selling locally produced products, in particular in regional airports and the UK's ports.

As a sector, UK wine believes that both of these proposals could positively assist the UK's growing domestic wine sector. They would bring UK premium wine products to the attention of new categories of consumers which could support domestic production of wines in a simple and straightforward way.

They would do this in a way that does not negatively impact on Government tax revenues by shifting sales from outside the country (departure airport /ports) to inside the country (arrivals airport /ports) and thus supporting British enterprise, local jobs and businesses. This would be in addition to the positive economic impact they would have on the UK's regional airports and ports many of which are loss making.

Export support for English and Welsh wine

English and Welsh wine exports have doubled in two years from 4% (2021) to 8% in (2023) of sales annually of which over 90% are sales of traditional method sparkling wine[28]. Given the record harvest in 2023 and expected increases in supply of English and Welsh still and sparkling wines in the coming years, help for our industry from the UK Government, which focuses on exports and export markets, would be a game changer.

A focused, collaborative effort, partnering WineGB and the UK Government, is needed to jumpstart and move English and Welsh wine exports to the next level. This is a very complex area for new and emerging businesses in a new product category that has little or no international recognition. If the UK wine sector is to grow and prosper so that it can make a meaningful contribution to the UK economy in the longer term, it will need the active support of the UK Government to get it there.

An example of a type scheme that might be of assistance would be a showcase programme where English and Welsh still and sparkling wine brands are showcased by the UK Embassy network at high-end tasting events on an annual basis. This would need to be backed up by grant funding, export financing, and the organisation of physical distribution in conjunction with the event so buyers in these cities can act quickly and easily if they wish to engage with the brands that are on display. No alcohol beverage category and no new wine region has established itself internationally in the last 50 or so years without this sort of Government supported approach and organisation.

Growing and funding our people and sector

People are at the heart of every English and Welsh wine business – from the artisanal through to the largest public companies. Data and models[29] suggest that the sector will grow from the roughly 2,300 people employed today to an estimated 30,000 by 2040. As a sector with close to a 50:50 gender split, we are conscious that we need to both support the widest number of UK citizens into these skilled jobs and ensure that they are trained to fill the roles that growth in the sector will create.

Roles and the wide array of skills that vineyards /wineries will create and employ people in, include chemists, engineers, computer technicians, winemakers, viticulturists, marketers, hospitality and tourism specialists, as well as adjacent support services including IT, legal, finance, and business management.

At the same time improved physical infrastructure, such asplant machinery, associated buildings and local infrastructure (e.g. transport links, energy, water, wi-fi and communications) are required to support the sector's needs and expansion to meet current, and more importantly, future demand.

While improved local infrastructure should be prioritised as it benefits every agricultural sector; from a viticulture point of view, there are asks specific to our sector. None of these asks can be undertaken by English and Wales' domestic wine

[28] UK vineyards surpass 1,000 milestone mark and sales continue to buck the wider wine market trend, WineGB, July 2024
[29] Looking to the Future, WineGB Report, 2018.

sector on its own. Our members are predominantly micro, small and medium sized businesses and do not have the resources or access to funding, which in the past had been available[30], to undertake these improvements on their own.

To that end we would ask for a number of viticulture relevant commitments in particular from the Autumn budget, which would go a long way to helping our sector equip itself for the long run.

Firstly, that the *Future Winemakers' Scheme*[31], which was announced in April as a one-off contribution intended to help develop skills and job opportunities in the sector, becomes a permanent, annual scheme. Securing the funding for the scheme and making it permanent would be a start towards educating, developing and growing domestic winemaking and viticulture specialists and reducing dependence on overseas expertise.

Secondly, that future editions of the *Farming Equipment and Technology Fund* be expanded to include more viticulture-specific equipment. Viticulture, harvest and wine processing requires a significant amount of specialist equipment to be successfully undertaken. Having kit that matches the dimensions and needs of vineyards is essential to its success. Government support would make a significant difference and help our sector equip itself with the state-of-the-art machinery necessary to foster growth.

Thirdly, that funding be provided to assist in the expansion of the UK's winery production facility infrastructure. Currently[32] there are 221 wineries processing the produce of 1,030 vineyards in England and Wales. Our sector is growing but if it doesn't have the infrastructure in place to process our increased harvests and produce wine, then increasingly significant portions of the harvest will be left on the vine to rot because of a lack of processing capacity. This would be an investment in the future and a vote of confidence in our sector by the Government of the United Kingdom.

And finally, that further support and a winemaking-specific research and development programme be provided for through funding bodies such as Innovate UK. As a new, cool climate, wine sector, we face challenges with weather patterns and their consequences, and the need to develop wine techniques that take advantage of some of the newer grape varieties that are more climate resilient.

[30] E.g. European regional, structural and CAP funding
[31] New funding to unlock future winemaking talent, 16th April, 2024
[32] Wine GB UK Wine Industry Data 2023