

Intelligent intervention could help us to ferment success

JASPER WRIGHT
disagrees with Sir William Birch and says New Zealand has a thriving wine industry, thanks partly to past government intervention.

It is amazing that Sir William Birch should use the New Zealand wine industry as an example of hands-off success. Amazing because it is quite wrong.

Firstly he tells us, in his article on this page, that 20 years ago there was a glut of low quality wine because of tariffs.

Wrong: the wine industry had been producing low quality wine for many years, because that was the tradition. The industry in the 40s and 50s was largely a collection of small family businesses, making wine for their own use, and for sale at the gate.

Horror stories abound of those days. Grapes being trampled by foot in the bath, a sack of sugar added (half a sack if a dry wine was wanted) and after fermentation for a fortnight it was bottled and aged under the house for at least three weeks before being sold. These stories weren't always true, but not always false either.

This was hardly the basis of a thriving internationally competitive industry. But by the mid-60s changes were underway.

New vineyards with professional management and corporate structures were becoming players; Tom McDonald produced an outstanding Hawkes Bay dry red, McWilliams from Australia were setting solid vinting standards, and a new company, Cooks Wines, was formed to produce quality wines at Te Kauwhata.

With better wines available, customer demand grew but only slowly. Help was needed and it came from the Government. Excise, a tax levied on production, was kept at a more favourable rate than beer.

Level playing field? No. This was an industry that needed help. Import duties had their base changed so that the poor quality wines cost more and the higher quality wines less. With the Government sending these price signals the market responded with a move to more palatable wines and local vineyards raised their sights.

Then finally the third act: the Lange Government paid producers to tear out outdated vines. For every hectare of established vineyards destroyed, a cash payment was made direct to the owner. Some growers used it to get out of an industry that was changing

too rapidly for them. Others replanted with the grapes that would produce the type of wine that would enable them to compete with international standards.

From then to now acreage of grapes has grown steadily and wine production has surged ahead to become an export success story. Tariffs have been reduced across the board, but the wine industry is strong enough to handle that now. Sir William implies that tariff reduction has led to the growth in the wine industry. This just isn't so. He says that with government distortions out of the way, they started to look at international markets. Again, it just wasn't so.

The success of the wine industry had its foundations in individuals who wanted to do better. To succeed they needed government distortions, which they got. And New Zealand got a vibrant world-class industry. This was the Singapore model. It was not one of continuing subsidies or protection, but of intelligent help for a limited time to enable an industry to grow and then compete in the international market place.

Today Singapore rates above us in Gross Domestic Product a head remarkable for a country short of natural resources, which 50 years ago was a poverty stricken Asian city. The key to its success — sound planning and intelligent government intervention. While nobody doubts that changes in New Zealand were necessary 15 years ago, the question now being asked is: "Did we make the right changes?"

Based on present results the answer

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