

ONE November 2023

Report to Wine Australia

Wine Australia

Independent performance review

July 2019-December 2022



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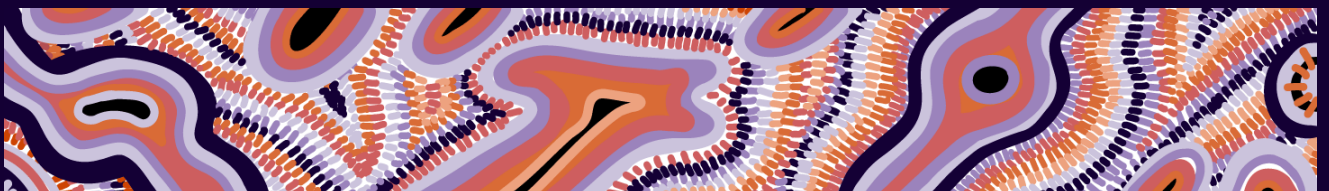
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Goomup, by Jarni McGuire

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Glossary

ABARES	Australian Bureau of Agriculture and Resources Economics and Sciences
ABS	Australian Bureau of Statistics
AICD	Australian Institute of Company Directors
ACWP	Australian Commercial Wine Producers Limited
AIA	Agricultural Innovation Australia
ANAO	Australian National Audit Office
AOP	Annual Operating Plans
ARC	Audit and Risk Committee
AWRI	Australian Wine Research Institute
BCR	Benefit Cost Ratio
CBA	Cost Benefit Analysis
CEO	Chief Executive Officer
CEOR	CEO Roundtable
CIAG	Consumer Insights Advisory Group
CIE	The Centre for International Economics
CSIRO	Commonwealth Scientific Industry Research Organisation
CRIS	Cost Recovery Impact Statement
CRRDC	Council of Rural Research & Development Corporations
DPIRD	Department of Primary Industries and Regional Development of Western Australia
E&A	Extension and Adoption

ELIS	Export Labelling Infringement System
ESG	Environmental, Social, Governance
ERWSP	Export and Regional Wine Support Package
FOB	Free on Board
IWRA	Inland Wine Regions Alliance
JMG	Joint Marketing Group
KPI	Key Performance Indicator
LIP	Label Integrity Program
MOFCOM	China's Ministry of Commerce
NWPPA	National Working Party in Pesticide Applications
NOLO	No or low alcohol
NPS	Net Promoter Score
NSW DPI	NSW Department of Primary Industries
OGWSP	One Grape & Wine Sector Plan
P2D2	Precision to Decision 2
PGPA	Public Governance, Performance and Accountability
PIEFA	Primary Industries Education Foundation Australia
RAC	Research Advisory Council
RAP	Reconciliation Action Plan
RDC	Research and Development Corporation
R&I ¹	Research and Innovation
RRD4P	Rural Research and Development for Profit
SARDI	South Australian Research and Development Institute
SFA	Statutory Funding Agreement
SLT	Senior Leadership Team
SMART	Specific, Measurable, Achievable, Relevant, and Time-bound

¹ Throughout this report the terms R&D and R&I are used interchangeably and reflect the language now used by Wine Australia. The language around extension (RD&E) has now also shifted to the use of adoption (RD&A) and/or extension and adoption (E&A), these terms are also used interchangeably throughout the report.

SWA	Sustainable Winegrowing Australia
TOR	Terms of Reference
VIBP	Viticulture Industry Biosecurity Plan
WALAS	Wine Australia's Licensing and Approval System

Executive summary

Background and context

ACIL Allen was commissioned to conduct Wine Australia's independent performance review for the period July 2019 – December 2022.

Terms of reference

It is mandatory for Wine Australia to involve an independent organisation in conducting a comprehensive evaluation of its performance against the Performance Principles (and Guidelines) in Section 9.2 of its 2020–2030 Statutory Funding Agreement (SFA) with the Commonwealth Government.

Significant challenges in the wine sector

During the period under review from July 2019 to December 2022 the Australian grape and wine industry has faced unprecedented challenges including the impact of climate change, COVID-19 restrictions and disruption to supply lines, shipping delays, the imposition of duties on Australian still wine imports to China (in containers of 2 litres or less) and the effective closure of the China export market, increasing inflation impacting on production costs and demand with a growing imbalance between supply and demand.

Many of these external conditions, such as growing conditions and the loss of the China market, have a marked effect on the supply and demand of winegrapes and wine. Revenue from the Wine Export Charge has reduced with decreased export activity and, as the grape and wine levies are volumetric, they fluctuate with supply, making Wine Australia's income susceptible to favourable or unfavourable growing conditions which are largely influenced by changes in climate and other environmental conditions. Bushfires, disease pressure and a rapid decline in export activity therefore have a significant impact on levy payments and Wine Australia's export-related income. The levy payments and Wine Australia's income has been declining in real terms, as levies are not indexed, as well as absolute terms, when there are smaller vintages such as vintage 2023 and will continue to decline in the next few years, at a time when there is likely to be a need for increasing assistance and support to industry.

At the same time, Wine Australia has undergone a transformation with the appointment of a new Board Chair and refresh of the Board membership, the appointment of a new Chief Executive Officer (CEO) in November 2021 and key members of the Senior Leadership Team. There has also been a significant downsizing in staff numbers following the completion of the \$50 million Export and Regional Wine Support Package (ERWSP) and the significant reduction in revenue derived from the Wine Export Charge.

The period of review also covers the transition to a new Strategic Plan 2020-25 and the subsequent strategy 'refresh' that was developed in response to the rapid and significant changes in external

conditions. During the period of review there was also a change in Australian Government and the appointment of a new responsible Minister.

Overview of Wine Australia's performance

A disconnect between stakeholder views and documented evidence

Throughout this review there has been a marked disconnect in many areas between the documentary evidence provided by Wine Australia and stakeholder sentiment.

The desktop review would indicate that in most areas Wine Australia was meeting or exceeding KPIs whereas stakeholder feedback indicated significant gaps and concerns regarding the level and effectiveness of stakeholder engagement, the marketing strategy and impact of Research and Innovation (R&I) investments.

The rejuvenation of the Board and appointment of a new Chief Executive in November 2021 has brought with it many changes including a strong customer-centric approach with much increased stakeholder engagement and more targeted communication.

There are several possible reasons (none of which are mutually exclusive) for the disconnect between Wine Australia's desktop findings and stakeholder views:

- Wine Australia is not effectively communicating the outcomes and impact of its activities to many of its stakeholders including the adoption and extension of R&I.
- The challenges that the industry has faced over the past few years has meant that businesses are doing it tough and the value they place on their levies and the degree of accountability they place on Wine Australia has increased along with their expectations of outcomes and return on investment.
- The changes to Wine Australia's leadership and their new customer-centric approach – while making a difference is yet to yield outcomes and it is too soon for stakeholders to make a definitive judgement as to whether it will deliver returns to industry.
- Stakeholders and Wine Australia are unclear as to Wine Australia's role and responsibilities, this leads to:
 - stakeholders having unrealistic expectations of Wine Australia
 - Wine Australia committing themselves to non-core functions which will be exacerbated with a reduction in levy funds.

This disconnect between what stakeholders are saying and the desktop review is highlighted in Table ES 1 (overleaf) which assesses Wine Australia's performance with respect to the SFA's performance principles and associated KPIs showing outcomes prior to and after the appointment of the new CEO in November 2021.

Overview of desktop findings

Wine Australia can demonstrate performance effectively in whole or part across all performance principles and KPIs.

Table ES 1 Summary - assessment of performance against performance principles and KPIs

KPIs	Desktop findings	Stakeholder satisfaction (Pre-Dec 2021)	Stakeholder satisfaction (Post Dec 2021)
(a) To engage stakeholders to identify RD&E priorities and activities that provide benefits to the industry.	●	●	●
1.1. Strategy prioritisation and development processes include appropriate consultation plans, based on the best practice guide to stakeholder consultation.	●	●	●
1.2. Demonstrated industry stakeholder engagement in the identification of RD&E priorities and activities consistent with the consultation plan in 1.1.	●	●	●
1.3. Demonstrated incorporation of industry stakeholder feedback on RD&E priorities and activities. Where incorporation is not possible, demonstration of feedback to a stakeholder/s on why incorporation was not possible.	●	●	●
(b) To ensure RD&E (and marketing) priorities and activities are strategic, collaborative, and targeted to improve profitability, productivity, competitiveness and preparedness for future opportunities and challenges through a Balanced Portfolio.	●	●	●
2.1. RDC investments align with strategic plans and have demonstrated outcomes to levy payers and taxpayers, including through growth in the industry, increased profitability of producers, commercialisation, access to new markets.	●	●	●
2.2. Levy payers who participate in RDC supported extension and adoption programs: (i) gain new knowledge or new information to improve their long-term profitability, productivity, competitiveness, and preparedness. (ii) intend to make or have made changes to existing practices by adopting the outcomes of R&D.	●	●	●
(c) To undertake strategic and sustained cross-industry and cross-sectoral collaboration that addresses shared challenges and draws on experience from other sectors.	●	●	●
3.1. Completed, current and future R&D including commercialisation opportunities is accessible through the grow ^{AG} platform.	●	N/A	N/A
3.2. Number and quantum of cross-industry and cross-sector RD&E investments available.	●	N/A	N/A
(d) For governance arrangements and practices to fulfil legislative requirements and align with contemporary Australian best practice for open, transparent, and proper use and management of Funds.	●	●	●
4.1. Ongoing oversight, planning and reporting of investment activities is done in accordance with legislative and Australian Government requirements and timeframes.	●	●	●
4.2. Demonstrated management of financial and non-financial risk.	●	●	●
4.3. Relevant policies and procedures adopted and implemented (e.g., privacy etc).	●	●	●
4.4. Non-financial resources implemented effectively (Human resources, IT, IP etc).	●	●	●
(e) To demonstrate positive outcomes and delivery of RD&E (and marketing) benefits to Levy Payers and the Australian community in general and show continuous improvement in governance and administrative efficiency.	●	●	●
5.1. Impact (cost - benefit) assessment of a broad cross-section of RD&E [and marketing] investments undertaken annually.	●	N/A	N/A
5.2. Demonstrated consideration of and response to outcomes of monitoring and evaluation processes.	●	N/A	N/A
5.3. Transparent communication to stakeholders (including government) on the impacts and benefits of the RD&E [and marketing] activities.	●	●	●

Legend: ● = effective; ● = partly effective; ○ = ineffective. ● = high degree of stakeholder satisfaction; ● = medium degree of stakeholder satisfaction; ● = low degree of stakeholder satisfaction. N/A = nature of the KPI does not lend itself to stakeholder assessment.

Source: ACIL Allen

Overview of stakeholder assessment

Although stakeholders focused more on their recent experiences with Wine Australia, those that had been involved with Wine Australia over the review period noted that in general there had been improvement in Wine Australia's performance over time. The exceptions to this were in the areas of extension and adoption and communications, where sentiment remains largely negative. As discussed above, there may be several reasons for this. A summary of stakeholder views is presented below.

Stakeholder engagement and collaboration

Prior to December 2021, there were many concerns about ineffective engagement and consultation. The consensus is that, with a change of leadership, there has been a substantial improvement in stakeholder engagement. This is based on a perceived increase in accessibility, responsiveness, awareness and understanding and evidenced by the CEOs Forum and the listening tour of the inland regions.

Research & innovation (R&I)

R&I is recognised as playing an important role that is valued by industry but is considered in its current form to be largely irrelevant to the industry. Industry does not feel effectively consulted on R&I priorities. The Australian Wine Research Institute (AWRI), which receives a large proportion of the R&I budget, is seen as high-cost and inefficient in its delivery of R&I, as well as its engagement with industry. Market insights are valued, however, there is a need for (more) forward-looking data beyond the current offering, including production data, domestic retail data and market trends both domestically and internationally.

Marketing

Marketing activities are largely considered to be ineffective and have had limited impact over time. 'Brand Australia' is considered an outdated construct and is no longer fit for purpose. Wine Australia is considered to be slow to respond and adjust to the changing environment - however, this is acknowledged to be improving under the new GM Marketing and with the establishment of the Joint Marketing Group. Reviews are mixed on overseas office capability.

Communication of outcomes and impact, including extension & adoption (E&A)

In general, stakeholders were unable to identify any changes to growing or production practices that have arisen from Wine Australia's investment in R&I over the past five years. The exceptions were several stakeholders from regional associations who could talk to the benefits derived from Wine Australia's Regional Program, which supports regional industry associations in communicating and promoting the extension and adoption of research.

Governance

There has been a transformation in governance practices over the review period. The Board is largely considered to be operating effectively with a strong governance and risk framework, appropriate and strong sub-committees and an extensive suite of policies and procedures. There is broad feedback from industry, however, that having greater wine industry experience on the Board could assist with managing systemic risks and stakeholder expectations.

Regulation

There is consensus across all stakeholders that Wine Australia's regulatory functions exceed industry expectations and there is overwhelmingly positive sentiment for this function - e.g., responsive staff, efficient systems (Wine Australia's Licensing and Approval System – WALAS) and appropriate balance between guidance and compliance. There were suggestions made to enhance integrity through increased audits and separation of the regulatory function from Wine Australia's other roles. On balance, we do not think that either of these issues require any substantial change at this stage but could be addressed in the future.

Other areas of assessment

There were several areas not directly addressed by the performance principles or the KPIs that were considered in our desktop review or raised by stakeholders.

Operations/efficiency

Wine Australia is praised for its responsive attitude to changing circumstances and effective reduction in staff numbers and costs following the end of the ERWSP and significant reduction in revenue derived from the Wine Export Charge. However, stakeholder sentiment suggests there could be further opportunities for increased efficiencies.

Investments in systems (e.g., WALAS) have provided returns in efficiency and effectiveness. Internally, the new leadership has improved staff morale and culture, which has resulted in a more engaged, responsive, efficient, effective, and less siloed workforce.

Roles and responsibilities

Although Wine Australia has a very clear purpose as outlined by the *Wine Australia Act 2013* and a clear strategic direction, there are many stakeholders, even those who have a long history in the industry, who are confused about the roles and responsibilities of Wine Australia and other/related organisations. There are conflicting views on whether Wine Australia should play an industry leadership role (noting that clause 8 of the Statutory Funding Agreement prohibits Wine Australia from engaging in agri-political activity, or at any time, acting as, or purporting to be, an industry representative organisation) or should function solely to enable/provide services to industry. Increased collaboration with Australian Grape & Wine is perceived as positive.

There is evidence that even Wine Australia at times may be confused about its roles and responsibilities and that this may be causing internal and external tension in effectively and efficiently managing stakeholder expectations and Wine Australia's performance against its core functions.

The development of the One Grape & Wine Sector Plan, along with increased and more effective stakeholder engagement, should assist in better clarifying the role of Wine Australia as well as Australian Grape & Wine.

Capability and adaptive capacity

Throughout this review, we noted that there are several areas where Wine Australia may wish to invest in/support the development of capabilities and ensure that there is existing capacity to fulfil Wine Australia's roles and responsibilities to the best of its ability in a period of constrained funding. Areas where capability and adaptive capacity seems to be limited includes:

- Management of emerging and systemic risks (beyond the project environment and day to day tactical issues).

- Project management/project execution under implementation, transition, uncertainty and under different procurement processes.
- Commercialisation and business development e.g., venture funds and brokerage capability combined with wine industry knowledge.
- Engagement and communications e.g., capability to develop and maintain a new system or framework to improve customer engagement and communications.
- Research and innovation and extension and adoption e.g., co-design capability, capability to design and manage new long-term and scaled opportunities to attract co-investment and adaptive project management.
- Marketing/market diversification e.g., international office consistency in service provision capability and capacity, noting the significant differences required to support established versus emerging markets.

Key findings and recommendations

The challenges and changes faced by the grape and wine industry and Wine Australia have overshadowed this performance review period and have made assessment difficult.

Wine Australia has been adapting to unprecedented circumstances. Following a 'refresh' of its Strategic Plan 2020–25, which identified 10 priority areas, these were integrated into Annual Operational Plans in response to the rapidly changing operating environment.

Despite this, on balance, Wine Australia has fully or partly achieved effective performance across all performance principles and KPIs. In addition, Wine Australia, under new leadership, has made significant improvements to its stakeholder engagement processes and governance arrangements and has begun to transition to new approaches to achieve more impactful R&I and improve Wine Australia's national brand architecture. Further, Wine Australia's next strategic plan will be informed by the One Grape & Wine Sector Plan (OGWSP) currently being developed with industry.

However, the wine industry's challenges are not going away and, even when market conditions improve, the industry is not going to be what it was a few years ago. The obvious disconnect with many of Wine Australia's stakeholders needs to be recognised and reconciled. These systemic risks (and new and emerging risks not yet identified) need management and, if Wine Australia does not effectively adapt its risk mitigation framework to anticipate and prepare for future risks, it will be continually and likely more difficult for Wine Australia to fulfil its obligations.

One way to achieve this would be for Wine Australia to become more focused and future fit. Wine Australia should strip back its activities to only focus on core functions² and the capability needed to deliver on outcome and impact to industry. Given the ongoing decline in levy funds, this is also a sensible approach from a financial perspective.

To do this, we propose the following series of recommendations, many of which should be undertaken with a sense of urgency. Our recommendations relate broadly to six key areas, which will assist with Wine Australia's improved performance and our views on the corresponding degree of urgency in implementing change is summarised in Table ES 2. The rationale for each recommendation and detail is provided below.

² Core functions are defined as those that Wine Australia must undertake – i.e., those that reflect their statutory requirements.

Table ES 2 Summary of recommendations and the degree of urgency

Recommendations	Degree of urgency
1. Clarify and communicate roles and responsibilities	Very high
2. Manage strategic and systemic risks and expectations	Very high
3. Strengthen research impact, innovation, and skills	High
4. Focus on delivering and communicating outcomes and impacts from core functions	Very high
a) monitor and report on transition to implementation	Very high
b) develop and implement a new strategic plan	Very high
c) collaborate outside the current provider base	
d) improve communication of outcomes and impacts	High
5. Build adaptive capacity and the right capability	Very high
6. Be more adaptive and responsive to stakeholder feedback and internal monitoring and evaluation processes	Medium

Source: ACIL Allen

Recommendation 1 – clarify and communicate roles and responsibilities

It is crucial that all stakeholders and Wine Australia have a clear and transparent understanding of what Wine Australia’s roles and responsibilities are and that these are communicated effectively internally and externally. The enhanced stakeholder engagement and communication strategy will be important in this regard.

Clarity will assist Wine Australia in focusing on its core functions and deliverables and managing stakeholder expectations. The OSP process has also identified the need for clarity of roles and responsibilities across the grape and wine sector more broadly.

As part of this process, Wine Australia should use its new customer framework to implement a more tailored approach to its communications to educate stakeholders about its role and the services it provides.

Recommendation 2 – manage strategic and systemic risks and expectations beyond operational risks

Wine Australia should develop a systemic and emerging risk register that goes beyond the immediate operating and project environment and helps Wine Australia to better understand “bigger picture” risks and the impact that they might have on Wine Australia’s operations and may assist with better management of the expectations of its stakeholders.

This will assist Wine Australia in determining what its core and non-core functions are and the risks associated with failure to deliver on core functions, or the risks of ceasing the funding of projects that are not delivering outcomes or impact and how those residual risks can be mitigated. For example, the lack of appropriate capability within the research community if R&I priorities shift.

This process, of thinking through core and non-core functions, will highlight implementation and transition risks and may also draw attention to the need for a non-hypothecated reserves policy to manage financial risks within and across core functions in times of uncertainty (understanding that this is limited by legislation and cannot be applied by Wine Australia). The proposition of a Venture Fund may also go some way to mitigate financial risks.

Governance risks such as having greater wine industry experience on the Board in filling the current vacant position and in future succession planning (especially for roles that require specific capability) are other examples of managing systemic risks and expectations.

In addition, we recommend, in time, that Wine Australia consider having a greater separation of regulatory functions beyond separate revenue streams.

Recommendation 3 – strengthen research impact, innovation, and skills

Wine Australia is in the process of redesigning the R&I program and should continue efforts to make the program more responsive to industry needs and, where appropriate, leverage funding from industry and other partners to maximise scale and impact.

Consideration should also be given to developing scaled initiatives which have a longer- term focus and look to accelerate the adoption and commercialisations of new leading-edge technologies that can make a significant impact on the sector. This should build on the current Agtech adoption program and could include more focus on:

- Technology acceleration: to accelerate the commercialisation and implementation of leading-edge technologies.
- Workforce capability: building the skills and capability across the sector in adopting and using new technologies and promoting collaboration between industry and researchers.

Recommendation 4 – focus on implementation and communicating outcomes and impacts from core functions

Wine Australia's performance against delivery and communication of outcomes and impacts in relation to R&I, E&A and marketing can and should be improved.

Although stakeholders report being more engaged than previously, sentiment suggests that there has been sufficient engagement and now Wine Australia needs to action what it has heard and begin to deliver outcomes and impacts that benefit industry.

Several sub-recommendations fit under this recommendation and are detailed below.

Recommendation 4a – monitor and report on transition to implementation

Wine Australia has undertaken many reviews and has developed new approaches to the way it does things during the performance review period. Examples include, but are not limited to, the Strategic Partnership Agreement Review, the Extension and Adoption Review and associated Strategy, the Impact Pathway (or co-design) approach to R&I, the new national brand architecture and a new system or framework to improve customer engagement and communications.

Although these reviews have produced a range of useful recommendations and suggestions for improving Wine Australia's operations and performance, the changes implemented (and perceived benefits to industry) are not reflected in the stakeholder feedback. If not prioritised and executed soon Wine Australia will widen the disconnect it has with its stakeholders and will not be fit for the future.

Wine Australia needs a transition and implementation register and needs to monitor and report progress on implementation of crucial plans on a 6 monthly basis until the plan is effectively achieving outcomes. This should be published on Wine Australia's website so that stakeholders are aware of the progress being made.

Recommendation 4b – develop and implement a new strategic plan (as soon as possible)

On completion of the OSP, Wine Australia intends to integrate any strategic priorities within its remit (as set out in the *Wine Australia Act 2013*) through its annual operational plans (AOPs) and

Strategic Plan for 2025–30. In doing so, Wine Australia needs to focus only on what it must, and can afford to do, and what industry perceives as activities that will make a difference.

This will likely require tough decisions on what R&I and/or E&A and/or marketing (or other) activities need to cease and how to manage residual projects and activities.

This may also require a balance between short term tangible projects that industry sees as an immediate priority and longer term, scaled initiatives that may be suitable to attract co-investment.

The latter should be considered only in a collaborative manner, leveraging industry (or other) partners. Wine Australia's proposed Venture Fund may prove a useful mechanism to achieve this, noting that set up time and costs may mean that a transitional approach may be needed in the shorter term.

Recommendation 4c – collaborate outside the current provider base

One of the key findings of the Strategic Partnership Agreement Review in 2021 was that Wine Australia needed to broaden its R&I provider base. One of the key findings of the Strategic E&A Review in 2020 was similar for E&A providers. This performance review finds that 72% of R&I (including E&A) funding goes to just four providers. This is a key risk for Wine Australia in terms of delivering outcomes and impact to stakeholders as well as creating consolidation of capability in just a few institutions.

This is not to say that the quality of R&I is in question but that the R&I capability is likely geared towards projects/subject areas that are disconnected with stakeholder needs. Many aspects of E&A investment (except for some notable exceptions, like the Regional Program, the Agtech Program and EcoVineyards) are a poor fit with stakeholder requirements.

Competitive tension through a continual procurement process may offer solutions, however there is a risk that the capability does not exist outside the current providers and may need considerable development.

Recommendation 4d – improve communication of outcomes and impacts

Although Wine Australia has funded and delivered projects of impact and positive returns on investment to levy payers over the performance review period, the message is not getting through. Observations on communication from this review include:

- Projects are delivered and sometimes 'extended' by research providers and/or extension delivery partners, and it may not be clear to stakeholders that the project was funded by Wine Australia
- Communications are passive. Although the benefit-cost analysis reports are available online they are clearly not getting traction with stakeholders.
- Communications may not be appropriate for the intended audience or fit for purpose. Ways to improve this may be through developing communication capabilities within Wine Australia or continuing to leverage the capability of industry associations in engaging and communicating with the sector.

Implementation of a new system or framework to improve customer engagement and communications may also assist in this area.

Recommendation 5 – build adaptive capacity and the right capability

To effectively deliver outcomes and impact to industry, Wine Australia needs to continue to focus on developing its capability and adaptive capacity³ needs. Capability needs to be fit for purpose to drive action and be adaptive to manage uncertainty. People with the right skills are critical for a future fit Wine Australia with a leaner budget. Areas identified in this review where capability and/or adaptive capacity should be considered include:

- Strategic risk management
- Project management/project execution
- Engagement and communications
- Commercialisation and business development
- Research and innovation
- Extension and adoption
- Marketing
- Market access/regulatory functions.

Although Wine Australia has conducted multiple reviews in recent years, there is no recent review of Wine Australia's capability. We recommend that Wine Australia review/assess its capability and adaptive capacity relative to its ability to deliver on its next strategic plan and implement changes in accordance with the findings.⁴

Wine Australia also needs to be aware of the capability risks in its provider base and work to manage those risks where possible. This may also be critical for delivering on Wine Australia's new strategic plan. We propose that a broader capability and adaptive capacity review be considered a priority within the next few years and in the interim Wine Australia should continue to draw out the key findings from the Strategic Partnership Agreement Review and the Strategic E&A Review that relate to capability and highlight areas of risk and ways to mitigate such risks.

Recommendation 6 – be more adaptive and responsive to stakeholder feedback and internal monitoring and evaluation processes

The disconnect between Wine Australia's documented performance and stakeholder sentiment suggests a key risk that is not being effectively managed is Wine Australia's ability to adapt and respond to feedback. We propose a centralised feedback register to assist with demonstrating that feedback is recorded, considered, and then responded to either by incorporating the feedback or providing a response back to the stakeholder who provided it. Adaptive and responsive behaviour for internal monitoring and evaluation processes also needs to be improved. While Wine Australia reported delivering against many of its key performance (KPIs) in the Annual Report 2022–23 a review or reset of KPIs would be beneficial to ensure they are fit for purpose following the significant change in operating conditions. We recommend that future KPIs are specific, measurable, achievable, relevant, and time-bound (SMART) and focused to deliver on outcomes and impacts. If performance against KPIs is not achieved Wine Australia should evaluate why that is the case, what insights can be drawn and how to rectify its performance and adapt either its behaviour to achieve the KPI or adapt the KPI should it be unsuccessful in driving Wine Australia's performance.

³ Adaptive capacity is the property of a system (and its people) to adjust its characteristics or behaviour, to expand its coping range under uncertainty.

⁴ It should be noted that extension and adoption capability within Wine Australia was adjusted during the review period, based on recommendations in the E&A Strategy. The re-imagined role - someone operating at a higher level with capability to design for behavioural change and measure impact, has not yet been replaced after the initial appointment did not pass probation.

Background

1

1.1 Wine Australia's role and responsibilities

Wine Australia actively supports the profitability, resilience, and sustainability of Australian winegrape and wine businesses by dedicating resources to research and development (R&D) (also known as research and innovation (R&I))⁵, ⁶, fostering market opportunities, sharing valuable market insights and knowledge, promoting extension and adoption, and ensuring compliance through regulatory functions.

Wine Australia supports the long-term success of the Australian grape and wine community through collaboration with the representative organisation, wine sector bodies and partners. Wine Australia receives funding from grape growers and winemakers through levies and user-pays charges. Wine Australia also receives funding from the Australian Government, which provides matching funding for R&I investments. Wine Australia seeks to achieve the best possible return on the funding that it receives.

Wine Australia is a Research and Development Corporation (RDC) governed by the *Wine Australia Act 2013*. The organisation's role under the Act is to:

- support grape or wine research and development activities support the growth of the wine industry, and other industries that make wine
- support the growth of international wine tourism, and services, products and experiences that complement international wine tourism
- control the export of grape products from Australia, including using a Label Directory containing digital colour images of grape product labels and other information to allow persons to identify potential infringements of intellectual property rights
- promote the sale and consumption of wine, both in Australia and overseas
- enable Australia to fulfil its obligations under prescribed wine-trading agreements and other international agreements.

Wine Australia's governance and operations aim to achieve the best possible return on the investment of R&I and adoption, market development and regulatory funds.

⁵ Throughout this report the terms R&D and R&I are used interchangeably and reflect the language now used by Wine Australia. The language around extension (RD&E) has now also shifted to the use of adoption (RD&A) and/or extension and adoption (E&A), these terms are also used interchangeably throughout the report.

⁶ Including people development.

1.1.1 Wine Australia's legislative requirements

Wine Australia has four core areas of legislative requirements:

- Administration of the Label Integrity Program
- Maintenance of the Register of Protected Geographical Indications and Other Terms
- Administration of the Export Controls
- Maintenance of the Label Directory.

Label Integrity Program

The Label Integrity Program (LIP) is a legal framework established under the *Wine Australia Act 2013* to ensure the accuracy and credibility of information on wine labels in Australia. It aims to verify claims regarding the type of grapes used, the vintage year, and the geographical origin of Australian wines.⁷ LIP imposes obligations on various parties in the supply chain, including grape growers, wine manufacturers, suppliers, and agents, requiring them to maintain records related to these aspects of wine production. Failing to meet these obligations or providing false information can result in penalties such as imprisonment or fines. Export licences can also be cancelled or suspended, and products can be withdrawn from the market.

Register of Protected Geographical Indications and Other Terms

Wine Australia maintains a Register of Protected Geographical Indications⁸ and Other Terms, which includes legally protected geographical indications, traditional wine terms, and conditions of use. It consists of four parts, covering Australian and foreign geographical indications, traditional expressions from foreign countries, quality wine terms for Australian fortified wine, and additional terms. Use of a protected geographical indication in the description and presentation of wine in circumstances where fruit did not originate from the geographical indication gives rise to offences under the *Wine Australia Act 2013*.

Licensing

For any wine shipments exceeding 100 litres, export licensing and approval from Wine Australia are mandatory. The decision to grant a licence is based on various factors outlined in the Regulations, including its potential impact on grape product trade, any history of licence suspensions, the applicant's suitability, and other matters related to promoting the export of grape products.⁹

1.2 Terms of reference

As per the 2020–2030 SFA between Wine Australia and the Commonwealth Government, it is mandatory for Wine Australia to involve an independent organisation in conducting a comprehensive evaluation of its performance against the performance principles (and guidelines). Refer Table 1.1.

⁷ Wine Australia (n.d.). *Label Integrity Program*. Accessed June 2023: <https://www.wineaustralia.com/labelling/label-integrity-program>

⁸ Wine Australia (n.d.). *Register of Protected GIs and Other Terms*. Accessed June 2023: <https://www.wineaustralia.com/labelling/register-of-protected-gis-and-other-terms>

⁹ Wine Australia (n.d.). *License to export*. Accessed June 2023: <https://www.wineaustralia.com/selling/further-information/exporting-wine/licence-to-export>

Table 1.1 Performance Principles and associated KPIs

Principles and KPIs
<p>(a) To engage stakeholders to identify RD&E priorities and activities that provide benefits to the industry.</p> <p>1.1. Strategy prioritisation and development processes include appropriate consultation plans, based on the best practice guide to stakeholder consultation.</p> <p>1.2. Demonstrated industry stakeholder engagement in the identification of RD&E priorities and activities consistent with the consultation plan in 1.1.</p> <p>1.3. Demonstrated incorporation of industry stakeholder feedback on RD&E priorities and activities. Where incorporation is not possible, demonstration of feedback to a stakeholder/s on why incorporation was not possible.</p>
<p>(b) To ensure RD&E (and marketing) priorities and activities are strategic, collaborative, and targeted to improve profitability, productivity, competitiveness and preparedness for future opportunities and challenges through a Balanced Portfolio.</p> <p>2.1. RDC investments align with strategic plans and have demonstrated outcomes to levy payers and taxpayers, including through growth in the industry, increased profitability of producers, commercialisation, access to new markets.</p> <p>2.2. Levy payers who participate in RDC supported extension and adoption programs: (i) gain new knowledge or new information to improve their long-term profitability, productivity, competitiveness, and preparedness. (ii) intend to make or have made changes to existing practices by adopting the outcomes of R&D.</p>
<p>(c) To undertake strategic and sustained cross-industry and cross-sectoral collaboration that addresses shared challenges and draws on experience from other sectors.</p> <p>3.1. Completed, current and future R&D including commercialisation opportunities is accessible through the grow^{AG} platform.</p> <p>3.2. Number and quantum of cross-industry and cross-sector RD&E investments available.</p>
<p>(d) For governance arrangements and practices to fulfil legislative requirements and align with contemporary Australian best practice for open, transparent, and proper use and management of Funds.</p> <p>4.1. Ongoing oversight, planning and reporting of investment activities is done in accordance with legislative and Australian Government requirements and timeframes.</p> <p>4.2. Demonstrated management of financial and non-financial risk.</p> <p>4.3. Relevant policies and procedures adopted and implemented (e.g., privacy etc).</p> <p>4.4. Non-financial resources implemented effectively (Human resources, IT, IP etc).</p>
<p>(e) To demonstrate positive outcomes and delivery of RD&E (and marketing) benefits to Levy Payers and the Australian community in general and show continuous improvement in governance and administrative efficiency.</p> <p>5.1. Impact (cost - benefit) assessment of a broad cross-section of RD&E [and marketing] investments undertaken annually.</p> <p>5.2. Demonstrated consideration of and response to outcomes of monitoring and evaluation processes.</p> <p>5.3. Transparent communication to stakeholders (including government) on the impacts and benefits of the RD&E [and marketing] activities.</p>
<p><i>Source: Section 9.2 of the SFA and associated KPIs from the Guidelines for Statutory Funding Agreements</i></p>

In line with the SFA, Wine Australia has the obligation to maintain, implement, and regularly assess a system of effective governance to ensure responsible utilisation and management of funds and voluntary contributions. In compliance with this mandate, Wine Australia releases a five-year *Strategic Plan* which outlines the organisation's proposed investments for the levies contributed by the Australian grape and wine industry, as well as the funding received from the Australian Government. Box 1.1 presents the details in the terms of reference (TOR).

Box 1.1 Detailed TOR

Specifically, over the period July 2019 till December 2022, the Performance Review must take into account:

1. the performance of Wine Australia in meeting its obligations under the *Wine Australia Act 2013*, the *Public Governance, Performance and Accountability Act 2013*, and the SFA. a) The evaluation of Wine Australia's performance, meeting obligations under the SFA, must take into account the Performance Principles outlined at Section 9.2.
2. Wine Australia's development and implementation of the *Strategic Plan 2020–25* (up until 30 December 2022), *Annual Operational Plan*, *Risk Management Plan*, *Fraud Control Plan* and *Intellectual Property Management Plan*, and Wine Australia's effectiveness in meeting the priorities, targets and budgets set out in those plans,
3. the efficiency with which Wine Australia carried out those plans,
4. the efficiency and effectiveness of Wine Australia's investments, and
5. the delivery of benefits to the sector foreshadowed by those plans, including an assessment of the degree to which Wine Australia's investments have met the needs of the sector.

Source: TOR

Wine Australia is also required to comply with guidelines such as:

- the Australian Government's Science and Research Priorities
- the Australian Government's Rural Research, Development and Extension Priorities
- the National Primary Industries Research Development and Extension Framework
- the Levy Principles and Guidelines, being the guidelines relating to the introduction of new levies or changes to existing levies
- the Companion to the Research & Development Corporations Funding Agreement prepared by the Department, and
- other guidelines or priorities about which the Commonwealth notifies Wine Australia in writing from time to time.

1.3 Methodology and approach

The methodology used for this review included data collection, documentary review, stakeholder consultation and analysis.

The methodology was underpinned by the application of best practice evaluation principles, which include analysis of Wine Australia's strategic and operational efficiency, effectiveness, and appropriateness, as outlined by the Australasian Evaluation Society's guidance¹⁰ for conducting independent performance reviews.

ACIL Allen and Wine Australia would like to acknowledge that Wine Australia engaged ACIL Allen to conduct both this independent Performance Review and the consultation process for the One

¹⁰ Refer: https://www.aes.asn.au/images/AES_Guidelines_web_v2.pdf

Grape & Wine Sector Plan, the latter of which was led by both Wine Australia and Australian Grape & Wine.

Wine Australia is committed to operating transparently and in a manner which ensures efficient and effective use of resources.

The two pieces of work, including the sector consultation, were managed and undertaken separately but given the concurrent timing of the projects, engaging separate consultants for each project would have been both inefficient and uneconomical. ACIL Allen was engaged as a result of a competitive tendering process.

1.3.1 Document review and data collection

To ensure review findings are evidence-based, ACIL Allen considered numerous resources, documentation and data held by Wine Australia and other organisations. These documents and data included: foundation or primary documents; plans and reports; governance documents; compliance and financial reports to Government; selected operational documents; previous reviews and evaluations; and other relevant research.

Wine Australia supported the document review and data collection processes by fulfilling multiple data requests throughout the life of the review.

1.3.2 Stakeholder consultation

As part of the performance review, Wine Australia's stakeholders were invited to participate in the review process. The approach included consultation with 60 stakeholders internal and external to Wine Australia to capture data, insights and observations for analysis and was aligned with the guiding principles outlined in [Wine Australia's Best Practice Guide to Stakeholder Consultation](#) (Refer Box 1.2).

Box 1.2 Best practice guide to stakeholder consultation

The guiding principles outlined in Wine Australia's Best Practice Guide to Stakeholder Consultation are:

i) **Transparent**

This principle relates to Wine Australia being upfront about consultation expectations, demonstrating how stakeholder input has been incorporated and be transparent when input cannot be incorporated, communicating key decisions and future opportunities, being transparent when information cannot be shared and utilising platforms and forums such as AgriFutures Australia's growAG. and evokeAG.

ii) **Accessible**

This principle relates to Wine Australia ensuring information is clear and appropriate, using an adaptable consultation approach, publishing key information and research, and promptly responding to stakeholder queries.

iii) **Straightforward**

This principle relates to Wine Australia communicating time commitment expectations to stakeholders, being understanding of existing demands on stakeholders, monitoring and evaluating areas where stakeholders have been over- or under-consulted, considering targeted or group requests, streamlining consultation across RDCs and using trusted and established industry pathways.

iv) **Well planned**

This principle relates to Wine Australia ensuring purpose-driven, timely, appropriate, and adaptable consultation, having realistic timeframes, engaging stakeholders early, providing multiple opportunities for stakeholder engagement, and linking into industry events and Annual General Meetings.

v) **Fit for purpose**

This principle relates to Wine Australia being aware of what stakeholders want and need to know and tailoring consultation around their priorities using the most appropriate methodology.

vi) **Responsive**

This principle relates to Wine Australia collecting data on consultation effectiveness, evaluating, and reviewing consultation approach, seeking informal opportunities for feedback, being evidenced-based and accountable to stakeholders, and being aware and responsive to stakeholder consultation fatigue

Source: Wine Australia's Best Practice Guide to Stakeholder Consultation.

The stakeholders consulted covered the breadth of the grape and wine sector including large premium wineries, commercial growers and producers, industry and regional associations, State and Commonwealth Government and research partners (refer Table 1.2).

Table 1.2 Stakeholders

Stakeholder group	Number of stakeholders consulted
Premium wineries	8
Commercial growers and producers	10
Industry and regional associations	18
State and Commonwealth Government	6
Research partners	3
Wine Australia	17
Total	60*
Note: * total does not add because there were several stakeholders who are involved in more than one category	

In addition, to fulfil best practice guidelines, many of the stakeholders consulted were also asked about their priorities for the One Grape & Wine Sector Plan (being supported by ACIL Allen and being run simultaneously (in conjunction with Australian Grape & Wine) with the performance review).

Several discussions were held with Wine Australia to identify the most important stakeholders for consultation. A decision was taken to use multiple consultation and engagement techniques to provide as much flexibility as possible for stakeholders to participate in the review. These techniques included:

- The offer of one-on-one online meetings with stakeholders who are senior and significant to Wine Australia's performance.
- Online focus groups (group interviews were run with Wine Australia staff and some external stakeholders where appropriate)
- Details of the stakeholders consulted are provided at Appendix A.

1.3.3 Analysis and reporting

Following the document review, data collection and consultation phases, ACIL Allen undertook an analysis of Wine Australia's performance against the TOR. The final phase of the project involved the drafting of a report for Wine Australia and the Commonwealth Government's consideration.

Preliminary analysis was presented to Wine Australia's executive for consideration and feedback. A draft report was provided to Wine Australia's Board and the Commonwealth Government for consideration. All findings and recommendations presented in the report are ACIL Allen's and represent the independent nature of the review process.

1.4 Consideration of previous performance

The previous independent performance review was conducted by Forest Hill (2018).¹¹ They made 11 recommendations. Two of these were considered 'important' and the remaining 9 were matters of 'better practice'. Wine Australia reported that all 11 recommendations¹² were implemented. A summary of the recommendations is provided in Table 1.3 (overleaf).

We note that recommendations shaded in grey appear to be still relevant in the eyes of stakeholders regardless of Wine Australia's documented implementation of changes.

¹¹ Refer: <https://www.wineaustralia.com/getmedia/39178164-eaae-4d8d-ab6d-95a60d7ac381/20181129-Independent-Performance-Review-FINAL.pdf>

¹² Refer: <https://www.wineaustralia.com/about-us/performance-and-reporting/summary-of-recommendations>

However, on balance, given the current environment and the change in leadership it is too early to evaluate Wine Australia's performance with respect to the efficacy of all implementations made in response to the 2018 performance review. For example, recommendation 6 relates to the development of the next Strategic Plan, which is outside this review period. Many of these issues are raised and discussed in Chapter 4.

Further we note that considerable and significant changes have been made in an attempt to address these issues more fully over the next few years and we have made some recommendations in this space that will also assist Wine Australia in this respect.

Table 1.3 Recommendations from the previous performance review

Recommendation	Priority	Complete Yes/No/N/A
1. The Wine Australia Board should consider an externally facilitated Board performance review during the life of each Board, perhaps at the two-year mark.	Better practice	Yes
2. The Board of Wine Australia should consider discussing with government the convention by which the appointment of the CEO of Wine Australia is ratified by Cabinet.	Better practice	Yes
3. Wine Australia should continue with its current evaluation processes for Priority 2 of the Strategic Plan but also continue to look for additional measures to allow comparison of key practices and costs with competitive countries.	Important	N/A – no longer a strategic priority
4. Wine Australia should publish quantitative data showing its RD&E investment portfolio balance in each of its AOPs (indicative planned), Annual Reports (actual for the year) and Performance Evaluation Reports.	Better practice	Yes
5. Wine Australia should review the way it manages extension and adoption of R&D outcomes and consider whether a more structured approach is required.	Better practice	Yes, reviewed but implementation has not been completed as the E&A strategy covers the period out to 2025.
6. Wine Australia should upgrade its evaluation framework, in association with the development of the next Strategic Plan, to provide much more detailed information about how monitoring, evaluation and reporting will be conducted.	Important	N/A – this is no longer a requirement of the SFA.
7. Wine Australia should take the opportunity from the future availability of a levy-payer register to enhance its direct engagement with grapegrowers, and in particular, to continue to build its relationship with inland associations.	Better practice	Yes
8. Wine Australia should consider enhancing its performance reporting by developing case studies or other mechanisms for making outcomes more relatable to the average levy payer.	Better practice	Yes, but only done as a one off in 2020.
9. Wine Australia should make all documents relevant to performance reporting, including detailed impact assessments, available on its website in a separate, clearly identified 'Performance Evaluation' section.	Better practice	Yes
10. Wine Australia should continue to report publicly the benchmarked measures of its marketing and promotion activities against the results from prior years. It should also investigate how measures of marketing and promotion activities can be incorporated into structured impact assessment methodology of RD&E projects for ex-post assessment, either using the existing methodology or investigating development of an economic partial equilibrium model.	Better practice	Yes, but only a one-off benefit cost analysis was completed in 2019. This process was not repeated due to the limitations of this type of analysis (as identified in that report's conclusion).
11. Wine Australia should consider broadening its annual stakeholder survey to collect more information on stakeholder perceptions of its performance.	Better practice	Yes

Source: Forest Hill, available: <https://www.wineaustralia.com/getmedia/39178164-eaae-4d8d-ab6d-95a60d7ac381/20181129-Independent-Performance-Review-FINAL.pdf>

1.5 Structure of this report

The rest of this report is structured as follows:

- Chapter 2 provides context of the operating environment during the performance review period.
- Chapter 3 presents our review of Wine Australia's processes relating to principles a, b, c, and e.
- Chapter 4 examines Wine Australia's governance, legislative requirements and regulatory functions relating to principle d
- Chapter 5 provides key findings and recommendations.



The Australian grape and wine industry has undergone an extremely challenging period from **July 2019 to December 2022**, marked by the influence of various internal and external factors on its performance. This section presents an analysis of the industry's production, gross value, trade, and the domestic market.

2.1 The Australian grape and wine industry

The Australian grape and wine industry is a key pillar of the country's regional economic prosperity, with grapegrowing, winemaking and wine-related tourism contributing around \$45.5 billion to the Australian economy. The sector supports around 160,000 people across Australia (full and part time), the majority of which are located in rural and regional Australia.

The Australian grape and wine industry extends coast to coast from Margaret River in Western Australia to Hastings River on the New South Wales coast, and south to north from Tasmania to South Burnett in Queensland.

The Australian wine industry is concentrated in the southern parts of the country, particularly in South Australia, which accounts for around half of the country's production and around 80% of the country's premium wine.¹³ The wine produced in Australia is diverse in style, with a wide range of varieties grown in different regions with unique climates and soil types.

Australia accounts for around four per cent of the world's wine production and is the world's fifth largest wine exporter by value in the year ending June 2023.¹⁴ There are 65 wine regions in Australia, an estimated 2,500 wineries and over 6,000 grape growers (Figure 2.1).

2.2 External environment

The industry has undergone significant changes in recent decades, with a move towards more premium and boutique wines, as well as a focus on sustainability and organic farming practices. Australia is a major exporter of wine, with key markets over the past five years including China (before the tariffs were introduced), the United States, and the United Kingdom.

However, the industry has faced significant challenges in recent years, including severe weather events, a global pandemic which has impacted tourism, hospitality and general operations, and the impact of duties on Australian still wine imports (in containers of 2 litres or less). Collectively, these factors have had a significant impact on the industry being able to sell and promote Australian

¹³ PIRSA. Grape and wine industry. Available at: https://pir.sa.gov.au/primary_industry/grape_and_wine [Accessed May 2023].

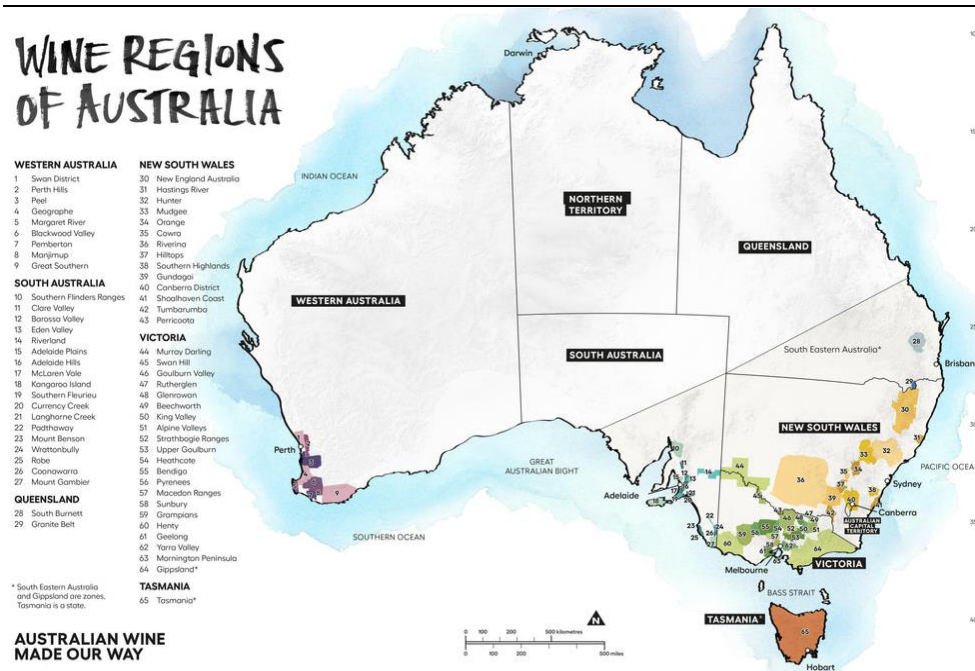
¹⁴ Wine Australia. Overview: Australian wine - uniquely Australian, fresh, authentic, exciting, and internationally competitive. Available at: <https://www.wineaustralia.com/market-insights/wine-sector-at-a-glance> [Accessed May 2023].

wine. Further, the factors have impacted Wine Australia's levy funding and resources available to address challenges.

Some of the most important factors that have **impacted the industry** between **July 2019 and December 2022** are discussed below:

- **COVID-19 pandemic (Feb 2020 onwards):** The pandemic has had a significant impact on the Australian grape and wine industry, both domestically and internationally. The restrictions on travel, closure of restaurants and bars, and other measures to contain the spread of the virus have disrupted supply chains, decreased demand, and created economic uncertainty. Other impacts of the pandemic include a reduction in wine exports due to strict lockdowns and other measures that have reduced demand for imported wine, a reduction in wine tourism due to travel restrictions, and the closure of restaurants, bars, and other hospitality venues has reduced the demand for wine in the domestic market.
- **Severe weather events and bushfires (Dec-Jan 2020):** The 2019-20 bushfire season impacted many wine regions in terms of loss of vineyards and grape damage, smoke taint, a reduction in yields and quality and a lasting impact on wine tourism and production. The season has been estimated to have caused damage between A\$40 and A\$100 million and impacted around one per cent of national vineyards.¹⁵

Figure 2.1 Australia's 65 wine regions



Source: Wine Australia

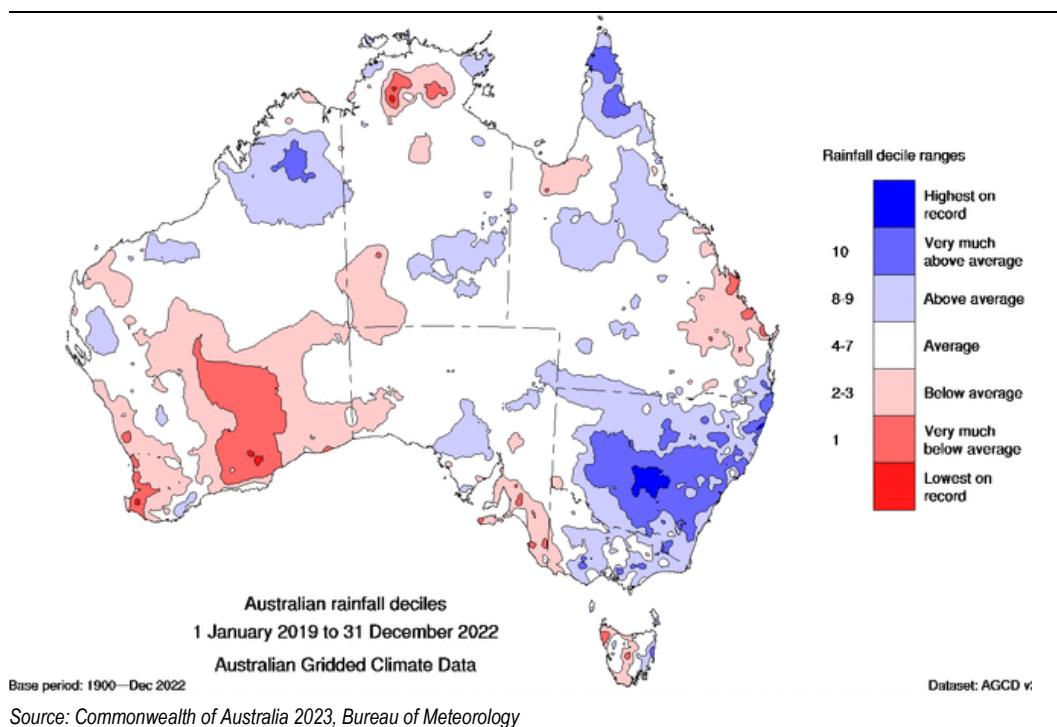
- **Climate variability (ongoing):** Climate change has also impacted the industry in recent years, particularly since 2019 with several heatwaves in the summer of 2019-20¹⁶, which caused significant stress to grape vines and affected grape quality. Australia's larger volume producing wine regions are known for their hot, dry climate, but climate change is expected to bring even more extreme weather patterns, including increased summer rainfall in some areas and more frequent and intense heatwaves and droughts. Figure 2.2 illustrates below average rainfall in Western Australia and South Australian growing regions between 2019 and 2022

¹⁵ ABC Rural. 2020. Wine industry's 'black summer' as cost of smoke taint, burnt vineyards, and lost sales add up. Available at: <https://www.abc.net.au/news/rural/2020-02-28/fire-and-smoke-costs-wine-industry-40-million-dollars/11972450> [Accessed May 2023].

¹⁶ Bureau of Meteorology. 2020. The 2019-20 summer: Australia's summer of extremes. Available at: <https://media.bom.gov.au/social/blog/2359/the-201920-summer-australias-summer-of-extremes/> [Accessed May 2023].

calendar years, in contrast to above average rainfall received across New South Wales and Victoria where the La Niña weather event in 2022 was a significant influence compared to central and western Australia, further highlighting the climate variability over this period.

Figure 2.2 National rainfall deciles, 48 months to December 2022



- **China's Ministry of Commerce (MOFCOM) anti-dumping and countervailing duty investigations¹⁷ (March-2021):** In early 2021, MOFCOM imposed a five-year tariff of up to 218 percent for Australian still wine sold in quantities of less than two litres, and there were also restrictions in getting wine through customs at Chinese ports. Australia's largest overseas market accounting for over \$1 billion in export revenue almost vanished immediately and sales to China plummeted (see Figure 2.7).

Within this challenging operating environment, Wine Australia delivered some critical projects, programs, and campaigns to combat the challenge of being able to showcase products and tell stories in person during the height of the COVID-19 pandemic. Some of these include:

- The delivery of a new Strategic Plan 2020–2025
- Delivery of the final components of the Federal Government's \$50 million Export and Regional Wine Support Package.

During the period of review there have also been some key personnel changes at Wine Australia including the resignation of the Chair, Deputy Chair and CEO. Figure 2.5 presents a timeline of the key internal and external events impacting the wine industry and Wine Australia between July 2019 and December 2022.

¹⁷ China – Anti-Dumping and Countervailing Duty Measures Australia's First Written Submission on Wine from Australia (DS602) 2022. Available at: <https://www.dfat.gov.au/sites/default/files/ds602-australias-first-written-submission-bci-redacted.pdf> [Accessed May 2023].

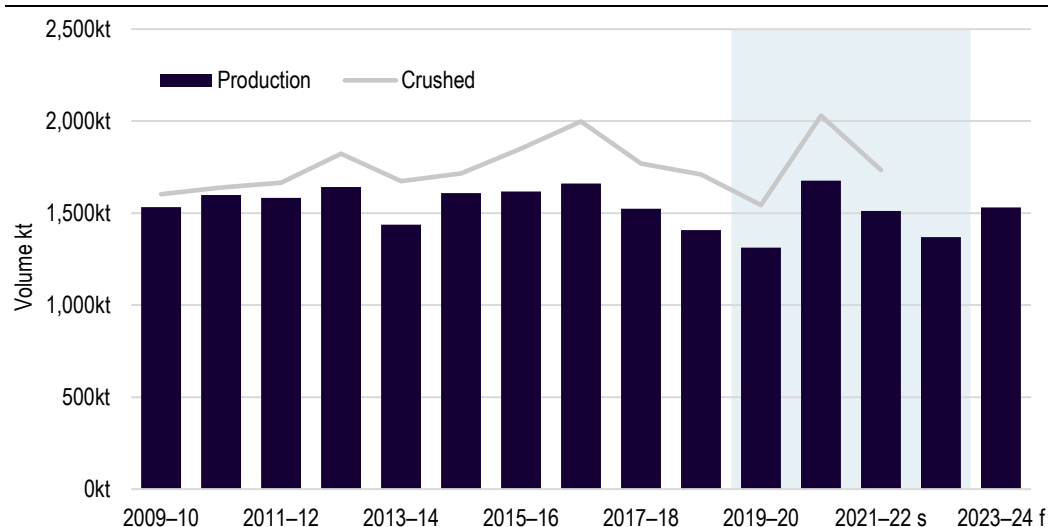
2.3 Industry analysis

This section presents an overview of Australia's wine industry in terms of production, gross value, trade, unit values, as well as trends in the domestic market and direct employment.

2.3.1 Production

The national wine grape crush (referring to the volume of wine grapes harvested and used for winemaking) declined between 2016-17 and 2019-20, reaching a low of 1,544kt in 2019-20. The national crush has since recovered to 2,028kt in 2020-21 before declining back to 1,734kt in 2021-22 which is on par with the five-year average (Figure 2.3).

Figure 2.3 Wine grape production and wine grape crush, 2009-10 to 2023-24^f



Note: Blue shading reflects the approximate scope of the Performance Review period July 2019 – December 2022.

^f ABARES forecast. ^s ABARES estimate.

Source: ABARES Agricultural Commodities 2023; ACIL Allen

This trend in the national crush is reflected in production volumes, with a record production of 1,677kt achieved in 2020-21, followed by 1,512kt in 2021-22. The forecast for the next two years (2022-23 to 2023-24) is expected to see an average of 1,450kt in production, slightly below the 10-year average of 1,540kt.

2.3.2 Wine inventories

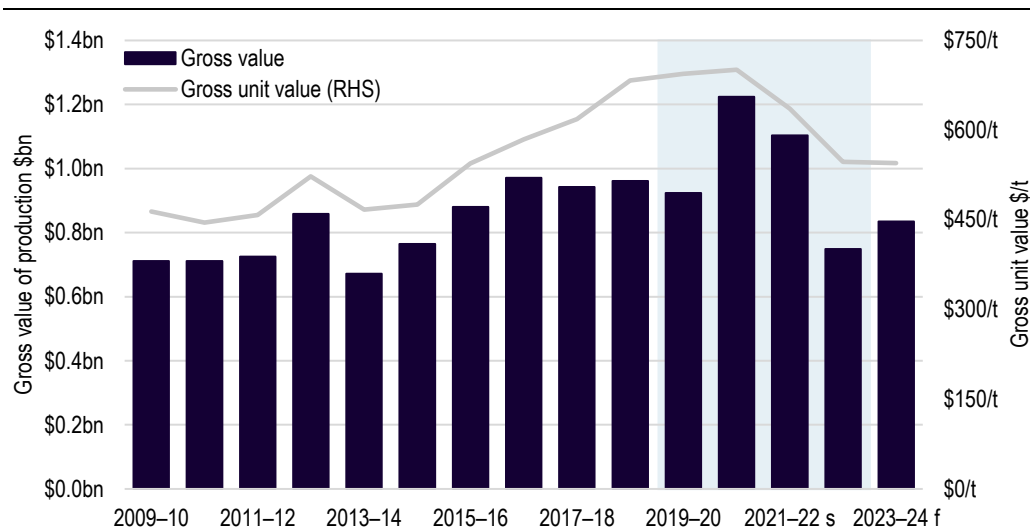
Before the 2022 vintage, the 2020-21 Production, Supply, and Inventory Report by Wine Australia revealed that Australia's wine stock levels had reached their peak since 2005-06. The continued trade restrictions with China are anticipated to exacerbate the disparity between supply and demand in the 2022-23 period.

2.3.3 Gross value

The gross value of wine grape production has followed an upwards trajectory since 2013-14, reaching a ten-year peak of \$961 million in 2018-19 (a 35 per cent increase, and a unit price of \$683/t), before stabilising in 2019-20 at around \$924 million (\$694/t). On the back of a record national crush, the gross value of wine grape production increased by 33 per cent and a peak of \$1.22 billion in 2020-21 (\$701/t) and remained high in 2021-22 at around \$1.10 billion (\$636/t).

Due to global red wine market conditions, the continued effect of the loss of the Chinese market, and lower domestic crop volumes, the gross value of wine grape production is expected to fall by 32 per cent (\$749 million) in 2022-23 (\$547/t) (Figure 2.4).

Figure 2.4 Gross value and gross unit value of wine grapes, 2009-10 to 2023-24^f

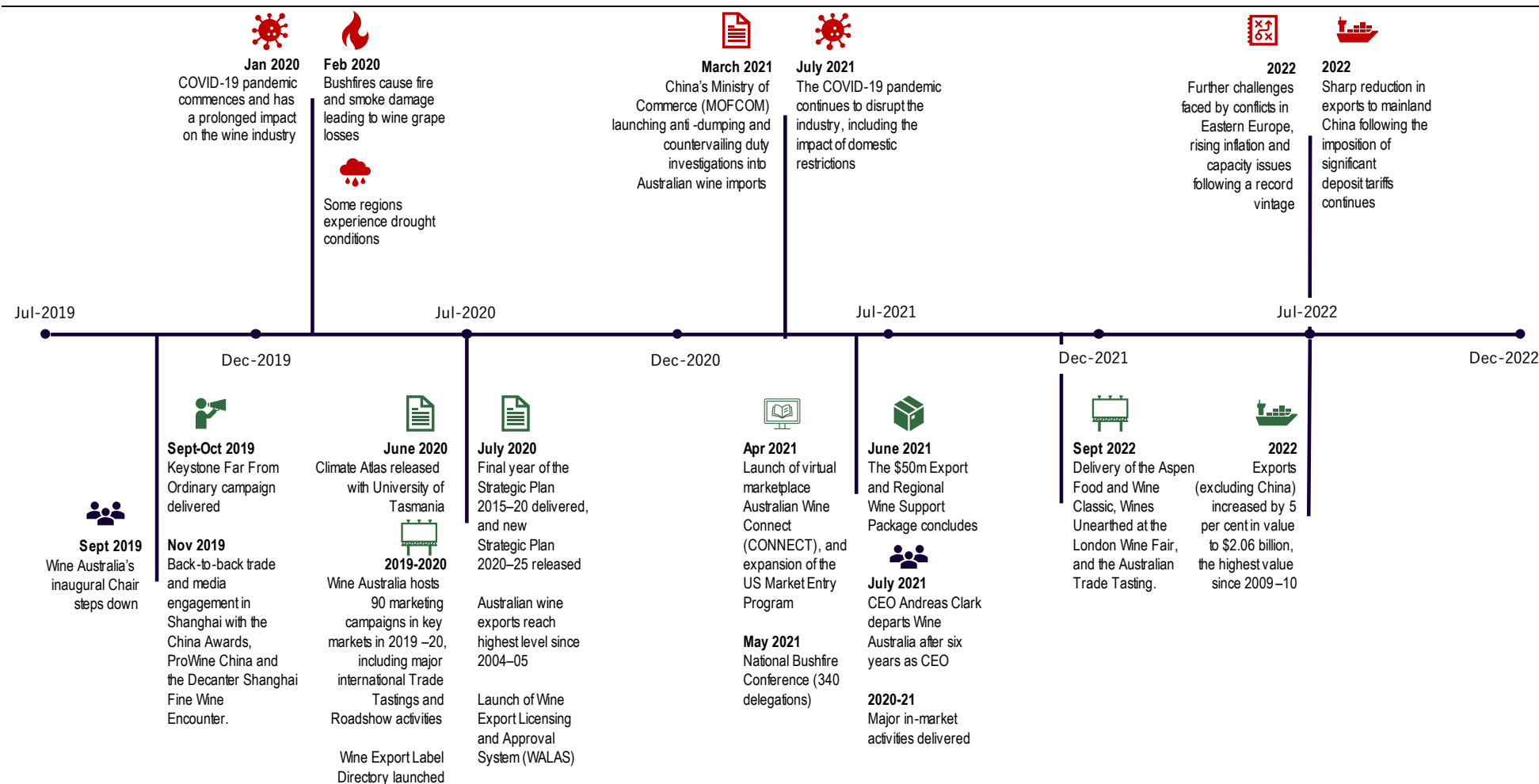


Note: Blue shading reflects the approximate scope of the Performance Review period July 2019 – December 2022.

^f ABARES forecast. ^s ABARES estimate.

Source: ABARES Agricultural Commodities 2023; ACIL Allen

Figure 2.5 Timeline of key events impacting the Australian grape and wine industry and Wine Australia (July 2019 – December 2022)



Source: ACIL Allen; consecutive Wine Australia Annual Reports and Annual Operating Plans

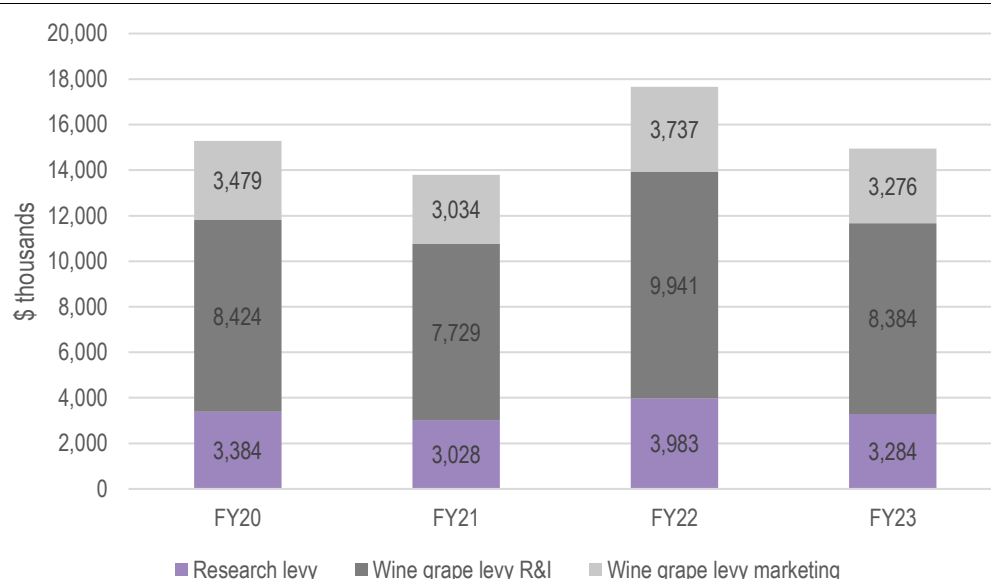
2.3.4 Levy payments

On average over the last four financial years, \$12 million per annum was collected from the Wine Grape Levy and the Grape Research Levy, which is matched by Commonwealth contributions on a 1:1 basis.

Funding collected from the Wine Grape Levy marketing and the Wine Export Charge are not matched by Commonwealth contributions and averages \$3.4 million and \$2.8 million per annum respectively.

These levies (and matching contributions) account for 58% of Wine Australia's income. Levies are volumetric and fluctuate with supply, making Wine Australia's income susceptible to favourable or unfavourable growing conditions which are largely influenced by changes in climate and other environmental conditions as seen in Figure 2.6.

Figure 2.6 Levy payments over time (actuals)



Source: Wine Australia

2.3.5 Exports and imports during the performance review period

Wine exports from Australia make an important contribution to Australia's economy from a wine grape growing, winemaking and wine tourism perspective as well as broader flow on benefits to the rest of the economy.

Between 2017-18 and 2019-20, the value of wine exports reached record levels at an average gross value of \$2.89 billion per annum (Figure 2.7).

Due to a combination of lower wine grape production volumes, less wine being sold in international markets, COVID-19 supply chain impacts and the loss of the China market due to anti-dumping duties¹⁸, the gross value of Australian wine exports fell by 24.3 per cent over two years to 2021-22 and then fell by a further 10 per cent in 2022-23.

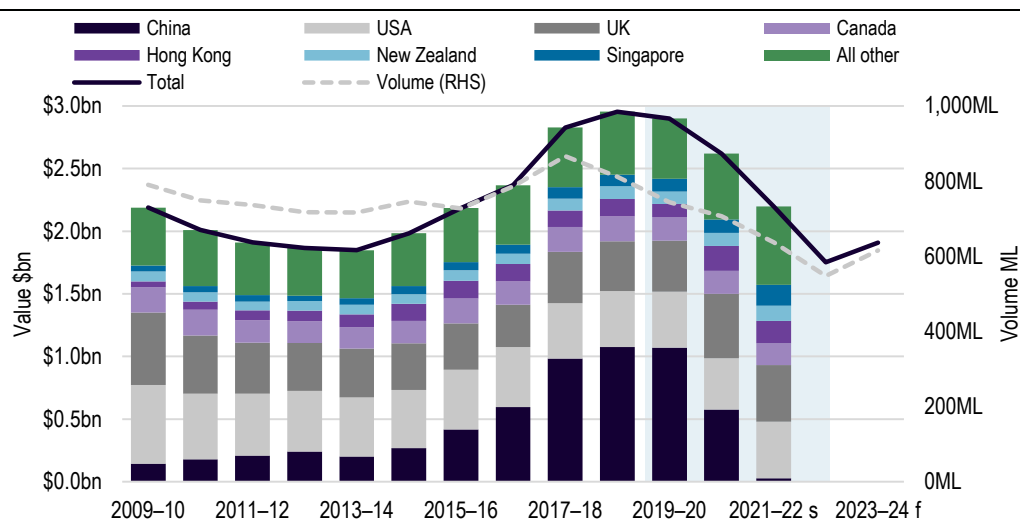
The impact from the loss of the China market due to anti-dumping duties is still being observed in the market, however, there were signs of value growth in Singapore, the US, UK, Malaysia and

¹⁸ WTO. 2021. Panel established to examine Chinese duties on imported Australian wine. Available at: https://www.wto.org/english/news_e/news21_e/dsb_26oct21_e.htm [Accessed May 2023].

New Zealand over the 2020-21 and 2021-22 periods as the wine sector responded and increased diversification (Figure 2.7).

The year ending December 2022 saw Australian wine exports decline by 4 per cent in value to \$1.94 billion and increase by 1 per cent in volume to 623 million litres (69.2 million 9-litre case equivalents). The average value dropped by 5 per cent to \$3.12 per litre Free on board.^{19, 20}

Figure 2.7 Value (FOB²¹) and volume of wine exports by destination, 2009-10 to 2023-24f



Note: Blue shading reflects the approximate scope of the Performance Review period July 2019 – December 2022.

f ABARES forecast. s ABARES estimate.

Source: ABARES Agricultural Commodities 2023; ACIL Allen

Approximately 60% of Australian wine is exported and, in June 2022, there were 1,200 wine businesses exporting to 112 countries.²² Australian wine exports are heavily weighted to the commercial/value end of the market (refer Figure 2.8), however global consumer trends towards health and wellness, online e-commerce and sustainability are driving younger drinkers to premium products (greater than \$10 a bottle).²³ This is reflected in IWRS forecasts to 2026, refer Figure 2.9.

¹⁹ 'Free on board' value of the wine, where the point of valuation is where goods are placed on board the international carrier, at the border of the exporting country. The FOB value includes production and other costs up until placement on the international carrier but excludes international insurance and transport costs.

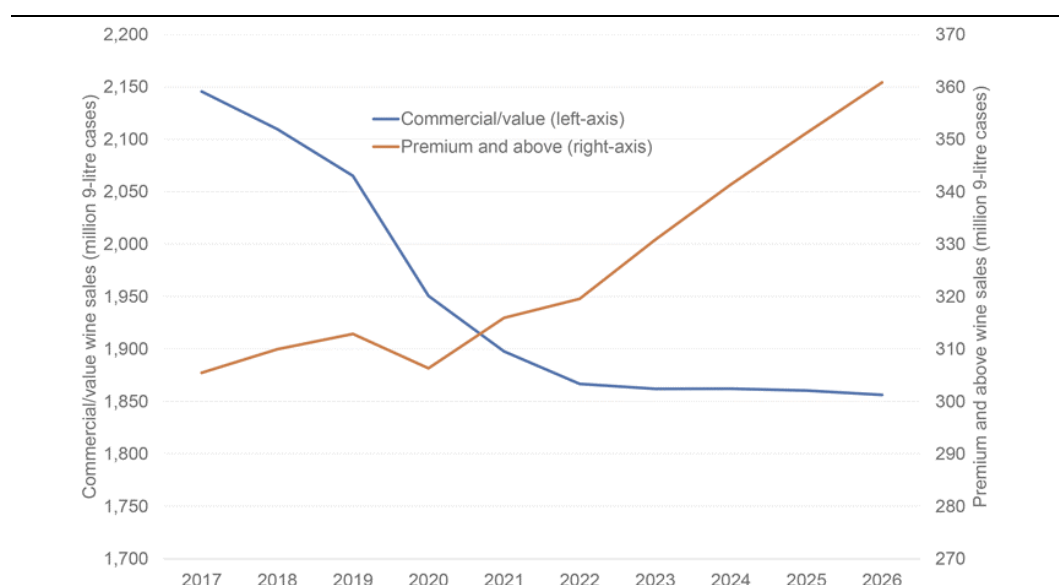
²⁰ Refer: <https://www.wineaustralia.com/getmedia/e4be91b4-de22-4c96-aac5-5bb14b029265/Export-Report-MAT-December-2022.pdf>

²¹ 'Free on board' value of the wine, where the point of valuation is where goods are placed on board the international carrier, at the border of the exporting country. The FOB value includes production and other costs up until placement on the international carrier but excludes international insurance and transport costs (Source: Wine Australia).

²² Refer: <https://www.wineaustralia.com/news/market-bulletin/issue-267>

²³ Refer: <https://www.wineaustralia.com/news/market-bulletin/issue-267>

Figure 2.8 Global wine (still) sales by price segment

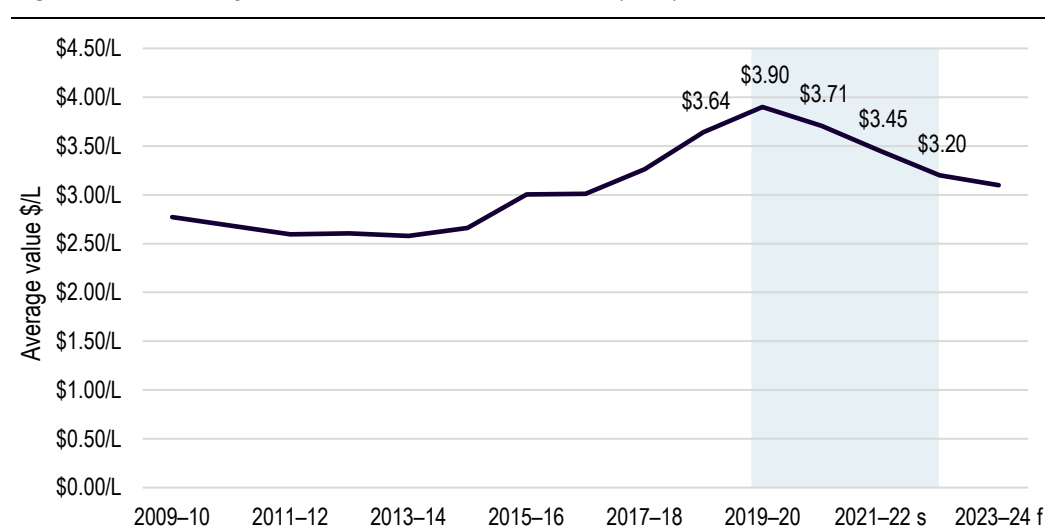


Source: IWRS from <https://www.wineaustralia.com/news/market-bulletin/issue-267>

Australia is also a significant importer of wine, with a diverse range of imported wines available in the Australian market making up around 20 per cent of local market share.²⁴

According to the Australian Bureau of Agriculture and Resources Economics and Sciences (ABARES), Australia imported (including re-imports) wine to the value of \$919.4 million per annum between 2019 and 2021. A majority of Australia's imported wine comes from New Zealand, France, and Italy.

Figure 2.9 Average value of all wine exports per litre (FOB), 2009-10 to 2023-24f



Note: Blue shading reflects the approximate scope of the Performance Review period July 2019 – December 2022.

f ABARES forecast. s ABARES estimate.

Source: ABARES Agricultural Commodities 2023 Table 16-17; ACIL Allen

²⁴ Wine Australia. 2023. Market insights – Australia. Available from: <https://www.wineaustralia.com/market-insights/australia-domestic> [Accessed May 2023].

Unit value

The average value of all wine exports follows a similar trajectory to that of gross export values presented in Figure 2.7, displaying a similar decline between 2019-20 and 2022-23f. This reflects a change in the export product mix away from bottled wine to China and to unpackaged exports to the UK. The average value of all wine exports is estimated to reach \$3.20 per litre (FOB) in 2022-23 after reaching a peak of \$3.90 per litre (FOB) in 2019-20.

Table 2.1 presents the trend in the average value of Australian wine between 2017-18 and the end of 2022 calendar year according to Wine Australia, in comparison to export prices (FOB). Between 2017-18 and 2020-21, both bottled wine and unpackaged wine exports reached peak values of \$7.26 and \$1.38 (FOB), reflecting a 22 and 28 per cent increase over this time. The value of all exports however, declined in 2020-21 by around five per cent and then by 15 per cent in 2021-22.

Table 2.1 Average unit price of Australia wine (FOB), 2017-18 to 2021-22

Average price	2017-18	2018-19	2019-20	2020-21	2021-22	2022 [^]
Bottled wine, \$/L	5.94	6.54	7.08	7.26	6.69	6.76
Change		+10.1%	+8.3%	+2.5%	-7.9%	+1.0%
Unpacked wine exports, \$/L	1.08	1.21	1.31	1.38	1.3	1.14
Change		+12.0%	+8.3%	+5.3%	-5.8%	-12.3%
All exports, \$/L	3.24	3.85	3.89	3.69	3.12	3.12
Change		+18.8%	+1.0%	-5.1%	-15.4%	0.0%

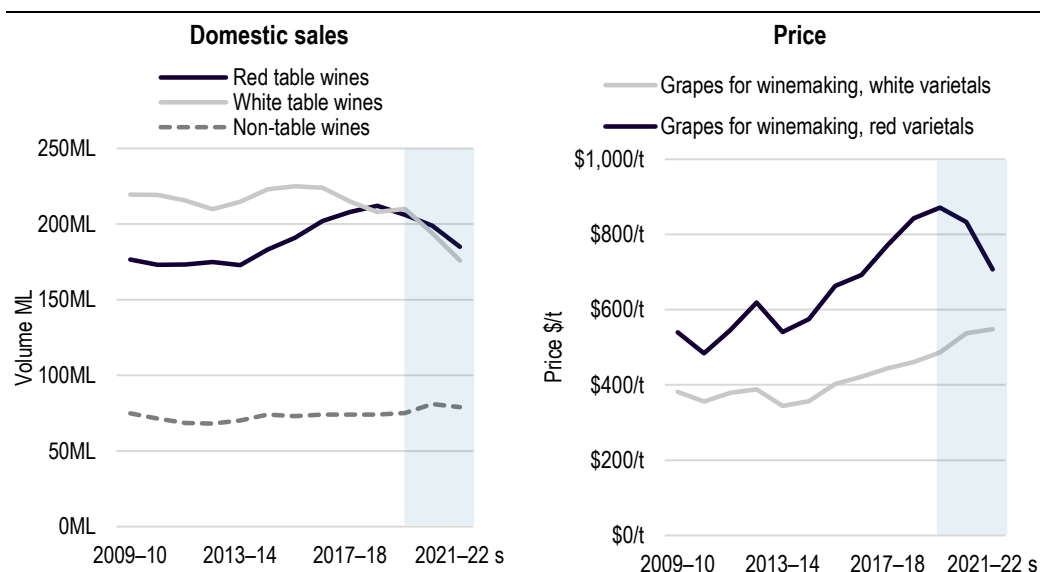
[^] 12 months to 31 December 2022.

Source: ACIL Allen; consecutive Wine Australia Annual Reports; Wine Australia Export Reports

2.3.6 Domestic market

The Australian domestic market accounts for around 500 million litres of Australian wine per year or 40% of Australian wine production (Figure 2.10). White table wines have typically been the largest category of the market accounting for around 45 per cent of domestic sales, followed by red table wines at 40 per cent and non-table wines the remaining 15 per cent (Figure 2.10).

Between 2018-19 and 2021-22 however, white, and red table wine sales are estimated to decline by around 15 per cent each, while sales of non-table wines remain steady. The fall in demand for red table wines is reflected in a sharp decline in the price for red varietal grapes (to \$707/t in 2021-22), however the price for white varietal grapes is estimated to reach \$548/t in 2021-22. Although there is limited domestic retail price data available the domestic market value to the industry on a per litre basis is expected to be greater than the per litre value of exports. This, coupled with the 40% of production, means that domestic wine consumption is an important industry issue.

Figure 2.10 Domestic sales and price by varietal, 2009-10 to 2021-22s

Note: Blue shading reflects the approximate scope of the Performance Review period July 2019 – December 2022.

f ABARES forecast. s ABARES estimate.

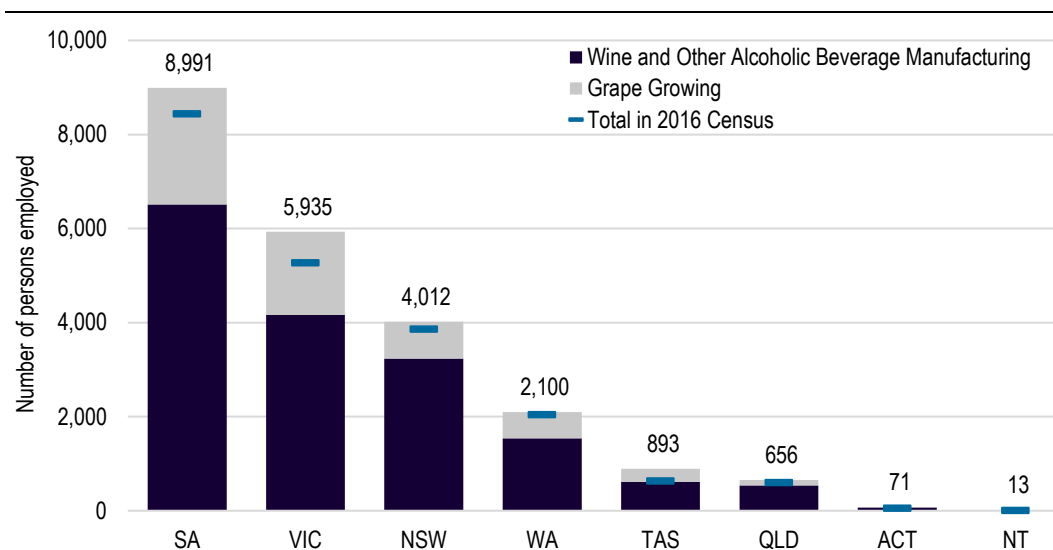
Source: ABARES Agricultural Commodity Statistics 2022, Table 22 Wine; ACIL Allen

2.3.7 Employment

The latest census information from the Australian Bureau of Statistics (ABS) suggests that employment in wine manufacturing and grape growing increased to a total of 22,673 people in 2021, an increase of around 7.7 per cent compared to 2016 levels of 20,930 people (Figure 2.11). Between the 2016 and 2021 census, increases in wine sector employment have been observed in all states and territories, with notable increases in Victoria (12.5 per cent or 658 people), South Australia (6.5 per cent or 550 people), and Tasmania (41.1 per cent or 260 people).

South Australia has the largest number and share of grape growers and winemakers, with around 40 per cent (or 8,991 people) of the National workforce in 2021. Victoria accounts for a further 26 per cent (or 5,935 people) of the workforce, while New South Wales has around 18 per cent (or 4,012 people) of the workforce. Western Australia accounts for almost 10 per cent of the workforce (or 2,100 people) while the remaining states and territories account for remaining 7.2 per cent or 1,633 people.

Figure 2.11 Direct employment in the wine sector by state and territory, 2016 and 2021



Note: This variable describes the industry of the main job held by the employed person in the week prior to Census night. Employed people aged 15 years and over.

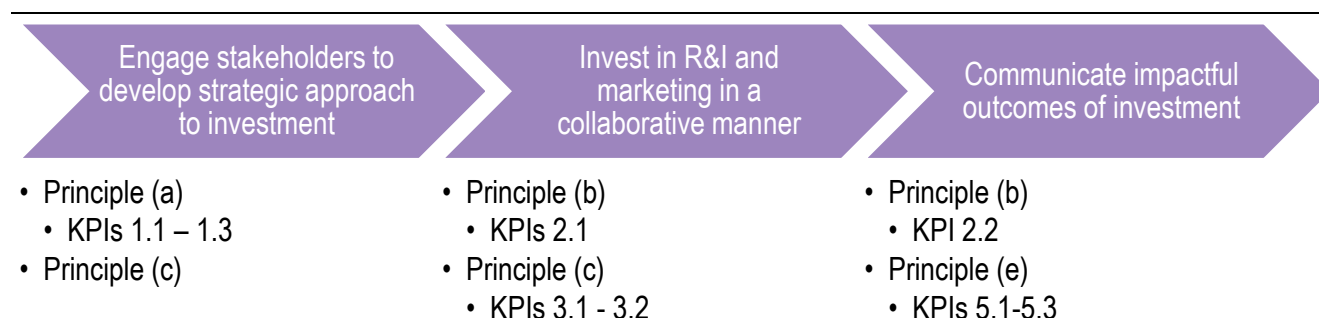
Source: ABS Census 2021 Industry of Employment (INDP); ACIL Allen

Engagement to impact

3

Wine Australia is required to follow and comply with the performance principles outlined in its SFA. Four of these principles relate to the core of what Wine Australia does from engagement to impact. This chapter is structured around the three areas articulated in Figure 3.1 and examines Wine Australia's performance in general across these three areas with a focus on each of the performance principles and their associated KPIs.

Figure 3.1 Wine Australia's process – engagement to impact



Source: ACIL Allen

3.1 Engage & collaborate

Stakeholder engagement and collaboration is a central proposition of the performance principles (a) and (c) and Wine Australia's current customer-centric approach.

Principles

(a) To engage stakeholders to identify RD&E priorities and activities that provide benefits to the industry

(c) To undertake strategic and sustained cross-industry and cross-sectoral collaboration that addresses shared challenges and draws on experience from other sectors.

3.1.1 Context

At the time the 2020-2025 Strategic Plan was being developed the wine industry was doing relatively well in terms of volume and value and the Wine Equalisation Tax Rebate reform enabled the Australian Government to provide funding for the \$50 million Export and Regional Wine Export Support Package which was administered by Wine Australia for the marketing of Australian wine and regional wine tourism. When an industry has favourable conditions, stakeholders are generally less inclined to voice opinions. When environmental and marketing conditions change as they have done over the last few years and businesses are finding it especially challenging there is more reason to question the benefits you receive from paying levies.

Under the changing external environment detailed in Chapter 2, Wine Australia developed its Stakeholder Engagement Plan (2020). This was aimed at increasing “engagement with stakeholders who want to implement R&I findings, engage in marketing activities and export wine” and was to be achieved through five engagement objectives and targeted engagement. The objectives were:

1. Inform: provide objective information
2. Consult: seek feedback
3. Involve: understand and consider views
4. Collaborate: involve end users in formulating solutions
5. Empower: end users empowered to make decisions and implement change.

The focus of the plan (12 months from August 2020) was to concentrate on:

- The largest companies (top 20) who were contributing a total of 50% of levies
- Inland regions who produce the largest winegrape crop by volume
- The Commonwealth Government
- Australian Grape & Wine
- The 10 regional associations covering Barossa, Coonawarra, Margaret River, McLaren Vale, Mornington Peninsula, Murray Valley, Riverland, and Yarra Valley.

Wine Australia’s stakeholder plan (now a Customer Engagement Plan) was updated in April 2022 as a Customer Engagement Plan. This new plan aims to engage customers effectively and regularly to:

- identify priorities and activities that will provide tangible benefits
- strive to be appropriately responsive to customer concerns by providing timely and tailored information and updates to customers
- seek customer contributions to shape strategy and investments
- engage in sustained cross-industry and cross-sectoral collaboration that addresses shared challenges and draws on experience from other sectors.

As part of this plan, Wine Australia proposed using various forms of communication, including consultation, discussions, surveys, extension events, webinars, website updates, publications, newsletters, forums, and networks.

3.1.2 Overview of assessment

A desktop review shows that Wine Australia has effectively engaged stakeholders to develop a strategic approach to investment and has effectively (or partly) fulfilled all KPIs under the performance principles (a) and (c). However, the perception of many stakeholders is different to the documentary evidence.

Engagement

Consultation undertaken with stakeholders as part of this review points to mixed reviews on Wine Australia’s performance with respect to engagement during the development of the Strategic Plan 2020-25 and the identification of R&I priorities. Some stakeholders felt engaged and consulted and others did not.

Given the number of changes faced by the sector and Wine Australia during the performance review period time it was often difficult for stakeholders to reflect back to the development of the Strategic Plan and some stakeholders had no experience with Wine Australia at that point in time.

Prior to December 2021 and the change in leadership, although efforts were made including the formulation of the Stakeholder Engagement Plan (2020), there were still concerns raised by stakeholders regarding ineffective engagement, collaboration, and consultation. This would suggest that the formulation of this plan was not effectively implemented or ineffective due to external factors such as those mentioned above in section 2.2.

However, with the change in leadership and a focus on customer centricity the consensus is that there has been substantial improvement in engagement. This has been achieved through:

- increased accessibility and responsiveness of the CEO and executive
- increased awareness and understanding through the CEOs forum and listening tour in the Inland regions and Board visits to regions.

Results from Wine Australia's 2022 Customer Engagement Survey (reviewing performance within the previous year) saw the organisation's Net Promoter Score (NPS) rise to +12, a strong improvement over the 2021 result of -9.

Whilst the consensus is that engagement has improved considerably there are some concerns about the inclusiveness and effectiveness of the engagement and the ability of Wine Australia to deliver R&I and marketing outcomes.

Collaboration

Wine Australia has significantly improved its efforts to collaborate with key stakeholders in recent times and is in the process of reconnecting with key partners, many of whom had little engagement with Wine Australia at the commencement of the review period in 2019.

The views regarding Wine Australia's collaboration during the review period are mixed, with the consensus that collaboration was poor three years ago and more recently there has been a greater focus on strategic and sustained collaboration.

Collaboration within the wine industry

Nationally, Wine Australia collaborates with Australian Grape & Wine and regional associations as well as state governments and research providers. Regional collaboration is supported through Wine Australia's Regional Program.

Internationally, Wine Australia's involvement includes partnerships with international wine bodies like Federation International du Vin et Spirit and World Wine Trade Group and participation in the International Wine Technical Summit.

Wine Australia has been supporting the Wine Industry Mentor Program alongside University of Adelaide and key Australian grape and wine industry authorities and societies (Annual Operational Plan 2022-23). The Future Leaders program is a collaboration with Australian Grape & Wine, with broad reach across the wine sector value chain. The Next Crop regional leadership program supports regional collaboration.

Many of these wine industry collaborations have been sustained over many years.

More recently, with the establishment of the CEO forum, there has been increased collaboration between Wine Australia and the large wine companies including the establishment of several committees to investigate a range of potential collaborations in the R&I and marketing space (Refer Box 3.1).

Box 3.1 Collaborating with industry to improve market insights

In response to feedback on Market Insights and data, and following the new CEO's listening tour, Wine Australia is looking at several initiatives to improve the gathering and dissemination of market insights. The CEO roundtable, including the CEOs of the top 20 levy payers, is an effective forum for sharing information regarding market trends and key market insights.

In response, Wine Australia is establishing a Consumer Insights Advisory Group (CIAG).

The CIAG will be chaired by Wine Australia and its role will be to facilitate a cross sector, collaborative approach between Wine Australia and Australian wine companies to:

- establish consumer research priorities with advice from the Joint Marketing Group
- determine what information is currently available within the top 20 Australian wine companies and what can then be shared to address the priorities
- consider opportunities for any potential co-investment to fill knowledge gaps.

The group is due to meet at the end of 2023 using the Mid-Strength project as a case study.

Source: Wine Australia

Collaboration outside the wine industry

Wine Australia collaborates with other Australian agriculture industry bodies and Austrade to promote Australian produce in overseas markets. Members of the Australian Food and Wine Collaboration Group include Dairy Australia, Seafood Industry Australia, Horticulture Innovation Australia and Meat and Livestock Australia.

Research collaboration is further discussed in Section 3.3.

Wine Australia can highlight collaboration in numerous cross-sectoral capacities:

- a member of the Plant Biosecurity Research Initiative
- a collaborator with and participant in ENRI workshops and forums
- a collaborator with and participant in the Hubs (refer Box 3.2)
- a collaborator with the Bureau of Meteorology and other RDCs on Forewarned is Forearmed: managing the impacts of extreme climate events
- a collaborator on Primary Industries Education Foundation of Australia
- a collaborator in Diversity and Agriculture Leadership Program
- Excited 4 Careers in Agriculture - Collaboration with Central Queensland University
- a member and contributor to Agricultural Innovation Australia (AIA), and a partner on AIA's Common Carbon Management program.

Wine Australia has also conducted workshops with NSW Department of Primary Industries (NSW DPI) and Department of Primary Industries and Regional Development of Western Australia (DPIRD) and identified areas of common interest for future R&I collaborative investments. Wine Australia states it has plans to sign long term strategic investment agreements with NSW DPI and DPIRD and replicate the same with South Australia and Victoria.

Box 3.2 Collaboration with the Hubs

The allocation from the Future Drought Fund to the grape and wine sector has been limited on account of the fund's focus on broadacre, meat & livestock and dairy. However, since October 2022, post a meeting between Brent Finlay (Chair, Future Drought Fund) and Martin Cole, Wine Australia's interaction with the drought hubs has gained momentum.

In January 2023, Wine Australia supported three separate applications namely Farmers2Founders, University of Adelaide and AWRI for the Extension and Adoption of Drought Resilience Farming Practices Grants Program. The application from Farmers2Founders was successful resulting in additional resources (potentially \$350K+) over two years for the grape and wine sector.

Further, Wine Australia is discussing with the drought hubs, especially NSW and SA for a pan Australia strategy for the grape and wine sector. In the current financial year, they expect to conduct joint workshops with our levy payers and the drought hubs across NSW, SA, WA, and VIC focusing on drought resilience for the sector with the objective of drafting a plan for our sector.

Wine Australia expect this plan will inform the Future Drought Fund in its strategy and budget preparation for next year. Southern NSW Drought Hub is taking the lead in coordinating across the various drought hubs.

Within the performance review period, Wine Australia has partnered on and /or supported the following projects with the following Hubs:

- SA Drought Hub (lead), Southern NSW Hub, Victorian Hub, Tasmanian Hub:
 - Image-based sensing for improved irrigation scheduling of horticultural crops
 - Drought management for the health and longevity of perennial horticulture plants
- Southern NSW Hub:
 - Managing farmer community biosecurity risk

Source: Wine Australia

Wine Australia collaborates regularly with other RDCs and holds meetings (quarterly / semi-annually) with the R&I, marketing and people and culture teams in Grains RDC, Horticulture Innovation Australia, Fisheries RDC, Cotton RDC and Sugar Research Australia to understand strategic priorities, future investment priorities, existing projects, potential grants, venture capital initiatives and common areas of interest. A few examples of proposed interactions in 2023-24 with other RDCs are listed below

- Wine Australia partnered with Horticulture RDC for the Carbon Farming Outreach Program grant from Department of Climate Change, Energy, the Environment and Water, which was submitted in August 2023
- Wine Australia regularly meets with FRDC for updates on progress with the Australia Data Exchange, which FRDC along with Meat & Livestock RDC is leading. Wine Australia at the appropriate time may explore a pilot program with the data exchange
- Wine Australia through its [Agtech](#) program is investing in enabling both domestic and international agtech providers to enter the Australian grape and wine sector, while interacting with other RDCs that may benefit from the solution. As part of this initiative and due to the similarity of production systems with horticulture, Wine Australia is discussing with Horticulture Innovation Australia to coinvest in enabling overseas agtech companies to enter the Australian market and develop solutions or services for our respective sectors
- Wine Australia has had multiple meetings with Grains RDC to understand Grains RDC's GrainInnovate venture fund model, with specific focus on processes followed for approvals, portfolio construction, risk management, etc.
- Wine Australia has consulted with Cotton RDC to understand Cotton Breeding Australia's structure, partners, business model, etc. to inform its own strategy on grapevine breeding.

Stakeholder views

A summary of stakeholder views on engagement and collaboration by grouping is provided in Table 3.1.

Table 3.1 Summary of stakeholder views – engagement and collaboration

Stakeholder	Considerations
Premium wineries	<p>Wine Australia has not engaged effectively with the larger premium wineries in the past but under the new CEO and GM Marketing that has been addressed.</p> <p>Wine Australia is currently seen as responsive and communicative - they were not in the past.</p> <p>There is a danger of overcorrecting with too much consultation and what industry needs now is robust leadership from Wine Australia.</p> <p>One large premium winery felt strongly about the lack of engagement and collaboration by Wine Australia in the past stating that they:</p> <ul style="list-style-type: none"> – didn't listen – didn't engage; and – didn't collaborate. <p>Other premium wineries have had little engagement with Wine Australia but are happy to collaborate and engage on specific initiatives where they can contribute their knowledge and expertise. The CEO of one premium winery noted that he recently received a call from the new CEO of Wine Australia which was the first time in ten years.</p> <p>The greater collaborative and customer-centric approach under the new Board and CEO was acknowledged and welcomed.</p>
Commercial growers and wineries	<p>There was a lot of criticism that Wine Australia in the past was not engaging enough with major commercial producers and large levy holders as well as the inland regions.</p> <p>Commercial producers noted a big change in the engagement in the last 2 years including greater access to CEO and executive and flexibility in programs.</p> <p>The new customer-centric approach of the new CEO has been welcomed including the CEO Roundtable, regional Board meetings and increased engagement with commercial producers and inland regions. There is now a desire to see the increased consultation translate into actions.</p> <p>“without a doubt in the world, the entire process has changed enormously, his nickname is Mr Collaboration and Consultation”</p> <p>The Board visit to Mildura was very well received with many noting that they couldn't remember the last time the CEO of Wine Australia had been in the region.</p>
Industry and regional associations	<p>With no CRM system in place, a lot of consultation was occurring with stakeholders with different views and opinions provided but concerns were raised that these were often not reflected in strategies or workplans. The process that Wine Australia uses to decide the R&I investment priorities was unclear.</p> <p>Many regional industry bodies welcomed the funding provided by Wine Australia for regional initiatives and noted that much of the collaboration is transactional based around specific initiatives.</p> <p>The increased collaboration between Wine Australia and Australian Grape & Wine has been welcomed by industry and significant efforts have been made by the new CEO of Wine Australia to improve that relationship. This has culminated in the development of the <i>One Grape & Wine Sector Plan</i> by both Australian Grape & Wine and Wine Australia.</p> <p>Industry and regional stakeholders believed there was an opportunity for Wine Australia to collaborate more with tourism bodies.</p>
State and Commonwealth Government agencies	<p>A key government stakeholder wanted to see greater transparency regarding the stakeholder engagement plan. An important state government agency that co-funds several projects with Wine Australia would have liked to have been directly engaged in in the consultation on the <i>One Grape & Wine Sector Plan</i>.</p> <p>State government agencies have recognised and welcomed the significant improvement to consultation, engagement, and communication under the new CEO.</p> <p>Wine Australia has increased its collaboration with Austrade in key markets.</p> <p>There was potential to collaborate more with other RDCs and share best practice.</p>

3.1.3 Appropriate consultation

KPI

KPI 1.1: Strategy prioritisation and development processes include appropriate consultation plans, based on the best practice guide to stakeholder consultation.

Key findings

Our desktop assessment shows that Wine Australia effectively fulfils this KPI.

The 2020-2025 strategy development and prioritisation process included a consultation plan. This consultation plan has now been updated to incorporate the best practice guide to stakeholder consultation.

Assessment

The Strategic Plan Consultation Plan (updated) outlines Wine Australia's stakeholder consultation policy and schedule. The schedule outlines the event, frequency, and intention (whether the intention is to 'Inform/ empower' or 'Consult/ deeply understand'). The plan also highlights Wine Australia's intention to integrate the then upcoming Best Practice Guide to Stakeholder Consultation (provided to Wine Australia in December 2021) into their objectives, as well as discussing values such as transparency.

The consultation process for the Strategic Plan 2020-25

The consultation process involved in developing Wine Australia's Strategic Plan 2020-25 was outlined in the Strategic Plan Consultation Plan (undated). This plan outlined and explained:

- the purpose and objectives of consultation to inform the Strategic Plan 2020-25
- who would be consulted, outlined efficient and effective strategy for consulting, and explained how the input provided would be used
- how the consultation process would involve a combination of face-to-face meetings, workshops, and written submissions
- how the consultation process would involve large, medium-sized, and small grape and wine producers and exporters to ensure stakeholders are engaged across different business size, enterprise type and grape-producing region.

This Consultation Plan sought to:

- explain the purpose and objectives of consultation to inform the Strategic Plan 2020–25
- describe who will be consulted
- briefly outline an efficient and effective strategy for consulting
- explain how the input provided will be used.

The purpose is to:

- allow key stakeholder groups to have input into Wine Australia's strategic direction
- facilitate discussion about current performance and possible future states for Australian grape and wine production and wine export
- align strategic planning to pursue shared aspirations
- ensure a targeted and balanced investment portfolio approach during 2020–25 across issues of critical national importance as well as sectoral or jurisdictional stakeholder priorities.

The Strategic Plan Consultation Plan (updated) was developed prior to the Best Practice Guide to Stakeholder Consultation and therefore does not refer to the guiding principles that this document established.

An updated Stakeholder Consultation Plan

The Stakeholder Consultation Plan was updated in March 2022 to include the Best Practice Guide to Stakeholder Consultation's recommendation that consultation be based around 6 key principles: transparent; accessible; straightforward; well planned; fit for purpose; and responsive. It outlines the current consultation objectives and how these objectives will be achieved.

Consultation objectives

- The consultation objectives outlined in the updated Stakeholder Consultation Plan are to:
 - ensure the Stakeholder Engagement Plan incorporates the principles that are outlined in the Best Practice Guide to Stakeholder Consultation
 - ensure that all activities outlined in the 'industry specific information' section of the Best Practice Guide to Stakeholder Consultation are undertaken prior to an SFA performance meeting
 - demonstrate performance against the Performance Principles to levy payers and stakeholders
 - undertake the stakeholder engagement KPIs outlined in the SFA
 - regularly and effectively engage stakeholders to identify priorities and activities that will provide tangible benefits to the Australian grape and wine sector
 - seek stakeholder contribution to shape strategy and investments
 - be responsive to stakeholder concerns and keep them informed
 - communicate with stakeholders using various forms of communication, including consultation, discussions, surveys, extension events, webinars, website updates, publications, newsletters, forums, and networks
 - ensure communications are accessible and tailored to the relevant audience
 - provide timely information to stakeholders
 - engage in cross-industry and cross-sectoral collaboration
- The Stakeholder Consultation Plan outlined that these objectives would be achieved by:
 - encouraging transparent and reciprocal stakeholder engagement and consultation about objectives, performance, activities, governance, and investments
 - engaging in activities that contribute to public benefit and long-term outcomes for the Australian grape and wine community
 - communicate governance processes, strategies, plans and reporting to stakeholders to strengthen transparency
 - ensuring transparency of the outcomes of activities and value of investments are transparent, contribute to good business practices and performance and establish confidence in the direction and priority setting of the organisation
 - ensuring that the impact of engagement activities is continuously measured and improved
 - communicating the organisations achievements to stakeholders through various communication channels
 - ensuring that Wine Australia has a deeply embedded culture of stakeholder engagement.

3.1.4 Demonstrated industry stakeholder engagement

KPI

1.2 Demonstrated industry stakeholder engagement in the identification of RD&E priorities and activities consistent with the consultation plan

Key findings

Our desktop assessment shows that Wine Australia effectively fulfils this KPI.

Wine Australia can demonstrate it conducted extensive consultation with stakeholders in the development of its Strategic Plan 2020-25. Many stakeholders, however, were either unable to recall the consultation around the development of the Strategic Plan 2020-25 or were not involved with Wine Australia at this time. Those that could recall were generally satisfied with the process.

This assumption is supported by the previous Independent Performance Review which reports that “it is evident that Wine Australia did consult widely in the development of its Strategic Plan, and this was acknowledged by sector representatives interviewed for this review”.

The AG&W Research Advisory Committee (RAC) is involved in gaps analysis to identify new R&I investment opportunities and its input is provided to Wine Australia.

It should be noted that many stakeholders did not believe that they had adequate input or the opportunity to provide input into the identification of R&I priorities in general (i.e., outside of the development of the Strategic Plan 2020-25 or via RAC).

The development of the One Grape & Wine Sector Plan which is being run at the same time as this performance review continues to demonstrate a broad engagement with industry, in line with the Stakeholder Consultation Plan which includes the Best Practice Guide to Stakeholder Consultation’s principles of transparency, accessibility, straightforward, well planned, fit for purpose; and responsive. This engagement will lead to the identification of R&I and E&A priorities for the next Strategic Plan.

Assessment

Wine Australia and Australian Grape & Wine established a Joint Strategy Committee to provide advice on the development of the Strategic Plan 2020-25. The committee members from each organisation reported back to the boards of their respective organisation.

The timeline of consultation activities for the Strategic Plan 2020-2025 included:

Record of Research Advisory Committee meetings began on 4/9/2019. These meetings occurred before our timeframe, so recording starts mid-2019. Four meetings, in which specific consultation for the Strategic Plan was included, were conducted between December 2019 and March 2022 with 49 attendees (including Wine Australia and Australian Grape & Wine).

- 2019-20 Annual Report – Extended invitations for written submissions, receiving 60 responses, informing Wine Australia of stakeholders’ preferences of future priorities and suggested areas of focus.
- The 2020-21 Annual Report - 8 facilitated workshops across five states with various stakeholders such as state and industry bodies, growers and winemakers, RD&A providers. It was intended to be a place to discuss RD&A priorities. These workshops were conducted in Western Australia, South Australia, New South Wales, Victoria, and Tasmania.
- Updates on forward planning and outcomes of the SPA review were provided and discussed at 11 scheduled and completed workshops with Australian Grape & Wine and state wine bodies between May and June 2021.

- The 2022-23 Milestone report Australian Grape & Wine Stakeholder Engagement, (13/02/2023) records Wine Australia's joint agreement with Australian Grape & Wine signed in 2022, regarding stakeholder engagement and sector consultation. Australian Grape & Wine and Wine Australia reported utilising numerous channels to seek member input, such as: "Board and Membership Committees, advisory committees, direct in-region engagement, notices in the monthly newsletter and our digital channels including the website and Social Media posts."
- The Wine Australia Stakeholder Consultation Plan, updated in March 2022, highlights 97 core customer engagement activities, their frequency, and their purpose.
- In August 2022, ten winemakers attended the Griffith board meeting, followed by the Loxton board meeting, in which Wine Australia met key government stakeholders from the Department of Agriculture, Forestry and Fisheries, as well as stakeholders from CCW Co-operative, Australian Commercial Wine Producers Limited (ACWP), Inland Wine Regions Alliance (IWRA) and three wineries.
- In October 2022, the first CEO roundtable (CEOR) was held, in which the CEOs of the top 20 levy paying wine exporters are invited to a discussion facilitated by Wine Australia, with an aim to conduct six meetings per year. Five meetings have been held (most recently 07/04/2023), with an average of 12 attendees from industry and Wine Australia.

Although outside the performance review period – 2023 has been a significant year for engagement and explains why stakeholder sentiment is more positive.

- In January and February 2022, the inland tour provided an opportunity for Wine Australia to consult 22 key stakeholders such as grape growers, wine producers, and other industry interests such as wine brokers and exporters.
- Published in April 2023, Wine Australia's customer engagement schedule notes 28 completed and upcoming key events, such as the CEOR summit, workshops, board meetings and international industry events.
- CEO Martin Cole reported in April 2023 that he had recently held 80 customer and stakeholder interviews in his update to the ACWP board, at which there were 5 wine producer and other industry attendees.
- In May 2023:
 - a CEO summit was held in Adelaide, attended by CEOs of the top 20 levy paying companies, allowing for collaboration between industry leaders and engagement with Wine Australia.
 - a Wine Australia board meeting was held in Mildura. At this time Wine Australia was able to consult with 7 attendees from IWRA, 9 from Murray Valley Winegrowers and 7 from ACWP.
- There is also record of telephone meetings with several major wine producers and the Department.

3.1.5 Demonstrated incorporation of feedback

KPI

1.3 Demonstrated incorporation of industry stakeholder feedback on RD&E priorities and activities. Where incorporation is not possible, demonstration of feedback to a stakeholder/s on why incorporation was not possible

Key findings

Our desktop assessment shows that Wine Australia is partly effective in fulfilling this KPI. Wine Australia should establish a more direct link to demonstrate how feedback is used and if incorporation is not possible find a clear way to document why that did not occur. One suggestion would be to develop a central register of stakeholder feedback.

Assessment

There is generally no direct link between feedback received through consultation, and the subsequent response to stakeholder feedback, however Wine Australia does acknowledge that stakeholder engagement is “two-way”, and to be “responsive to stakeholder concerns” (Annual Report 21-22, p35).

There is some documentary evidence that demonstrates compliance:

- A Board paper ‘Forward plans for RD&A investment’ on 10 May 2021 highlights the discussion taking place amongst Wine Australia board regarding stakeholder feedback around critical issues in the last six months. The key issues (sustainability, market insights, innovation, and market access) are noted, however there is no clear outcome or subsequent action attributed to this feedback (in this paper).
- ‘Update on forward planning and SFA review’ from 15 May 2021 shows:
 - As a result of feedback, Wine Australia had noted key, polarised issues (irrigation practices and breeding new varieties) that were highlighted by stakeholders, alongside a general agreement for the broader allocation of investment to another 9 areas.
 - This source similarly does not show the direct incorporation, or demonstration to stakeholders to explain why feedback was not possible.
- A 2021 survey found that stakeholders were generally positive about the perceived value of communications received from Wine Australia.
 - This survey found that overall, stakeholders rated their satisfaction with the way in which Wine Australia engages as 6.2 out of 10. While this indicates a positive level of satisfaction, Wine Australia has room to improve the way in engages with stakeholders.
 - When stakeholders were asked about the amount of contact they received from Wine Australia in 2021, 63% said it was ‘about right’, 25% said it was ‘not enough’ and 12% said it was ‘more than enough’.
 - When stakeholders were asked about the amount of contact they received from Wine Australia in 2022, 74% said it was ‘about right’, 8% said it was ‘not enough’ and 18% said it was ‘more than enough’.

Under the new leadership there has been recognition of the need to incorporate feedback as documented in Box 3.3.

Box 3.3 Marketing – demonstrated incorporation of feedback

Many stakeholders expressed the view that they were not adequately consulted on marketing activities or where they were consulted views were not incorporated.

With the appointment of a new GM Marketing there are increased efforts to work collaboratively across the sector on marketing activities and obtain the input of wineries regarding future marketing activities that would be of value.

In an effort to obtain greater industry input into the marketing strategy, Australian Grape & Wine and Wine Australia established a Joint Marketing Group (JMG) in November 2022, which acts as an advisory committee to both bodies.

The JMG comprises small, medium, and large producers and representatives across the broad range of states and regions. The JMG provides advice to Wine Australia and to Australian Grape & Wine with respect to the marketing priorities of the Australian grape and wine sector and Wine Australia strategies including the development of a refreshed brand strategy for 2023-24 onwards.

Source: Wine Australia

3.2 Investment in a collaborative manner

R&I and marketing are the two core functions of Wine Australia (other than its regulatory requirements) and are the central proposition of the performance principle (b). Effective investment requires collaboration (principle (c)).

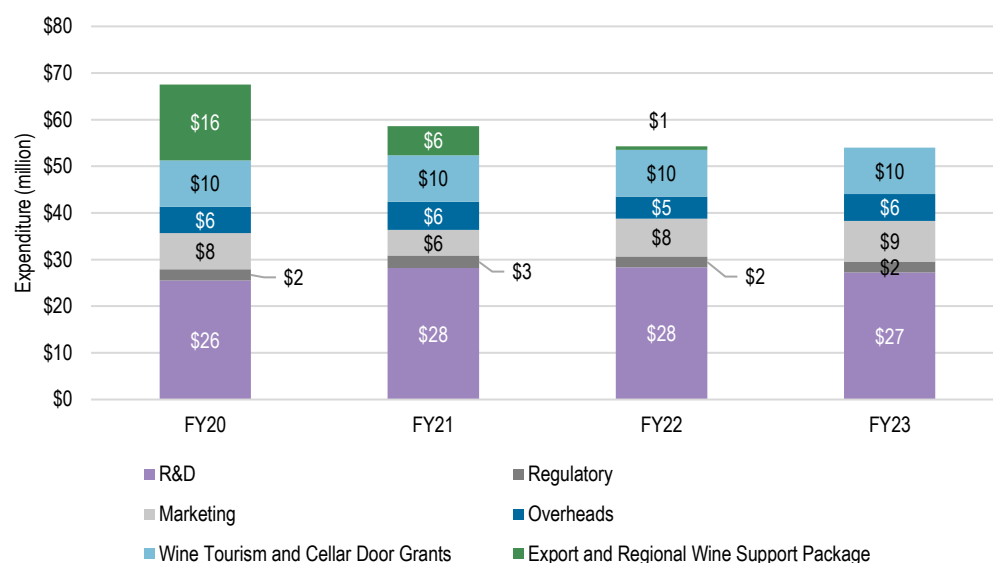
Principles

(b) To ensure RD&E (and marketing) priorities and activities are strategic, collaborative, and targeted to improve profitability, productivity, competitiveness and preparedness for future opportunities and challenges through a Balanced Portfolio.

(c) To undertake strategic and sustained cross-industry and cross-sectoral collaboration that addresses shared challenges and draws on experience from other sectors.

R&I accounts for 47% of Wine Australia's expenditure and marketing accounts for 13% (4-year average). Refer Figure 3.2.

Figure 3.2 Annual expenditure (actuals)



Source: ACIL Allen based on Wine Australia's data, 2023

During the review period Wine Australia administered a one-off investment of \$50 million as part of the ERWSP and has, since FY20, administered the Australian Government's \$10 million Wine Tourism and Cellar Door Grant program. These programs accounted for an average of 26% of expenditure during this period (4-year average).

3.3 R&I investment

3.3.1 Context

Wine Australia's R&I is designed to support the competitiveness of Australian grape growers, winemakers, and wine businesses. Over a 4-year average, \$12 million per annum is collected from the Wine Grapes Levy and the Grape Research Levy which is matched by Commonwealth contributions on a 1:1 basis. These levies are volumetric and fluctuate with supply making Wine Australia's income susceptible to favourable or unfavourable growing conditions which are largely influenced by market volatility (e.g., supply and demand and exchange rates) changes in climate and other environmental conditions such as bushfires or biosecurity outbreaks.

88% of Wine Australia's annual research expenditure (approximately \$24 million) is project based. Over the performance review period Wine Australia has invested a total of \$234 million across 367 projects.²⁵

There is documented evidence to support Wine Australia's balanced approach at an aggregate level to its R&I investment as well as the impact (benefits) of a random selection of R&I projects. However, there is a clear disconnect between documented evidence and stakeholder opinions.

Once again, the challenges the industry has faced during the performance review period have meant that Wine Australia has needed to be responsive and adaptive. The results of our desktop review suggest that Wine Australia has pivoted to focus more on the needs of its stakeholders.

Wine Australia's new co-design approach for R&I, with its greater emphasis on accountability of research partners, will be important going forward.

Stakeholder views

The consulted stakeholders presented a very different picture regarding Wine Australia's R&I investments, with no stakeholders being able to identify specific benefits to growing or production practices over the last five years. Some of these stakeholders were not in operational roles and may have had limited exposure to practice changes resulting from R&I investments. A summary of stakeholder views regarding R&I are outlined in Table 3.2.

²⁵ R&I project list provided by Wine Australia for projects completed and/or still active during the performance review period.

Table 3.2 Summary of stakeholder views – R&I (including communication and impact)

Stakeholder	Considerations
Premium wineries	The larger wineries stressed the need to ensure that R&I priorities are meeting the needs of industry. The premium wineries consulted, while recognising the importance of R&I, could not identify any significant impact from Wine Australia's R&I over the last 5 years, it was acknowledged that others in their organisations may have better awareness. There was a view that the R&I program should be more nimble, forward looking, and innovative.
Commercial growers and wineries	Commercial wineries consulted could not identify any adoption or implementation of new practices or technologies from Wine Australia's R&I over the last five years. It was acknowledged that many growers and wineries are too busy to have input into the R&I agenda. There was a concern that the R&I agenda is run too far behind where the industry is at.
Industry and regional associations	Regional associations valued the funding under the Wine Australia Regional Program to undertake extension activities with local growers and wineries. The communication around R&I could be improved and it was noted that there has been a genuine effort to better engage with the inland sector on R&I. There were mixed views regarding the communication and newsletters with some finding them valuable and others especially in the regions looking for more tailored communication. The process that Wine Australia uses to communicate and decide the R&I investment priorities was unclear.
State and Commonwealth Government agencies	The Commonwealth is keen to ensure that investment in R&D is delivering returns for producers and is addressing their needs, helping producers increase productivity and talking to growers on the ground. The commercialisation of R&D is important. Need to get the right balance in terms of dealing with AWRI (which has a good reputation) and ensuring proper probity, transparency, and value for money.
Research partners	The relationships are largely positive however an increased focus on outcome-based funding has at times strained communications. Wine Australia are responsive and quick. R&I needs to be planned better and commercial arrangements (e.g., contracting) are slow and need to be improved. There is a concern that Wine Australia and AWRI do not have the capability to do co-design projects. However, it is acknowledged that there is need for greater engagement with industry and Australian Grape & Wine. Supportive of a co-design process but it is not without challenges.

R&I projects

During the performance review period the number of completed and active projects and average value provided by Wine Australia are reported in Table 3.3, noting that many projects run over multiple years.

In addition, programs for leadership and capability building as well as the market insights function are funded through R&I investment.

Table 3.3 Completed and active R&I projects (July 2019 – December 2022)

R&I projects	Number or value of projects
Total	
Number of projects	367
Total value	\$258,775,254
Average value	\$705,110
Minimum value	\$1,050
Maximum value	\$44,353,257
Completed projects	
Number of projects	197
Total value	\$73,131,983
Average value	\$371,228
Active projects	
Number of projects	170
Total value	\$185,643,270
Average value	\$1,092,019

Source: Wine Australia

Research providers

During the four complete financial years under review (FY20 – FY23) Wine Australia invested \$96 million in research funds. A total of 72% of research funds were allocated to four providers under Strategic Partnership Agreements:

- AWRI
- CSIRO
- University of Adelaide
- South Australian Research and Development Institute (SARDI, a division of the Department of Primary Industries and Regions of South Australia)

Of these four providers AWRI received a total of 40% of all funds followed by CSIRO who received 17% of funds Refer Figure 3.3.

Having many research projects and few providers creates risk for Wine Australia. These risks include the lack of competitive tension, lack of diversity in approach to research, high negotiation costs of Strategic Partnership Arrangements, an underdeveloped provider base and with it consolidated and/or reduced R&I capability within the sector.

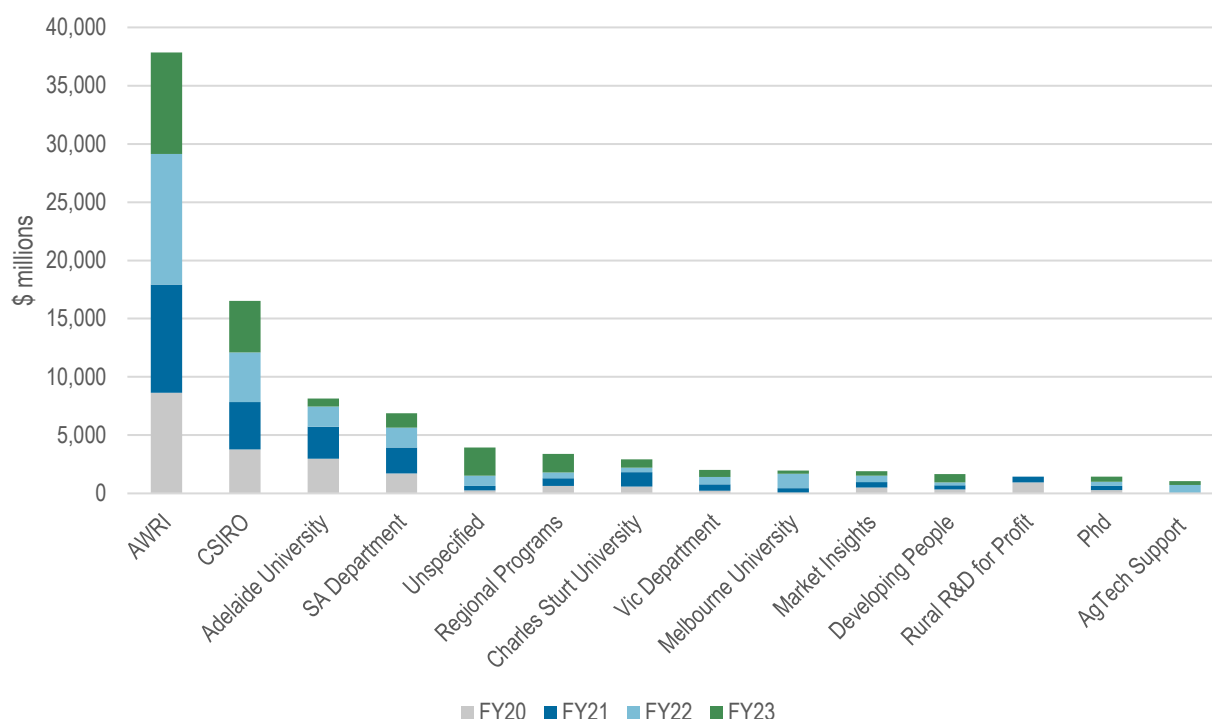
This has been acknowledged by Wine Australia who commissioned a Strategic Partnership Agreement Review in 2021.

Following the Strategic Partnership Agreement Review, and in recognition that more needs to be done to improve the impact and returns on R&I investment, Wine Australia has adopted a new outcome-based funding and co-design model for future research contracts with AWRI, CSIRO and other research partners.

Change has not been easy, is a work in progress and is not without risks such as the risk of stranded capability in few providers. However, what is clear is that Wine Australia needs to broaden its provider base and procurement processes to be more adaptive and responsive to R&I that is important to stakeholders and industry.

Wine Australia may need to improve their project management and execution capability as there is evidence of contracting delays and scope creep. In addition, if the new co-design approach continues it would be prudent to consider building capability within Wine Australia.²⁶

Figure 3.3 Research provider funding over time



Note: Only reports research categories with cumulative expenditure over \$1 million over 4 financial years, representing 95% of funds.

Source: ACIL Allen based on Wine Australia's data, 2023

Quality of research

In 2021 under the Strategic Partnerships Review, an independent scientific peer review to seek feedback about the performance of research projects funded under Strategic Partnerships was completed. The perspectives from 16 international experts from the USA, Italy, Spain, South Africa, and New Zealand were sought as the domestic research community is small and it was considered a potential conflict of interest to have domestic researchers conduct a peer review.

Reviewers indicated the research being undertaken under Wine Australia's Strategic Partnerships (which is the majority of R&I) is of a high standard and in some cases was considered to be world leading. There were a small number of projects where the value to industry of conducting the research was questioned and whether progress against deliverables had been achieved and whether reporting to Wine Australia by researchers was sufficient.

Market insights and data

Wine Australia provides comprehensive Market Insights data through R&I funds which are available through their website and provided through newsletters, stakeholder communications and regular presentations.

²⁶ It should be noted that extension and adoption capability within Wine Australia was adjusted during the review period, based on recommendations in the E&A Strategy.

Significant investments have been made by Wine Australia in new data systems and tools which allowed Wine Australia to assess impacts and gain insights on changing trends in Australia and in key markets.

On the Wine Australia website industry stakeholders can search and obtain market insight reports on:

- key wine export markets
- the Australian market
- Australian wine exports
- grape production and price
- wine production and sales
- wine supply and demand
- wine sector at a glance.

In addition, tools are available to assist with the compilation and analysis of market insights information via the Interactive Insights section of the website. Market Insights also provides “Ask an Analyst” function which enables interested parties the opportunity to book one on one time with one of Wine Australia’s analysts.

Wine Australia are currently responding to its stakeholder feedback via the formation of the Consumer Insights Advisory Group and on domestic sales through the Improving Market Transparency project.

Market insights are generally valued by stakeholders however there is a need for (more) forward-looking data beyond the current offering including production data, domestic retail data and market trends both domestically and internationally.

Stakeholders’ views are summarised below:

- Government and industry associations and smaller wineries valued the high-level market insights although many smaller wineries did not have the time or resources to fully explore or access the Market Insights
- Larger premium wineries had significant capacity and resources to undertake their own research and review market trends and their market insights were generally more timely, more detailed, and forward looking than Wine Australia’s Market Insights.
- Several industry stakeholders would value more data and market insights on the domestic market and consumer trends as well as forward looking consumer data for key markets.
- Several commercial growers and wineries who were active users of Wine Australia data would value:
 - more data along the full value chain
 - more detailed data including on plantings by variety and data based on both value and tonnage
 - better real-time data regarding vintage and pricing.

3.3.2 Overview of assessment

Although desktop review shows that Wine Australia is effective or partly effective in achieving the KPIs under the performance principles, stakeholder sentiment is not aligned.

Stakeholders, although recognising that R&I plays an important and valuable role many considered R&I, in its current form, to be largely irrelevant to the industry. Most stakeholders consulted are unable to point to any meaningful outcomes from the R&I agenda over the last five years.

3.3.3 Alignment and outcomes

KPI

2.1 RDC investments align with strategic plans and have demonstrated outcomes to levy payers and taxpayers, including through growth in the industry, increased profitability of producers, commercialisation, access to new markets

Key findings

Our desktop assessment shows that Wine Australia is partly effective in fulfilling this KPI.

Given the changes in the wine industry over the review period – investments do not directly align with the Strategic Plan 2020-25 but are aligned with Annual Operating Plans.

Stakeholder feedback would indicate that most levy payers are not seeing demonstrated outcomes in terms of improvements to profitability, production, or access to new markets.

Due to the significance of the changes in the industry and at Wine Australia during the review period, as well as the feedback from stakeholders, we consider it appropriate that Wine Australia adapt its R&I investment strategy to one which is more fit-for-purpose and better addresses the needs of industry. Future R&I investment strategies need to:

- be more outcomes focused in terms of impact and returns
- have a greater emphasis on achieving longer-term impact
- have a greater focus on addressing the needs of industry
- have the capacity to invest in trailblazing and new technologies
- leverage, where appropriate, industry and third-party co-investment
- have much better outcomes in terms of extension and adoption of research

Wine Australia, under the new CEO, is in the process of revising its R&I investment approach which addresses many of these issues with the new strategy having a strong focus on co-designing research with industry (see Box 3.4).

The current state of the industry and the significance of the many external shocks that have been faced over the review period means that industry growth is currently constrained due to the large surplus of wine. The external shocks and a lag in market correction following the loss of the China market means that the industry is likely to retract over the next few years. Related to this is the issue of producer profitability and industry sustainability. It is difficult to assess whether Wine Australia's investment has increased profitability of producers in a period when many businesses are being forced to consider their viability.

Producer profitability is one of the industry's key priorities going forward. This will be further recognised in the development of the One Grape & Wine Sector Plan which will inform Wine Australia's Strategic Plan 2025-2030.

However, given some areas of the Strategic Plan are no longer fit for purpose, it is very difficult to assess whether balance, alignment and value for money have been achieved. Desktop review suggests that investment in aggregate is balanced and efficient and outcomes to levy payers and taxpayers are demonstrated.

Box 3.4 Acknowledging the need to adapt R&I

Wine Australia presented its RD&A High Level Strategic Direction, based on 80 recent customer and stakeholder interviews, and is designed to extend Wine Australia's customer-centric culture.

The wine industry's current operating environment goes beyond the usual challenges of the agriculture sector, and includes COVID, the loss of the China market, subsequent shifts in supply and demand, war in Europe, and Brexit, together with the new RDC landscape, the focus on sustainability, consumer preferences and marketing capability, and the forthcoming federal election.

In this context, change is needed, and Wine Australia's approach to RD&A investments must contemplate:

- more co-design based on market insights (which this year will focus on sustainability and NOLO products),
- greater involvement of regions in priority setting, extension, and adoption,
- fewer, larger projects, new business models to speed innovation and paths to market
- co-investment to further drive levy funding
- greater investment that directly meets the needs of inland production areas, given that they generate 70% of industry levies.

Source: Research Advisory Committee Meeting Minutes, March 2022

Wine Australia has received more than 50 enquiries regarding commercial opportunities through growAg since its inception. A Commercialisation Review was undertaken in October 2022. It established pathways to successful commercialisation and identified opportunities. It is too soon to assess whether this has had positive outcomes.

Market access is supported through collaboration with Australian Grape & Wine and the Australian Wine Research Institute and the involvement with international bodies. Market access is supported through Wine Australia's regulatory functions (refer Chapter 4) and the provision of export market guides, which exporters find useful.

Assessment

Alignment of investments to plans

There are different ways to assess Wine Australia's investments, one of which is to assess the alignment of the investment made to different set of targets and priorities. There are 3 sets of targets identified:

1. Alignment to a balanced portfolio.
2. Alignment to Australian Government's Science and Research Priorities.
3. Alignment to Australian Government's Rural Research, Development and Extension Priorities.

ACIL Allen's assessment of Wine Australia's alignment to these targets is outlined below.

Alignment to a balanced portfolio

One of Wine Australia's investment goals is to maintain a balanced portfolio of investment incorporating issues of critical national importance based on government and levy payer priorities. Wine Australia reports its investment with respect to and with the intention of balancing long-term, short-term, high- and low-risk, and strategic and adaptive research needs. Additionally, it includes consideration of regional variation and needs.

In each financial year, the Annual Operational Plan outlines the RD&E investment targets in terms of the number of investment projects and investment amount across 4 domains: term, risk, research type and geography. These targets were designed to ensure the investment is spread appropriately across the categories in each of these domains, ensuring a balanced portfolio.

Wine Australia's Balanced Portfolio investment in R&I is summarised in Table 3.4 below using the data provided for this review.

Table 3.4 Wine Australia's Balanced Portfolio RD&E investment (actuals) (\$ million)

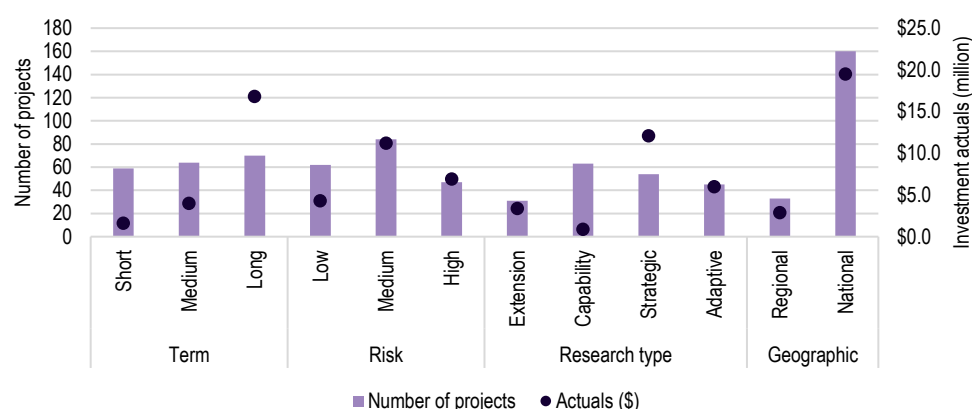
Domain	Category	FY20		FY21		FY22	
		No. of projects	Budget (\$m)	No. of projects	Budget (\$m)	No. of projects	Budget (\$m)
Term	Short (<2 years)	59	\$1.6	44	\$2.1	38	\$2.9
	Medium (2-4 years)	64	\$4.0	62	\$3.7	49	\$4.2
	Long (>4 years)	70	\$16.8	67	\$18.8	21	\$17.7
Risk	Low	62	\$4.3	58	\$4.7	51	\$7.3
	Medium	84	\$11.2	57	\$12.3	21	\$16.0
	High	47	\$6.9	58	\$7.5	36	\$1.5
Research type	Extension	31	\$3.4	25	\$4.3	31	\$1.6
	Capability	63	\$0.9	56	\$0.8	38	\$0.6
	Strategic	54	\$12.1	53	\$13.6	20	\$20.8
	Adaptive	45	\$6.0	39	\$5.9	19	\$1.8
Geographic	Regional	33	\$2.9	23	\$3.5	21	\$2.2
	National	160	\$19.5	150	\$21.0	87	\$22.6

Source: Wine Australia's financial data, 2023

Figure 3.4, Figure 3.5 and Figure 3.6 show Wine Australia's projects as an aggregate by category in terms of numbers of projects and actual investment expenditure for each financial year compared with targets. These charts suggest that except for geography across all three years the rest of the portfolio is in relative balance.

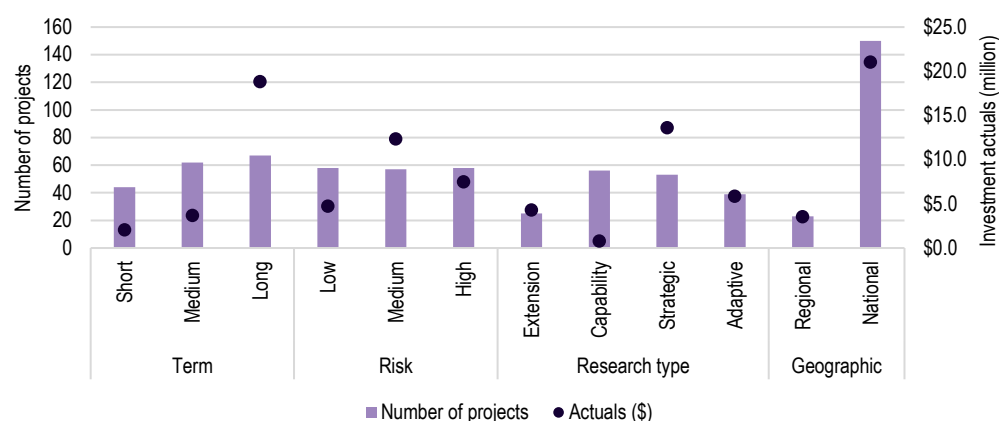
Over the three years the actual investment has remained similar, but the total number of projects has declined. The number of extension projects has also increased over the three years, but investment in this category has declined. By FY22 there has been a distinct shift in the investment allocated to strategic projects.

Figure 3.4 Wine Australia's Balanced Portfolio RD&E investment (targets) (\$ million), FY20



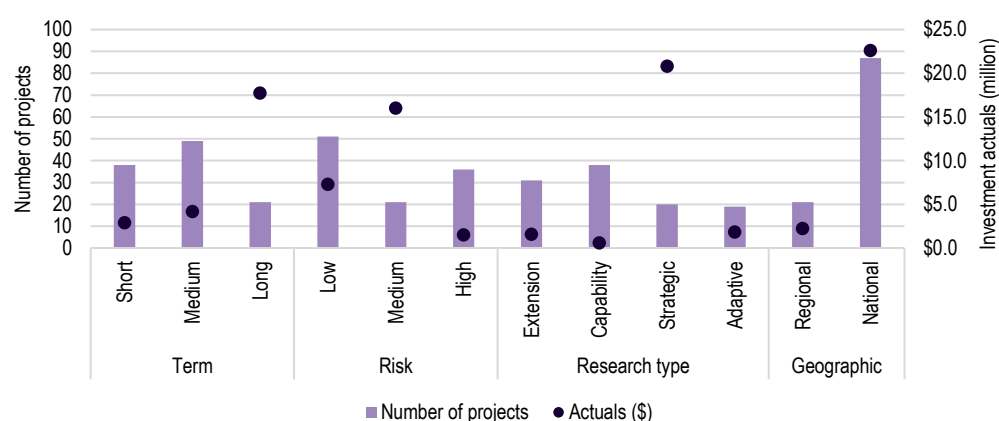
Source: ACIL Allen

Figure 3.5 Wine Australia's Balanced Portfolio RD&E investment (targets) (\$ million), FY21



Source: ACIL Allen

Figure 3.6 Wine Australia's Balanced Portfolio RD&E investment (targets) (\$ million), FY22



Source: ACIL Allen

The actual investments are largely in line with the targets. Generally, a small increase in the actual investment can be observed in every year.

Given the large number of small projects (average project expenditure is \$177,000) it is difficult to assess the balance of the portfolio other than at an aggregate level. Table 3.5 shows the actual number of projects and investment.

Table 3.5 Wine Australia's RD&E investment (actuals)

Financial year	Number of projects actual	Investment actuals
FY20	193	\$22.4 million
FY21	173	\$24.6 million
FY22	108	\$24.9 million

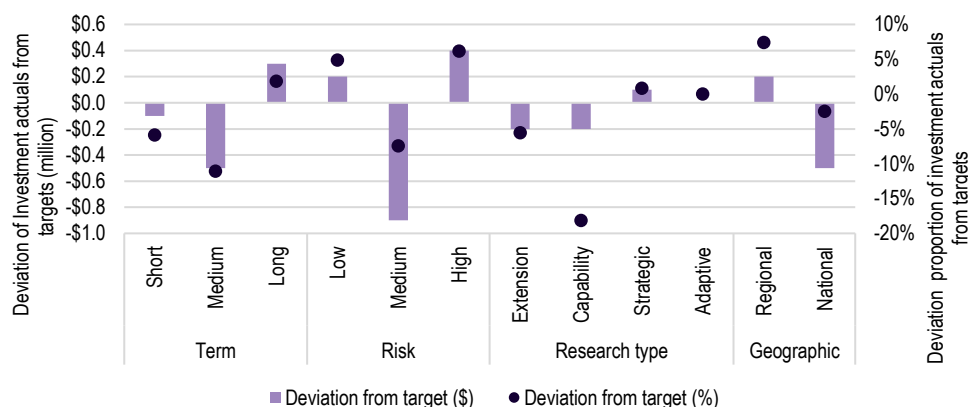
Source: Wine Australia's financial data, 2023

In FY20, Wine Australia invested \$22.4 million in RD&E activities, spread across 193 projects (69 projects more than initial target). Figure 3.7 shows how the actual investment expenditure differs from the investment targets.

The distribution of funds is relatively close to the targets, with capability building research receiving 18% less than budget and less investment made on national projects than was planned corresponding to more at a regional level.

Overall, Wine Australia spent more in long-term investment and more on both low and high-risk projects than originally planned.

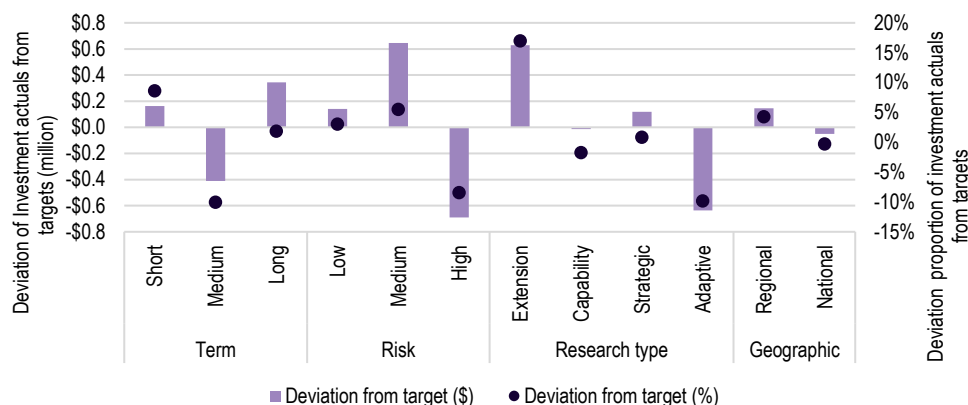
Figure 3.7 Comparing Wine Australia's RD&E investment (actual and targets) FY20



Source: ACIL Allen based on Wine Australia's data, 2023

In FY21, investments were again largely in line with targets although 17% more funds were committed to extension and 10% less funding on adaptive projects.

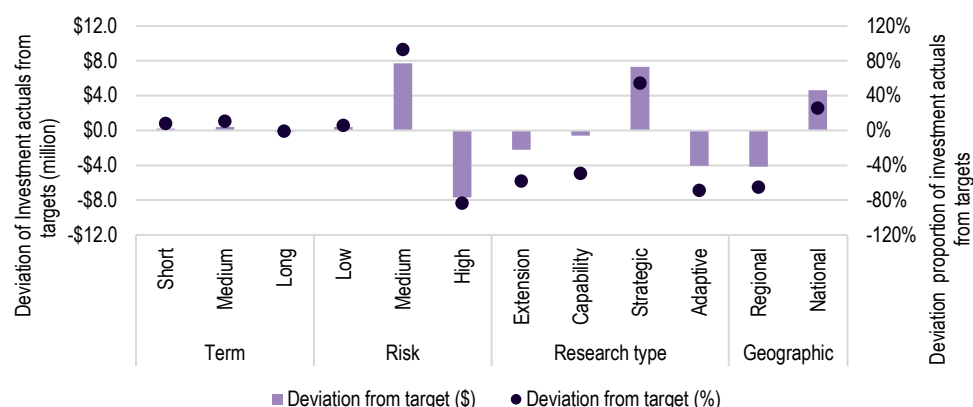
Figure 3.8 Comparing Wine Australia's RD&E investment (actual and targets), FY21



Source: ACIL Allen based on Wine Australia's data, 2023

There were significant deviations of investment from targets in FY22. From a risk perspective 93% more medium-risk investments and 83% less high-risk investments were made. This likely reflects the highly uncertain environment facing the industry.

Investment in the strategic research received 50% more funding than initial target, while extension, capability, and adaptive research received 50-70% less funding. This may reflect the change in leadership and the more strategic focus of the new leadership. There were also more investments made on national projects (26%) than regional projects (-65%). This is likely a result of the shift to more strategic projects which are by default more likely to be national projects.

Figure 3.9 Comparing Wine Australia's RD&E investment (actual and targets), FY22

Source:

Alignment to Australian Government's Science and Research Priorities

The Australian Government's Science and Research Priorities²⁷ are designed to focus Australian Government support for science and research on the most important challenges facing Australia. The priorities cover a wide range of industries, including food, soil and water, transport, cybersecurity, energy, resources, advanced manufacturing, environmental change, and health. The priorities that are relevant to Wine Australia's RD&E efforts are shown in Table 3.6 below. Priority 2 Soil and water and Priority 7 Advanced manufacturing were not targets for Wine Australia until the implementation of the Strategic Plan 2020-25. It is also important to note the Australian Government's Science and Research Priorities were replaced by the National Agricultural Innovation Priorities in October 2021, with the release of the National Agricultural Innovation Policy Statement, which obviously resulted in a shift of focus for Wine Australia.

²⁷Australian Research Council, *Science and Research Priorities*, 2015

Table 3.6 Selected Australian Government's Science and Research Priorities

Priority	Sub-priority
1. Food	<p>1.1 Knowledge of global and domestic demand, supply chains and the identification of country specific preferences for food Australia can produce.</p> <p>1.3 Enhanced food production through novel technologies, such as sensors, robotics, real-time data systems and traceability, all integrated into the full production chain; better management and use of waste and water; increased food quality, safety, stability, and shelf life; protection of food sources through enhanced biosecurity; genetic composition of food sources appropriate for present and emerging Australian conditions.</p>
2. Soil and water	<p>2.2 Better understanding of sustainable limits for productive use of soil, freshwater, river flows and water rights, terrestrial and marine ecosystems.</p> <p>2.3 Minimising damage to, and developing solutions for, restoration and remediation of soil, fresh and potable water, urban catchments, and marine systems.</p>
7. Advanced manufacturing	<p>7.1. Knowledge of Australia's comparative advantages, constraints, and capacity to meet current and emerging global and domestic demand.</p> <p>7.2. Cross-cutting technologies that will de-risk, scale up, and add value to Australian manufactured products.</p>
8.Environmental change	<p>8.1 Improved accuracy and precision in predicting and measuring the impact of environmental changes caused by climate and local factors.</p> <p>8.3 Options for responding and adapting to the impacts of environmental change on biological systems, urban and rural communities, and industry.</p>

Source: Australian Research Council, Science and Research Priorities <https://www.arc.gov.au/funding-research/apply-funding/grant-application/science-and-research-priorities>

Table 3.7 shows Wine Australia's RD&E investment in the Science and Research Priorities by year. Food (1.3) is the priority that received most of the investment in all years. Since the implementation of the Strategic Plan 2020-25, this investment has been spread across more priorities with the addition of soil and water, and advanced manufacturing. There is also an increase in expenditure on environmental change priorities. While Wine Australia has no explicit targets on investment allocation to each priority, they allocated investment across all relevant priorities.

Table 3.7 Wine Australia's investments aligned to Australian Government's Science and Research Priorities (actuals) (\$ million)

Priority	FY20	FY21	FY22
Food 1.1	\$0.54	\$0.42	\$0.14
Food 1.3	\$20.65	\$16.73	\$17.97
Soil and water 2.2	N/A	\$0.56	\$0.08
Soil and water 2.3	N/A	\$0.13	\$0.50
Advanced manufacturing 7.1	N/A	\$0.01	-\$0.07
Advanced manufacturing 7.2	N/A	\$3.87	N/A
Environmental change 8.1	N/A	N/A	\$0.04
Environmental change 8.3	\$1.25	\$2.88	\$6.20

N/A: Soil and water and Advanced Manufacturing were not targets for RD&E investment prior to Strategic Plan 2020-25.
Source: Wine Australia's financial data

Alignment to Australian Government's Rural Research, Development and Extension Priorities

Wine Australia also aligns its RD&E investments to another set of priorities under the Rural Research and Development for Profit.²⁸ These priorities are defined as:

- **Advanced technology.** To enhance innovation of products, processes and practices across the food and fibre supply chains through technologies such as robotics, digitisation, big data, genetics, and precision agriculture.
- **Biosecurity.** To improve understanding and evidence of pest and disease pathways to help direct biosecurity resources to their best uses, minimising biosecurity threats and improving market access for primary producers.
- **Soil, water and managing natural resources.** To manage soil health, improve water use efficiency and certainty of supply, sustainably develop new production areas, and improve resilience to climate events and impacts.
- **Adoption of RD&E.** Focusing on flexible delivery of extension services that meet primary producers' needs and recognising the growing role of private service delivery.

Table 3.8 shows Wine Australia's investment broken down by these priorities. Similarly, to the Science and Research Priorities, Wine Australia has no explicit targets of the allocation of RD&E for the Rural Research, Development and Extension Priorities, however they can demonstrate investment across all priorities.

Table 3.8 Wine Australia's investments aligned to Australian Government's Rural Research, Development and Extension Priorities (actuals) (\$ million)

Priority	FY20	FY21	FY22
Advanced Technologies	\$9.3	\$13.0	\$14.1
Biosecurity	\$1.2	\$1.7	\$0.6
Soil, water and managing natural resources	\$6.5	\$4.3	\$8.5
Adoption of RD&E	\$5.5	\$5.7	\$1.7

Source: Wine Australia's financial data

3.3.4 Commercialisation opportunities

KPI

3.1 Completed, current and future R&D including commercialisation opportunities is accessible through the growAG platform

Key findings

Our desktop assessment shows that Wine Australia effectively fulfils this KPI.

Wine Australia has been a leading user of the growAg platform, at a point garnering the second greatest (of all RDCs) number of enquiries and second most commercial opportunities listed on the website (Annual Report 2021-22).

²⁸ Department of Agriculture, Fisheries and Forestry, *Rural Research and Development for Profit*, accessed 11 July 2023, <https://www.agriculture.gov.au/agriculture-land/farm-food-drought/innovation/rural-research-development-for-profit>

Assessment

As of June 2023, on the growAg platform²⁹ Wine Australia has:

- 19 current listed research projects
- 87 past research projects on the growAg platform
- 106 total.

This has increased from the 70 (total) projects listed by Wine Australia as of 2021-22 (Annual report 21-22).

As of June 2023, on the growAg platform there are 6 opportunities³⁰ led by Wine Australia. Completed opportunities do not appear to be visible on the platform.

In 2021-22, Wine Australia had 11 commercial opportunities visible on the platform. The active listings in 2021-22 generated 2 enquiries on research projects and 61 enquiries on commercial opportunities (Annual report 21-22).

Wine Australia has received more than 50 enquiries about commercial opportunities, and one commercial opportunity – Vine Nutrition App – has successfully attracted a commercial partner and a licensing agreement has been executed.

Box 3.5 Commercialisation of Vine Nutrition App

Research conducted by Charles Sturt University and NSW Department of Primary Industries (NSW DPI), with funding from Wine Australia has seen a team of viticulturists, plant physiologists and machine learning specialists develop a prototype app which assesses images of vine leaf symptoms captured using a standard smartphone camera.

The app is being commercialised following a new agreement with global agtech start-up Deep Planet. Deep Planet has obtained exclusive licensing of the technology and will add to its capabilities through remote their VineSignal platform which is a suite of viticulture remote sensing, monitoring, and prediction features. This will provide further benefits to grape and wine producers.

Source: <https://news.csu.edu.au/latest-news/australian-vine-health-technology-set-to-improve-wine-grape-yield>.

Additional areas identified by the Commercialisation Review (October 2022) for commercialisation in order of priority are:

- Low Alcohol Wine – Through Company Creation or Joint Venture Pathway
- Smoke Sensor & Taint Management Service – Company Creation
- Variety and Trait Breeding Program – Company Creation
- Yeast & Fermentation – Joint Venture
- Knowledge Hub – Spin In
- Digital AG Technology - IP Sale
- Low Alcohol, Smoke Sensor and Variety company creation were identified as the most valuable opportunities.

²⁹ Refer: <https://www.growag.com/explore/list/all?sort=a-z&q=&industries%5B%5D=&focus-areas%5B%5D=&technology-areas%5B%5D=&sustainabilities%5B%5D=&opportunity-types%5B%5D=&organisation-types%5B%5D=&organisation-names%5B%5D=&organisation-names%5B%5D=wine-australia>

³⁰ Refer: <https://www.growag.com/listings/organisation/wine-australia>

The Commercialisation Review also identified Wine Australia's need to improve its capability and capacity with respect to commercialisation activities and suggested the engagement of a 'Entrepreneur in Residence' and engaging a qualified consultant.

3.3.5 Cross-industry and cross-sector collaborations

KPI

3.2 Number and quantum of cross-industry and cross-sector RD&E investments available

Key findings

Our desktop assessment shows that Wine Australia effectively fulfils this KPI.

Assessment

Wine Australia's R&I expenditure records demonstrate a wide range of cross industry and cross sector collaboration and funding.

Table 3.9 presents collaborative project spending as a percentage of total revenue from government which has increased considerably between 2019 and 2022, from 0.8% to 7.13%.

Table 3.9 Collaboration project expenditure in relation to total R&I revenue

Year	Collaboration project spending	Total revenue R&I*	Collaboration project spending as a percentage of total govt revenue
2019	\$230,177	\$28,644,197	0.8%
2020	\$737,322	\$26,498,905	2.78%
2021	\$1,513,046	\$26,825,590	5.64%
2022	\$2,292,850	\$32,175,618	7.13%

Note: * levy payments and matching contributions from government and other contributions

Source: *Wine Australia Annual Report 2019-20*, *Wine Australia Annual Report 2021-22*

Table 3.10 presents the cross-sector R&I projects over the performance review period. During this period there were 34 investments with a quantum of \$4.3 million.

Table 3.10 Wine Australia's investment by collaborative project

Project	Duration	Sectors involved	Investment	# of projects
MLA Contribution Agreement - Rural RnD4Profit-16-03-007 Forewarned is forearmed: managing the impacts of extreme climate events	Dec 2017-May 2022	multiple	\$150,000	1
Improving Plant Pest Management Through Cross Industry Deployment of Smart Sensor, Diagnostics and Forecasting	May 2018 - May 2023	multiple	\$150,000	1
Australian Agriculture: Growing a Digital Future (P2D2 Phase 1)	Dec 2018 - Jul 2022	multiple	\$47,935	1
National Grapevine Collection Coordinator	Jan 2022 - Jan 2025	table grapes and dried fruit, nurseries	\$43,726	1
Implementation of a national standard for grapevine certification - Phase 2a	Oct 2022- Jun 2024	table grapes and dried fruit, nurseries	\$6,400	1
Plant Biosecurity Research Initiative Phase II Collaboration and Funding Agreement 2021-2023	Jun 2020-Jun 2023	all plant industries	\$103,000	1
Review of the Biosecurity Plan and Manual for the Viticulture Industry	Oct 2018-Jun 2023	table grapes and dried fruit	\$37,693	1
RnD4Profit: Digital technologies for dynamic management of disease, stress, and yield	Aug 2016 - Aug 2020	Cotton	\$1,038,373	1
ARC Research Hub for Sustainable Crop Protection	Aug 2020-Aug 2024	multiple	\$100,000	1
ABARES Science and innovation Awards	ongoing	multiple	\$87,871	4
Nuffield scholarship	ongoing	multiple	\$106,000	2
Update and review of Viticulture Industry Biosecurity Plan (VIBP)	May 2019-Jun 2023	table grapes and dried fruit	\$8,960	1
Xylella Coordinator	Oct 2018-Dec 2021	Horticulture	\$495,000	1
2020 International year of plant health funding agreement	Sep 2020 - Sep 2020	all plant industries	\$30,000	1
National Working Party in Pesticide Applications (NWPPA) Stakeholder Contribution	Feb 2020-Jun 2023	multiple	\$10,000	1
RRD4P – Boosting Diagnostic Capacity for Plant Production Industries	Jun 2020-Jun 2023	multiple	\$300,000	1
Novel technologies to assist rapid and sensitive detection of Brown Marmorated Stink Bug	Apr 2020 - Mar 2023	Horticulture	\$130,000	1
Xylella Insect Vectors Project	Jun 2020-Jul 2023	Horticulture	\$900,000	1
Climate Research Strategy for Primary Industries CRSPI - Transition Agreement	Oct 2020-Mar 2022	multiple	\$4,041	1
A Common Approach to Sector-Level GHG Accounting for Australian Agriculture	Jun 21 - Feb 23	multiple	\$25,000	1
The development of a national, grape-industry strategy for the implementation of a national Standard for grapevine certification	Oct 2021-Mar 2022	table grapes and dried fruit	\$52,000	1
CRC SAAFE submission support	Feb 2022- Apr 2022	multiple	\$9,600	1
PIEFA - Curriculum development schools	Oct 2020-June 2021	multiple	\$36,000	1
Primary Industries Education Foundation Australia (PIEFA) - Partnership	Jul 2019 - July 2024	multiple	\$70,000	1
Diversity in Agriculture Leadership Program	Mar 2019-Jun 2023	multiple	\$45,000	1
Agriculture Innovation Australia (AIA) - RDC joint investment organisation	Nov 2020-Oct 2023	multiple	\$195,000	1
Nudgeathon - Annual behavioural change competition event 2022	Dec 2021- Aug 2022	multiple	\$25,000	1
Designing the integration of extension projects into research	January 2022 – July 2022	CRDC, FRDC, Dairy, Eggs, AgriFutures, LiveCorp, DPI NSW, Hort	\$15,000 and in kind	1
Research for impact	June 2023 – July 2026	CRDC, FRDC, GRDC, Dairy, AgriFutures, LiveCorp, Uni of Melb, Hort	\$30,000 and in kind	1
What is the best fit for electric weed control in Australia?	Apr 2023-Jun 2024	Grains, cotton	\$30,000 and in kind	1

Source: Wine Australia

3.4 Marketing investment

3.4.1 Context

Wine Australia conducts about 70 core market development activities. These activities are primarily focused on the promotion of Australian wine for sale and consumption in our international export markets. Marketing activities are focused on firsthand experiences of Australian wines to enhance their perception, support brand owners, and ensure in-market engagement.

Wine Australia also deliver ongoing social and traditional media engagement globally as well as provide education, retail opportunities, events, tastings, and webinars aimed to increase desirability of and sell more Australian wine.

Wine Australia has collaborative partnerships with various organisations to jointly boost awareness and demand for Australian wine. They seek to align efforts with Tourism Australia and state tourism entities to globally promote Australia's food and wine culture, believing that leveraging a 'Team Australia' approach delivers broader benefits. In markets where Wine Australia lacks a permanent foothold, primarily in Asia and emerging regions, they collaborate with Austrade. Austrade aids in market entry by connecting potential importers with Australian wine exporters and supports Wine Australia's market development plans in these areas.

Marketing levies are over a 4-year average about \$3.4 million per annum and are not supplemented by matching Commonwealth funds but user charges such as the Wine export charge increases Wine Australia's marketing income to a 4-year average of \$6.2 million per annum.

Collaborations and co-investments are going to become increasingly important as levy funds decline.

Market access

Market access barriers include tariffs, certification, winemaking practices, wine composition and labelling. Most of these issues are handled under Wine Australia's regulatory function (refer Chapter 6) and have received very positive feedback from stakeholders.

Wine Australia work to constantly track trade changes, negotiate better market access, support government officials, foster ties with key market regulators, and are prepared to address any negative events.

Wine Australia actively engages with key global forums to align or gain mutual recognition for wine production, labelling, and composition standards. Collaborating with AWRI and Australian Grape & Wine, they address challenges facing Australian wine exporters. Their involvements include partnerships with international wine bodies like Federation International du Vin et Spirit and World Wine Trade Group and participation in the International Wine Technical Summit.

Additionally, Wine Australia offers detailed Export Market Guides for 40 major global wine markets many of which have been updated in the last few years. These guides received positive feedback from stakeholders.

Stakeholder views

A summary of stakeholder views regarding marketing are outlined in Table 3.11.

Table 3.11 Summary of stakeholder views - marketing

Stakeholder	Considerations
Premium wineries	There is a strong view by premium producers that Wine Australia should not be doing anything to build brand, that is the job of wine companies. Not a lot of support for a generic 'Brand Australia' campaign, marketing efforts need to be more nuanced and innovative. It was recognised that the marketing budget of Wine Australia is very limited and there needs to be more co-funding. Important to promote diversity and quality.
Commercial growers and wineries	The premiumisation market campaigns have not benefitted commercial producers which represent the bulk of Australian wine exports. Marketing efforts have generally not been seen as being effective, there is not sufficient funding and need to be much more targeted. The most useful spend of marketing budget is to assist companies with market access and entry.
Industry and regional associations	Marketing strategy and approach is very inflexible and not open to providing bespoke marketing opportunities that address the needs of regions. Look to partnership more to secure co-funding and build better campaigns. The partnership with tourism under the \$50 million package produced good outcomes and is a good model.
State and Commonwealth Government agencies	State Government agencies, that were consulted, didn't see the value in the current Brand Australia campaign and there was a desire for better overarching messaging that captured the essence of Australian wine which each State or region could leverage. Each State does something different, and its ad hoc and not coordinated and there is no consistency of the brand of Australian wine.

3.4.2 Overview of assessment

Although desktop review shows that Wine Australia is effective or partly effective in achieving the KPIs under the performance principles, stakeholder sentiment is not aligned.

Marketing activities are largely considered to be ineffective by many stakeholders and are considered to have had limited impact over time. 'Brand Australia' is considered an outdated construct and is no longer fit for purpose by most stakeholders. Wine Australia is considered to be slow to respond and adjust to the changing environment - however, this is acknowledged to be improving under the new GM Marketing and with the establishment of the Joint Marketing Group. Reviews are mixed on overseas office capability in terms of the capability of specific personnel in specific offices and in the way some processes are applied inconsistently across different offices.

3.4.3 Alignment and outcomes

KPI

2.1 RDC investments align with strategic plans and have demonstrated outcomes to levy payers and taxpayers, including through growth in the industry, increased profitability of producers, commercialisation, access to new markets

Key findings

Our desktop assessment shows that Wine Australia is partly effective in fulfilling this KPI. It is challenging, given the strategy was 'refreshed' and is managed through the Annual Operating Plans, to assess whether balance, alignment and value for money have been achieved.

Many stakeholders believed that marketing activities by Wine Australia are largely ineffective and has had limited impact over time. 'Brand Australia' is considered an outdated construct and is no longer fit for purpose. Stakeholders are either unable to see themselves or do not like how they are represented under this brand architecture. It is acknowledged that the national brand is currently under review by the Joint Marketing Group.

Additionally, it is likely that there has been distortionary impact of the ERWSP funds on Wine Australia's core marketing efforts. This is demonstrated in stakeholder views that Wine Australia has been slow to respond to market challenges.

Assessment

Marketing investment is approximately \$7.5 million per annum (four-year average). Of this, 48% on average is spent on staff and 31% (on average) is allocated to trade and consumer events. Other areas of expenditure include communications, international visits, and education. Refer Figure 3.10.

Wine Australia employ several market development staff in various regions including North America, Europe and the UK and the Asia Pacific. The decline in employee related expenditure during the performance review is related to the end of the ERWSP and the collapse of the China market.

Market development staff offer expertise and in-region support to Australian wine companies aiming to expand or establish their markets. Stakeholder sentiment of market development staff in-region is mixed. Views depend largely on experience and personal relationships with many stakeholders contradicting the views of other stakeholders. This would suggest a need for greater consistency in either approach and/or capability of staff in-regions.

During the review period, because of COVID-19, there was very little expenditure on international visits, including no expenditure in FY22 or FY23.

Post pandemic, Wine Australia, wine businesses and state and regional wine industry associations have identified the need for investment in an inbound visitation program for international wine buyers and media.

Working with Australian Grape & Wine, ATMAC funds have been unlocked to assist in rebuilding capability in FY24.

Wine Australia is working with states and regions to coordinate and facilitate regional visits, rekindle relationships with key decision makers, influencers, and market gatekeepers by telling our unique regional stories that bring the quality and diversity of the Australian wine community to life, and lead to developing and/or reinforcing positive perceptions and critically, commercial outcomes.

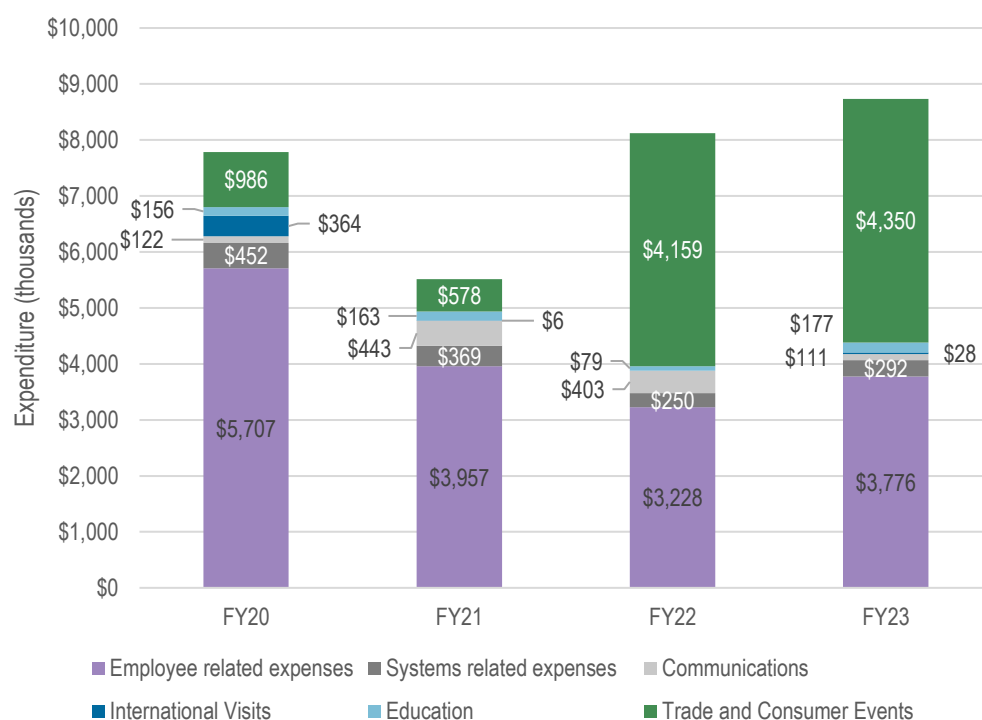
A criticism by many stakeholders was the effectiveness of the Wine Australia branding and the need for a more nuanced approach which recognises the diversity of Australian wine and regions.

In response to this the 'national brand' was considered a priority project for the Joint Marketing Group (JMG) which included broad industry representation.

It was recognised that the 'national brand' may not be relevant for all markets particularly several of the regions and there was a need for a more nuanced approach to regions and brands in existing mature markets.

For new and emerging markets, however, that had little exposure or appreciation of Australian wine a more targeted and simpler 'national brand' messaging was seen as beneficial especially the promotion that Australia makes quality wine.

Figure 3.10 Marketing expenditure (actuals)



Source: ACIL Allen based on Wine Australia's data, 2023

The JMG process was consultative including input from the States and regions and agreed to:

- evolve and tweak the current positioning and visual elements.
- review brand values, pillars, messaging with cultural insights
- review how the wine brand intersects with and leverages off nation brand

Consideration was also given to how there could be better leverage from investments being made more generally by Austrade (Nation Brand) and Tourism Australia.

Wine Australia's marketing aims and activities are not realistically achievable on such a small marketing budget.

On top of this stakeholders suggests that marketing activities are largely ineffective. This would imply that a reduction in the number of activities and a focus on activities that return value to industry is needed.

3.5 Outcomes, impact and communication

A critical part of R&I and marketing is to deliver and communicate outcomes and impact to stakeholders, one of the main ways to do this is through E&A.

Principles

(b) To ensure RD&E (and marketing) priorities and activities are strategic, collaborative, and targeted to improve profitability, productivity, competitiveness and preparedness for future opportunities and challenges through a Balanced Portfolio.

(e) To demonstrate positive outcomes and delivery of RD&E (and marketing) benefits to Levy Payers and the Australian community in general and show continuous improvement in governance and administrative efficiency.

3.5.1 Context

One of the recommendations of the previous independent performance reviews was:

Wine Australia should review the way it manages extension and adoption of R&D outcomes and consider whether a more structured approach is required.

Forest Hill, 2018

As a result, Forest Hill was commissioned to undertake a Strategic Review of Extension and Adoption (2020). The review:

- examined contemporary theories of extension, behaviour change and related disciplines and how they were being applied in practice.
- considered relevant plans, reports, and survey findings.
- consulted industry on the service providers and sector practitioners (recipients).

Key findings from these analyses culminated in a series of recommendations detailed in Table 3.12.

Table 3.12 Recommendations from the Strategic E&A Review (2020)

Recommendation
Strategy
<p>Every extension and adoption activity that Wine Australia supports should reflect contemporary best practice principles from extension, design thinking, social marketing, and related disciplines, as summarised in this report. These principles should be clearly enunciated in the extension and adoption strategy and used as guiding principles which all activities should meet.</p>
<p>Wine Australia should consider the development of a 'single source of truth' in relation to viticultural and oenological practices. This could take the form of a web-based best practice manual. Such a manual should be updated with the latest research results as they become available. It is acknowledged that much of this is already available from existing resources (e.g., AWRI, Wine Australia, NSW DPI, PIRSA etc). The aim will be to provide a seamless integrated resource (not necessarily hosted by one organisation) for use by practitioners and advisors.</p>
<p>Early engagement of levy-payers (extension and adoption target markets) is crucial. In this regard, Wine Australia should establish a levy-payer based advisory committee to assist AWRI and Wine Australia to identify extension and adoption priorities and plan activities at a national level. The charter of the Australian Grape & Wine Research Advisory Committee could be expanded for this function.</p>
Resources
<p>Whilst recognising Wine Australia's restricted budget situation, any additional allocation of resources should be targeted at extension and adoption activities rather than a greater allocation to R&D. Additional resources to the regional program are seen as a priority.</p>
AWRI
<p>AWRI should remain an important extension and adoption conduit to the grape and wine sector</p>
<p>The relationship between Wine Australia and AWRI from an extension and adoption perspective needs to be nurtured and be based on mutual trust and understanding. It should operate on a policy of 'no surprises'</p>
<p>In undertaking its activities, AWRI should increasingly engage with other research and extension providers in joint delivery.</p>
<p>Key performance indicators (KPIs) in the AWRI and Wine Australia annual operational plans are very output focused. In future, KPIs should be a combination of outputs and outcomes (SMART objectives –specific, measurable, achievable, realistic, and timely). This will also require adjustment to monitoring and evaluation procedures to appropriately capture outcomes.</p>
<p>The scope of AWRI's extension and adoption activities should include the design of extension programs, communication with stakeholders, more transparency with the help desk, modern library services and regional programs</p>
<p>AWRI should undertake a regular survey to assess the impact of its extension and adoption activities. Such a survey should be undertaken in collaboration with Wine Australia.</p>
Regions
<p>The Regional Program should continue to be supported by Wine Australia. To deliver greater benefits, additional planning resources should be made available to those regions that would benefit from them (either via Wine Australia or from other regions).</p>
<p>An annual, one-day meeting at Wine Australia should be made available for regions to gain a full briefing on Wine Australia R&D and marketing activities (potentially using a 'speed dating' format) and to share experiences. The same or a similar event should be made available to sector consultants</p>
<p>Wine Australia should redevelop the regional project template to encourage SMART objectives and clear but simple communication activities and enhanced monitoring and evaluation outcomes of each activity. Such changes should simplify, not complicate, its completion.</p>
<p>The recommendations in the AgThentic report are supported by this review. The scope of their implementation will impact on this report. Consideration should be given to supporting the appointment of a Community Technology Manager, demonstration vineyards in regional locations and a database of existing technologies.</p>
<p>Wine Australia should develop processes whereby the results of the regional program projects can be better shared across the network. This could be via a dedicated webpage, supplemented by half-yearly teleconferences between regional leaders, AWRI and Wine Australia staff to share experiences (or some sort of online or smartphone sharing platform)</p>
<p>The Incubator Initiative should continue. Wherever possible, ease of access should be a consideration.</p>
<p>Source: Forest Hill, 2020</p>

The resulting [Extension and Adoption Strategy 2020-2025](#) outlines objectives, outcomes, and principles for Wine Australia which at the time was aligned with the Strategic Plan 2020-2025. The stated purpose of the E&A strategy is to:

facilitate practice change by participants in the wine sector, mainly grapegrowers and winemakers. This may be in response to research and development activities providing opportunities to improve practices or increase adoption of best-practice innovation. The term is taken to include related concepts such as capability and capacity building.

Wine Australia, 2020.

Its objective is that “every one of its levy payers is provided with the evidence and opportunity to make fully informed decisions about the adoption of innovation in their businesses” with a desired outcome of “profitable, resilient and sustainable wine grape and wine businesses.”

Principles include:

- co-design
- multiple providers across a range of access points
- innovation loops rather than linear transfer
- focus on outcomes
- consistent messaging
- measure impacts.

Since the change in leadership, and following engagement with stakeholders, Wine Australia has taken many of these principles and developed a new approach to managing its R&I investments with a focus on delivering impact (refer Box 3.6), and finding new ways to do more with less (refer Box 3.7).

Box 3.6 Pathways to impact –Wine Australia is designing a new approach to R&I investment

Traditionally the (simplified) investment process is that following internal consultation, open calls are put out for projects, these are assessed and awarded to a competent provider. The research is done, a report is written, and it's put up on the RDCs website and some extension services may be applied through workshops.

Times have changed and in Wine Australia's case, circumstance has changed. The industry has been faced with many challenges and is still facing uncertainty. Levy funds continue to decline.

Following Wine Australia's extensive stakeholder engagement process under the new leadership, it was acknowledged that this process was no longer fit for purpose (as evidenced in this performance review and the 2018 performance review).

Delivering impactful research needs new adaptive processes, focus and scale. Processes (based on the CSIRO's Impact Framework) include concepts of adaptive co-design from inputs through to activities, outputs, outcomes, and impact, allowing for engagement and feedback loops to improve outcomes throughout the research process. This requires working closely and collaboratively with industry and researchers to understand industry problems and how they might be best solved. This creates focus for Wine Australia's investments and ultimately allows industry to see impact. Leveraging off existing and building new capability is important and new providers may be necessary, and finding channels for co-investment and potential for commercialisation will assist with scale and adoption. Once the research is conducted finding ways to extend and/or adopt the research is critical to outcomes and impact.

Source: Personal communication with Wine Australia and CSIRO, 2020, Impact Evaluation Guide

Box 3.7 A dedicated venture fund – an opportunity to do more with less

In 2022, Wine Australia began examining the potential to set up a venture investment model (not dissimilar to the Grains Research & Development Corporation's GrainInnovate Venture Fund and Horticulture Innovation Australia's Frontier Fund) for the purpose of:

- Accelerating and scaling innovation for the grape & wine sector with potential long-term sector shaping impact
- Targeting higher financial leverage for levies collected. Potential to achieve upwards of 3-4 times through a venture fund structure over the life of the fund / investment
- Creating commercial pathways for R&D invested into by Wine Australia and independently / collectively by research partners
- Acquiring intellectual property, commercial rights, market exclusivity, etc. from domestic and overseas research partners and private sector for the benefit of the Australian grape and wine sector
- Attracting international technologies and companies through joint ventures and investee companies.

Internal legal reviews have been conducted and background research has been undertaken to determine the feasibility and scope of this concept for Wine Australia, including preliminary discussions with the Department of Agriculture, Fisheries and Forestry.

The Wine Policy Team in the Department of Agriculture, Fisheries and Forestry has suggested that Wine Australia procure an independent legal review of the *Wine Australia Act 2013* and other relevant Acts and legislations to ascertain the permissibility of creating a venture fund, along with review of requirements regarding governance, risk management, powers, and limitations. Wine Australia is expected to commission the independent legal review in the calendar year 2023.

Further, Wine Australia has discussed the structuring, establishment and management of a Grape and Wine Sector focussed venture fund with potential fund management partners. The selection of the fund management partner will be as per Wine Australia's procurement policy.

The aim is to develop a case for formal proposal to the Minister in 2024.

Source: Wine Australia

Stakeholder views

R&I is recognised by most stakeholders as playing an important role that is valued by industry but is considered in its current form to be largely irrelevant to the industry. Industry stakeholders did not feel effectively consulted on R&I priorities. AWRI is seen as high-cost and inefficient in its delivery of R&I as well as its engagement with industry. Market insights are valued, however, there is a need for (more) forward-looking data beyond the current offering including production data, domestic retail data and market trends both domestically and internationally.

A summary of stakeholder views regarding R&I communication and impact are outlined in Table 3.2.

3.5.2 Overview of assessment

In general stakeholders were unable to identify any changes to growing or production practices that have arisen from Wine Australia's investment in R&I over the last five years. Even though there is documented evidence that Wine Australia provides transparent communication to stakeholders (including government) on the impact of its activities.

Few stakeholders could talk to any research projects that they were aware of regardless of whether the stakeholder:

- had significant involvement with Wine Australia over time or otherwise
- was a major or minor levy payer
- This may be due to who was consulted with – i.e., sometimes the consultation was with someone who's role was not in the R&I space.

The exceptions were several stakeholders from regional associations who could talk to the benefits of Wine Australia's Regional Program.

Stakeholder views contrasts with the impact assessments of R&I projects and marketing activities which suggest positive returns to industry.

Monitoring and evaluation outcomes are largely considered effective, noting that many internal KPIs are no longer relevant because of the strategy 'refresh'.

3.5.3 Extension and adoption programs

KPI

2.2 Levy payers who participate in RDC supported extension and adoption programs: (i) gain new knowledge or new information to improve their long-term profitability, productivity, competitiveness, and preparedness. (ii) intend to make or have made changes to existing practices by adopting the outcomes of R&D

Key findings

Wine Australia is only partly effective in fulfilling this KPI.

Although Wine Australia can provide evidence that demonstrates extension and adoption (E&A), including having an E&A strategy it has not yet fully implemented Forest Hill's recommendations from the 2020 Strategic Review of E&A and it is not yet fully achieving the objectives or outcomes of its E&A Strategy.

In general, stakeholders were unable to identify any changes to growing or production practices that have arisen from Wine Australia's investment in R&I over the last five years. Few could talk to any research projects that they were aware of regardless of whether the stakeholder:

- had significant involvement with Wine Australia over time or otherwise
- was a major or minor levy payer
- This may be due to who was consulted with – i.e., sometimes the consultation was with someone who's role was not in the R&I space.

— The exceptions were several stakeholders from regional associations who could talk to the benefits that Wine Australia's Regional Program (refer Box 3.8) provides their members, even if their members were unable to articulate these benefits.

Although documented evidence of E&A uptake exists, much is outdated potentially explaining why stakeholder recall is low.

Stakeholders noted that satisfaction surveys and counts of the numbers of workshops/workshop participants are not sufficient to assess E&A outcomes.

Wine Australia needs to focus more on outcomes, impacts and adoption - this includes better communication of R&I outcomes to growers and industry and undertaking a longer-term approach to measuring the uptake and adoption of R&I to assess effectiveness.

Box 3.8 Regional program

The Regional program is an initiative launched by Wine Australia, aimed at promoting research and innovation within the Australian wine sector. Its main goals include:

1. Assisting grapegrowers and winemakers in leveraging new tools and research insights to boost the competitiveness of the Australian grape and wine industry.
2. Enabling grapegrowers and winemakers to pinpoint their region's top-priority research and innovation challenges.
3. Allowing for the evaluation of new concepts and technologies within each region to understand the regional benefits of their adoption.
4. Highlighting key production aspects that guarantee the long-term sustainability of the region.
5. Supporting the uptake and implementation of novel tools and research findings.

Regarding participation and funding:

- Every Australian wine region is eligible to join the Regional Program.
- Funding allocation is contingent on the winegrape levies collected from each region. Regions with higher production have access to a larger share of the total funds.
- For effective execution, regions with lesser production levels are grouped, resulting in a total of 11 regional clusters.
- Wine Australia collaborates with a distinct regional industry organisation in each of the 11 clusters to oversee the program.

Source: https://www.wineaustralia.com/research_and_innovation/in-practice/regional-program#:~:text=The%20Regional%20program%20is%20a,a%20competitive%20Australian%20wine%20sector.

Assessment

Wine Australia developed the Wine Australia's Extension and Adoption Strategy 2020–25 which focused on making improvements to the extension and adoption of research. This was developed following a review of Wine Australia's investment in extension and adoption activities³¹ which made 16 recommendations (Refer Table 3.12) on ways to improve the adoption of R&I outcomes. Of these recommendations Wine Australia report that 14 have been implemented or in progress, including:

- establishment of a levy-payer based advisory committee to assist AWRI and Wine Australia to identify extension and adoption priorities and plan activities at a national level
- additional allocation of resources targeted at extension and adoption activities, and
- new outcome-based funding models for research partners to drive impact and adoption.

Although Wine Australia's stated focus is on "investments in activities that strive to achieve adoption, practice change and innovation" and it has reported that many of these recommendations are implemented or are in progress, it is difficult for stakeholders to see any demonstrable changes in practice. As new E&A programs are in process it may be too early to measure the extent of practice change in the sector.

³¹ ForestHill, March 2020, Strategic review of extension and adoption in the wine sector: Final report.

In 2020, Wine Australia produced a series of formal case studies to demonstrate adoption impact, these include:

- Adding oxygen during fermentation reduces additives and intervention (March 2020)
- Sunscreen is helping keep the grapes cooler and the wines bright (March 2020)
- How one McLaren Vale vineyard is keeping cool during heatwaves (March 2020)
- Brettanomyces – solving a wine spoilage problem (July 2020)
- Demonstration vineyards (July 2020)
- Managing grapevines trunk diseases – an integrated adoption process (July 2020)
- These case studies have not been updated nor is there evidence of any more recent case studies focusing on E&A, noting that these would typically be planned towards the end of the implementation of the strategy, i.e., 2025, and following the outcomes of specific projects. such as EcoVineyards and the three targeted practice change projects at AWRI: all of these are not due to finish until outside this review period.
- Given the lack of stakeholder recall on E&A this would suggest that this one-off provision of E&A case studies is not satisfactory. It is possible that frequency of production may assist in communication. However, it may also be assumed that the passive nature of case studies is not fit for purpose.
- R&I newsletters, which are distributed monthly, regularly cover R&I and E&A outcomes and the efficacy of these newsletters is also being reviewed by Wine Australia.
- Stakeholder adoption surveys in 2018 (outside the review period) shows that Wine Australia is played a key role in providing R&D support to the Australian Grape and Wine Community. Respondents suggested that they have a high level of access to information and activities and hence have a high level of understanding of key messages.

The 2018 Grape and Wine Practice Adoption Survey suggests that the information provided by Wine Australia is useful to stakeholders, with over half of respondents reporting that they had made one or more recent changes to their practice based on Wine Australia information, tools, or resources. This survey also suggested that future RD&E is seen to be needed around climatic challenges, pests and disease, financial and market issues, and staff and labour. Examples of the work that has been undertaken on these future R&I needs includes:

- In 2020, Wine Australia released the Wine Climate Atlas with the University of Tasmania, which provides detailed projections for viticulturally relevant parameters in the short-, medium-, and long-term (out to 2100) for each wine region in Australia. There is a summary of Wine Australia's [climate change](#) investments for the sector and how Australia's wine regions and companies are preparing for climate change, using the outcomes from Wine Australia's investments.
- Through Wine Australia-funded research, advances have been made in understanding the extent of, and developing management strategies for, pests and diseases in Australian vineyards.
- Financial and market issues support for the sector is addressed through the work of the Market Insights team, using some R&D levy investment. The outcomes and impact of this work is covered elsewhere in this review.
- Staff and labour challenges fall under the people development activities of Wine Australia, focussed on programs that support attraction and retention, as well as leadership development, mentoring and scholarships. Other staff and labour challenges through an advocacy or business management lens fall outside the scope of Wine Australia.

The 2019 Grape and Wine Practice Adoption Survey suggested that more grapegrowers were implementing a range of practices to deal with changes in climate and variability with irrigation

management being the most common viticulture practice introduced or changed in the last two to three years. This survey also highlighted how wine producers are focusing practice change in fermentation practices, which is also the area found to be most challenging and where more help was indicated to be needed – along with business management and productivity.

Results from the 2021 Stakeholder Research Survey indicate a somewhat lower satisfaction with Wine Australia's delivery of the \$50 million ERWSP and extension opportunities.

Results from the 2022 Stakeholder Research Survey suggest that there is a downward trend in stakeholder rating of how well Wine Australia performs in terms of investing in research, development, and adoption to improve the profitability, sustainability, and competitiveness of the grape and wine sector. This survey also highlighted that stakeholders see room for improvement in the way that Wine Australia provides and supports extension and adoption activities for the sector to implement research findings effectively.

3.5.4 Impact of R&I

KPI

5.1 Impact (cost - benefit) assessment of a broad cross-section of RD&E investments undertaken annually

Key findings

Wine Australia is effectively undertaking annual impact (cost-benefit) assessments of its R&I investments. All projects assessed deliver a positive net present value to stakeholders.

Randomly selecting projects removes bias in selection of projects for analysis, however a random method does not necessarily guarantee that assessments will be conducted on a broad range of investments.³²

Assessment

Wine Australia has undertaken external investment cost-benefit analysis annually during the performance review period. These reports are available on Wine Australia's website.³³

Each report details the economic analysis of randomly selected R&I projects³⁴ funded by Wine Australia. The main purpose of the analyses is to demonstrate the outcomes and benefits that have emerged or are likely to emerge from Wine Australia's investment. This forms part of the process for the Council of Rural Research & Development Corporations (CRRDC) that aims to demonstrate the impact, effectiveness and return on investment from RDCs.

Table 3.13 provides an overview of the projects assessed, their value, the benefit-cost ratio (BCR) and key benefits. All projects are assessed as having a positive BCR indicating that all projects are (based on the assumptions made by the external assessor) are providing return on investment.

As is best practice, the external assessor completing the BCA's applied a degree of conservatism when finalising assumptions. Sensitivity analysis was undertaken for several assumptions that had the greatest degree of uncertainty or for those that were seen to be key drivers of the investment criteria.

³² This is, however, the recommended process for all RDCs.

³³ Refer: <https://www.wineaustralia.com/about-us/performance-and-reporting>

³⁴ An online random number generator was used to select projects.

Table 3.13 Benefit cost analysis of R&I projects

Project title and value	Benefit-cost ratio	Quantified benefits
2019-20 (projects represent 11% of total investment for completed projects)		
Yield Prediction with Advanced Statistics \$323,660	1.57	Grape grower cost savings with accurate yield forecasts. Wine maker cost savings with accurate yield forecasts.
Unmanned Air Vehicles to Predict Extreme Weather \$595,000	2.2	Progress toward the avoidance of fruit damage in new vineyards that are unprotected from frost Progress toward savings from installing too many frost fans.
Industry Outcomes, Training Centre for Innovative Wine Production \$296,000	4.02	Additional higher priced sales of Australian wine produced more efficiently and sooner than would otherwise have occurred.
2020-21 (projects represent 52% of total investment for completed projects)		
New techniques for yield, crop condition, and quality estimation \$1,317,585*	4.83	Grape grower profit increase with accurate yield, condition, and quality forecasts. Wine maker profit increase with accurate yield, condition, and quality forecasts
Managing the impact of vintage advancement and compression \$275,080	5.80	Avoided loss of quality and revenue from wine made with grapes containing elevated sugars. Avoided loss of grape grower revenue from grapes with elevated sugars.
Integrated management of established grapevine phylloxera \$895,493	5.46	Reduction in the rate of spread and cost of phylloxera management in the Phylloxera Infestation Zones and the Phylloxera Risk Zones (avoided replant and production loss costs)
2021-22 (projects represent 13% of total investment for completed projects)		
Collecting and disseminating information on agrochemicals \$656,584	1.85	Avoided cost of market closure due to failure to meet revised agrochemical residue limits
Low and no-alcohol (NOLO) wine products – understanding technical and sensory related challenges and opportunities \$404,471	4.00	The potential for additional profitable sales of wine-like NOLO products than would otherwise have occurred.
Bioprospecting Australian microbial genetic diversity \$1,716,775	2.43	A potential increase in Australian wine value with high quality wild-ferments and distinct inoculated ferments that express regional terroir.
Putting microbial diversity to work in shaping wine style \$1,994,923	1.28	A potential future increase in the value of some Australian wine with a share of winemakers adopting commercial versions of the new yeasts developed by the project.
Note: * includes Rural R&D for profit program funds managed by Wine Australia Source: AgEconPlus		

3.5.5 Monitoring and evaluation of R&I

KPI

5.2 Demonstrated consideration of and response to outcomes of monitoring and evaluation processes

Key findings

Wine Australia is partly effective in demonstration of consideration and response to outcomes of monitoring and evaluation processes.

Monitoring and evaluation outcomes are largely considered effective, noting that many internal KPIs are no longer relevant because of the strategy 'refresh'.

Acknowledging that due to the changing circumstances and the strategy 'refresh' (which was managed through the Annual Operating Plans), it appears that some internal KPIs are not fit for purpose or SMART and are not fully holding Wine Australia accountable.

Monitoring and Evaluation has been outlined as a strategy in Wine Australia Annual reports from 2019-20 to 2021-22. The Annual Reports outline the way that Wine Australia engages in monitoring and evaluation through cost-benefit analysis and industry-wide surveys.

Assessment

A Wine Australia board paper prepared for the Portfolio Review Committee (22/03/23) on Benefit Cost Analysis discusses the purpose, key points, process of BCAs, and most importantly, how Wine Australia use the data (Refer Box 3.9).

Box 3.9 How we use the data, Wine Australia

These analyses provide independent evidence of the impact of Wine Australia's investment of levies, which is data that is directly useful in external engagement. It is also consolidated with data from BCAs conducted by other RDCs and used by the CRRDC in their engagement activities with the former Department of Agriculture, Water, and the Environment (now the Department of Agriculture, Fisheries and Forestry) to quantify the benefit provided by the Government's matching of industry levies and thus demonstrate the impact, effectiveness and return on investment from the Rural RDCs.

The analyses also drive continuous improvement in Wine Australia's processes around R&D investment. They allow the R&I team to cross check whether assumptions about impact made prior to investing were valid. In those cases where the projected impact is low, the R&I team undertake a more granular assessment of the project history and management to understand whether this was due to poor initial assessment of likely impact, flaws in the project design, poor management or due to the inherent risk in undertaking research.

Source: Wine Australia

Achievement of internal KPIs

Wine Australia has nine overarching KPIs, of which six are related to R&I. These KPIs are set out in the Strategic Plan. FY20 has different KPIs to FY21 and FY22. Refer Table 3.14.

Table 3.14 Wine Australia's KPIs for RD&E**Strategic Plan 2015-20**

RD&E

- | | |
|--|--|
| <ul style="list-style-type: none"> — Projects are funded in line with the approved Annual Operational Plan. — Contracts are actively managed through regular and ongoing monitoring of the research. — An increased number of RD&E subscribers. — The number of regional clusters participating in the Regional Program is maintained. | <ul style="list-style-type: none"> — Research contracts are actively managed through regular and ongoing monitoring of the research. — Market Insights customers are satisfied or very satisfied with the services they receive. — Levy payers who participate in Wine Australia-supported extension and adoption programs consider them a good or very good use of levy funds. |
|--|--|

Source: Wine Australia's Annual Reports

The R&I KPIs for FY20 were:

- Projects are funded in line with the approved Annual Operational Plan
- Contracts are actively managed through regular and ongoing monitoring of the research.
- Newsletter has more subscribers.
- The number of regional clusters participating in the Regional Program is maintained.

In FY20, Wine Australia achieved 100 per cent of RD&E KPIs.

Wine Australia's FY21 and FY22 KPIs are outlined in Table 3.15.

Table 3.15 Wine Australia's KPIs for RD&E, 2020-21 and 2021-22**Annual Reports, 2020-21 and 2021-22**

RD&E

- | | |
|--|--|
| <ul style="list-style-type: none"> — Research contracts are actively managed through regular and ongoing monitoring of the research. — Market Insights customers are satisfied or very satisfied with the services they receive. | <ul style="list-style-type: none"> — Levy payers who participate in Wine Australia-supported extension and adoption programs consider them a good or very good use of levy funds. |
|--|--|

Source: Wine Australia's Annual Reports

Research contracts are actively managed through regular and ongoing monitoring of the research

This KPI was achieved in both FY21 and FY22, with 100 per cent of research contracts being actively managed through regular and ongoing monitoring in both years.

Market Insights customers are satisfied or very satisfied with the services they receive

In FY21, 81 per cent of Market Insights customers were satisfied or very satisfied with the services they receive. This outcome fell short of the 90 per cent target.

In FY22, this KPI was partially achieved. 40 individual analyst sessions were booked by our levy-payers in FY22. The 'Ask an Analyst' sessions were heavily promoted throughout the year to encourage usage.

Levy payers who participate in Wine Australia-supported extension and adoption programs consider them a good or very good use of levy funds

In FY21, only 59 per cent of levy payers who participated in Wine Australia-supported extension and adoption programs considered them a good or very good use of levy funds. This outcome fell short of the 80 per cent target. In FY22, this KPI was partially achieved.

On average, at least 75 per cent of attendees at workshops, seminars and webinars rated these events 'very good' or 'excellent'. Similarly, at least 80 per cent of attendees intend to make changes to current practices, reassess current practices, seek extra information or discuss with peers about making changes to their current practices. Monitoring and evaluation metrics across Wine Australia supported extension activities with the AWRI and the Australian Society of Viticulture and Oenology suggest that events overall are delivering value.

Performance against these metrics has been declining over time. However, it is worth noting that given the changes in the external environment and the strategy 'refresh' it is difficult to attribute the decline in performance against these metrics solely to Wine Australia.

A summary of Wine Australia's achievement of its KPIs between FY19 and FY20 is outlined in Table 3.16.

Table 3.16 RD&E KPIs analysis

KPIs	FY20	FY21	FY22
Achieved	4 (100%)	1 (33%)	1 (33%)
Partially achieved	0	0	2 (66%)
Not achieved	0	2 (66%)	0
Total	4	3	3

Source: ACIL Allen based on Wine Australia's Annual Reports

3.5.6 Impact and monitoring and evaluation of marketing

KPI

5.1 Impact (cost - benefit) assessment of a broad cross-section of marketing investments undertaken annually

5.2 Demonstrated consideration of and response to outcomes of monitoring and evaluation processes

Key findings

Wine Australia is partly effective in fulfilling this KPI.

Marketing activities are not easily assessed through benefit-cost analysis, but evaluations and other metrics demonstrate the impact of Wine Australia's marketing activities. Evaluations of Wine Australia's marketing activities have been undertaken prior to this performance review (2019) and as part of the ERWSP Review in 2021.

The ERSWP evaluation reports positive benefit-cost ratios for reported and observed outcomes.

Marketing activities are subject to annual or more frequent evaluation against a range of metrics as part of its Marketing Evaluation Management. Performance against these metrics has been declining over time. However, it is worth noting that given the changes in the external environment and 'refreshed' strategy it is difficult to attribute the decline in performance against these metrics solely to Wine Australia.

Consideration of and response to outcomes of monitoring and evaluation is captured in Wine Australia's Continuous Improvement Report template.

Assessment

The 2019 report by CIE³⁵ (The Centre for International Economics) used marketing investment data from the previous years (2015-16 to 2018-19) to make cost benefit evaluations of Wine Australia's marketing activities, which they categorise into tradeshows, masterclasses, awards, and visits. This analysis has not been repeated since 2019.

In 2021 performance evaluation³⁶ was conducted specifically to assess the ERWSP. The support package was a payment of \$50 million to go towards marketing Australian wine exports and tourism. The ERSWP, originally intended to run between 2017-2020 was extended to 2021 due to the impacts of COVID-19.

The reported benefit-cost ratios for reported and observed outcomes of ERSWP were 2.39 and 3.44 respectively.

Upon the release of the ERWSP independent performance evaluation, Wine Australia responded to the former Department of Agriculture, Water and the Environment (now the Department of Agriculture, Fisheries and Forestry) detailing their response to the outcomes of the report. Wine Australia's responded by noting the positive impact and findings of the report, and the organisation's intention to continue with similar marketing activities in future.

Internally, marketing campaigns are monitored using its Marketing Evaluation Management (an extension of the overall Wine Australia Performance Evaluation Management Framework). The document outlines steps in evaluation the initiation, planning, delivery, and review stages of campaigns. The compulsory and optional survey questions are also outlined, as well as discussion of how best to distribute and receive surveys to gather feedback.

Post event surveys undertaken by Wine Australia indicate a high level of satisfaction by those that participated in marketing activities and events led by Wine Australia with a total satisfaction rating of 91% in 2002-23.

Achievement of internal KPIs

Wine Australia's internal assessment is that it has achieved 100% of marketing KPI indicators in FY20. However, there were several key marketing activities that were postponed due to COVID-19. These events were outside of Wine Australia's control and the Agreement was varied to allow for them to be delivered in 2020-21.

In FY21, the COVID-19 pandemic induced international border closures, therefore the Wineries and distributors who participate in Wine Australia events report that they are satisfied KPI could not be assessed. This KPI was removed, and Wine Australia achieved 50% of its marketing indicators for in FY21.

In FY22, Wine Australia did not achieve any of its marketing KPIs. Refer Table 3.17.

³⁵ CIE (2019) *Evaluation of Wine Australia's marketing activities*, https://www.wineaustralia.com/getmedia/b0500cb4-1e3b-4eb6-a178-c0b2db935e39/CIE-Final-Report_Wine-Australia_Evaluation-of-marketing-activities-4-March-2020.pdf

³⁶ Deloitte Access Economics (2021) *Final performance evaluation of the Export and Regional Wine Support Package (ERWSP)*, [https://www.wineaustralia.com/getmedia/a4c3ab27-e7b4-42d5-b474-1f20686cbb5a/Deloitte-FPE-ERWSP-\(1\).pdf](https://www.wineaustralia.com/getmedia/a4c3ab27-e7b4-42d5-b474-1f20686cbb5a/Deloitte-FPE-ERWSP-(1).pdf)

ERWSP activities were completed in line with the funding agreement

In FY20, there were several key marketing activities that were postponed due to COVID-19. These events were outside of Wine Australia's control and the Agreement was varied to allow for them to be delivered in 2020-21.

Wineries and distributors who participate in Wine Australia events report that they are satisfied

In FY20, this KPI targeted a satisfaction rate of wineries and distributors in Wine Australia events of at least 90%. In this year, the satisfaction rate reported by wineries and distributors was 92%.

In FY21, this KPI could not be measured as global trade events and the visits program were cancelled due to international border closures.

In FY22, the average satisfaction rating across marketing campaigns was 87%, falling just short of the 90% target.

Tier A influencers actively engage with Wine Australia

In FY21, 83% of Tier A influencers engaged with Wine Australia through dedicated outreach, as well as retail campaigns webinars, trade workshops and seminars. This outcome exceeded the targeted engagement rate 81%.

In FY22, only 73% of Tier A influencers actively engaged with Wine Australia through marketing activities. This outcome failed to meet the target engagement rate of 85%.

The perception of Australian wine increases in Canada, China, the UK, and the USA

In FY21, Wine Australia partially met its target to increase perceptions above a 2019 baseline. The USA was the only region where perceptions increased over the baseline.

In FY22, the average consumer perception of Australian wine increased in each market above the 2020 baseline. In this period, Canada increased from 8.20/8.07 to 8.36/8.33, the UK increased from 8.22 to 8.39, and the USA increased from 8.29 to 8.30.

Table 3.17 Marketing KPIs analysis

KPIs	FY20	FY21	FY22
Achieved	2 (100%)	1 (50%)	0
Partially achieved	0	0	1 (33%)
Not achieved	0	1 (50%)	2 (66%)
Total	2	2	3

Note: The Wineries and distributors who participate in Wine Australia events report that they are satisfied or very satisfied KPI in FY21 could not be measured due to global trade events and the visits program were cancelled due to international border closures.

Source: ACIL Allen based on Wine Australia's Annual Reports

Wine Australia's Continuous Improvement Report template provides a framework to use results from monitoring and evaluation to assess strengths and weaknesses of marketing campaigns and areas for improvement.

For example, **Continuous Improvement – China Roadshow 2019**, the document not only recognises positive and negative aspects of the campaign, but notes learning and recommendations. This creates a clear link between outcomes and subsequent responses.

Other formats such as event reports feature a recommendations section which allows for a consideration and response to outcomes and areas for improvement. The **2022 Tokyo Trade Tasting event report** includes recommendations under the subheadings: 'Do More', 'Do Better'

and 'Do Different', with recommendations based on the outcomes of the event, as well as stakeholder engagement and feedback and assessment against KPIs.

3.5.7 Transparent communication to stakeholders

5.3 Transparent communication to stakeholders (including government) on the impacts and benefits of the RDE&M activities

Key findings

Our desktop assessment shows that Wine Australia is partly effective in fulfilling this KPI.

There is documented evidence that Wine Australia provides transparent communication to stakeholders (including government) on the impact of its activities. However, once again, stakeholder perception differs.

We note that many of these communication techniques used by Wine Australia, including the E&A case studies discussed above, are passive in nature. It is possible that although there is plenty of evidence of Wine Australia providing the required information, they may need to re-think their communication devices to be more active and additionally build internal (and external) capability in science communication.

Assessment

Section 3 of the Wine Australia Best Practice Guide outlines recommended methods of communicating key processes and activities. Wine Australia engages in communication of R&I and marketing activities through their annual reports, which are listed publicly on their website, as well as in-person events, media releases, webinars, podcasts. The R&I cost-benefit analysis reports are available on the Wine Australia website.

Wine Australia's Customer Engagement Plan (Updated April 2023) lists monthly distribution of R&I News as a core activity, intended to inform/empower customers. This objective is also listed in the Stakeholder Engagement Plan (August 2020). In line with this commitment, the Wine Australia website contains an RD&A news section, however it is unclear (a) whether this is updated monthly and (b) the extent to which it communicates the impacts and benefits of Wine Australia's activities.

Annual Reports

Wine Australia has communicated the impacts of their activities prominently through key priorities in 2019-20, and key strategies sections in annual reports since 2020-21. Annual Report 2020-21 outlines Wine Australia's five key strategies and compares targets to achievements for the financial year. This provides a strong benchmark for stakeholders to compare plans with achievements. This could be developed further to specifically highlight impacts rather than just achievements.

Similarly, the Annual Report 2021-22 highlights similar achievements in comparison to their measures of success for their 5 key strategies. The Annual Report 2021-22 states that cost-benefit analysis results are visible in the report, however they are not discussed in the report itself (p37). The benefit-cost analysis reports are available on Wine Australia's website.

Stakeholder surveys

2022 stakeholder survey results also provide key insights into stakeholders' perspectives on communications of impacts and benefits. Refer Box 3.10.

Box 3.10 2022 stakeholder survey

- Digital communications channels were valued by over 70% of respondents, concluding that this “indicates the content and frequency of these communications suits most stakeholders” (p23)
- 74% of respondents in 2022 felt the amount of contact from Wine Australia was “about right”, 18% felt there was more than enough contact, and 8% felt there was not enough contact
- Regarding RD&A programs “The average satisfaction rating was just 6.2 out of 10 that Wine Australia’s research, development and adoption investments would deliver the outcomes expected”
- The survey also reveals that significant percentages of respondents were not aware of certain digital communication channels, such as the RD&A newsletter (28% of respondents not aware) (p32).

Source: Wine Australia (2022) Stakeholder survey

Regarding communication of key activities, the stakeholder survey results highlight that the amount of overall communication is good, however, the value of R&I programs may not be sufficiently communicated to stakeholders.

Other channels of communication of Wine Australia’s impact include³⁷, but are not limited to:

- Media releases:
 - Wine Australia has released a total of 126 media releases during the performance review period available on the Wine Australia website.
- Podcasts: *Grower, Maker, Researcher - Wine Industry Insights*
 - 8 episodes released between 1/7/19-31/12/22
- Webinar series:
 - *Growing Wine Tourism*: A three module series in six 90-minute episodes.

³⁷ Other examples provided include newsletter, website, YouTube series for Agtech, AWRI podcast, webinars (AWRI, ASVO, WA), Bushfire series of information (website, conference, webinar, videos, podcast etc.), social, R&D at Work (insert in Grapegrower and Winemaker), webinar series during COVID for business resilience and the PhD project video series.

Governance and legislative requirements

4

This chapter evaluates the performance of Wine Australia in meeting its governance and legislative responsibilities and obligations under the *Wine Australia Act 2013* and the *Public Governance, Performance and Accountability Act 2013* and the Performance Principles outlined in the SFA which require compliance with the following principle and key performance indicators:

Principle

(d) For governance arrangements and practices to fulfil legislative requirements and align with contemporary Australian best practice for open, transparent, and proper use and management of Funds.

KPI

KPI 4.1: Ongoing oversight, planning and reporting of investment activities is done in accordance with legislative and Australian Government requirements and timeframes.

KPI 4.2: Demonstrated management of financial and non-financial risk.

KPI 4.3: Relevant policies and procedures adopted and implemented (e.g., privacy etc).

KPI 4.4: Non-financial resources implemented effectively (Human resources, IT, IP etc).

4.2 Context

It is important to note that there have been significant changes to corporate governance arrangements and practices at Wine Australia over the period of this review from July 2019 to December 2022, this includes:

- Significant Board renewal with the resignation of the former Chair and Deputy Chair of the Board in late 2019.
- The appointment of Ms Cath Oates as Deputy Chair and then Acting Chair until July 2020.
- The appointment of Effective Governance Pty Ltd in February 2020 to undertake an independent governance review of Wine Australia and a review of the Wine Australia Board.
- Wine Australia fully implementing all the 61 recommendations of the independent governance review.
- The appointment by the Minister of a new Board Chair, Dr Michele Allan AO on 4 July 2020
- The appointment by the Minister of two new directors John Lloyd and Justin Brown and reappointment of four directors Cath Oates, Catherine Cooper, Frances-Anne Keeler, and Mitchell Taylor for a three-year term on 1 October 2021.
- The appointment of a new Chief Executive of Wine Australia, Dr Martin Cole on 15 November 2021.

- The appointment, for the first time, of an Independent Chair of the Audit and Risk Committee, Mr Geoff Knuckey in January 2020, and appointment of an external provider to undertake the internal audit.
- Wine Australia responding to all the relevant findings of the Probity Audit in Rural Research and Development Corporations report of December 2019 undertaken by the Australian National Audit Office (ANAO) to improve policies and procedures in relation to probity, including:
 - an update of the Board Charter to specify that the board is responsible for policies on ethics, procurement, and intellectual property
 - updating the Board's policies with respect to conflict of interest
 - ensuring that all staff receive mandatory probity training
 - a review of key policies in relation to gifts, benefits, and hospitality
 - addressing value for money considerations with respect to contract variations.
- A comprehensive review of corporate governance and compliance by the new Board with the updating and implementation of several new policies and procedures.

The new Board of Directors have invested considerable time and effort at rebuilding and strengthening governance arrangements and responding to recommendations from both the ANAO report, which was completed in December 2019, and the series of Board and governance reviews, especially since the appointment of the new Chair in July 2020.

With these changes has come a strengthening of corporate governance, a new strategic focus for the Board and increased focus on improving culture and having a much stronger customer focus and greater accountability in terms of the investment of levy funds.

Changes to governance arrangements have also been a priority for the new Chief Executive with organisational and cultural changes within Wine Australia, with staff and Executive advising that they are now far better-informed regarding governance arrangements and policies than they were previously. All new staff now have a full induction which includes an overview of all policies.

4.3 Assessment of governance

Given the significant governance reforms over the last two years a high-level assessment has been made of Wine Australia's governance against a set of best practice principles and stakeholder feedback.

The analysis was undertaken against the four key performance criteria of good practice governance outlined in the SFA as well as consideration of the board composition and clarity of purpose.

On the whole, current governance arrangements are effective but there are still opportunities for improvement.

Key Findings

Transformation has occurred over the period under review. Assessment suggests:

- current Board operating effectively
- strong governance framework
- Board Subcommittees operating well including Audit and Risk
- extensive suite of policies
- greater recognition and understanding of policies than before
- good risk assessment of projects.

4.4 The Wine Australia Board

Key Findings

Wine Australia has a strong skills-based Board which has been appointed by the Minister with a very experienced and highly regarded Chair and extensive experience by other Directors and the Board is operating effectively.

The Board under the new Chair has a strong governance and strategic focus with increased accountability on the use of investment funds, as evidenced by the creation of the Portfolio Review Committee. Several industry stakeholders believe that there should be better wine industry representation on the Board with Directors from the wine production and growing sectors. There are currently two Directors on the Board with winemaking and producing experience and the Board would benefit from increased wine industry representation in filling the current vacancy and in future appointments.

The Audit and Risk Committee (ARC) has a highly skilled and independent Chair, and the ARC is operating effectively.

Assessment

The Board is established in accordance with the *Wine Australia Act 2013*. It must consist of a Chair and at least five, but not more than seven, other Directors.

For the period of this review, 2019 to 2022, Wine Australia has had two boards. The previous Board had been appointed for the period 1 October 2018 to 30 September 2021, with the Chair and Deputy Chair resigning in late 2019.

Dr Michele Allan AO was appointed as a new Chair on 4 July 2020 and two new directors John Lloyd and Justin Brown were appointed for a three-year term on 1 October 2021 along with the reappointment of four directors Cath Oates, Catherine Cooper, Frances-Anne Keeler and Mitchell Taylor.

The Wine Australia Board and their terms as at December 2022 are outlined in Table 4.1 below.

Table 4.1 Wine Australia Board, December 2022

Director	Term
Dr Michele Allan AO, Chair	Director from 1 October 2018 to 20 October 2019, Deputy Chair 23 November 2018 to 20 October 2019, Chair from 4 July 2020
Cath Oates, Deputy Chair	Director from 1 October 2018, Deputy Chair from 5 February 2019, Acting Chair 15 April 2020 to 3 July 2020
Catherine Cooper	Director from 1 October 2018, reappointed on 1 October 2021
Frances-Anne Keeler	Director from 28 August 2020, reappointed on 1 October 2021
Mitchell Taylor	Director from 1 October 2018, reappointed on 1 October 2021
John Lloyd	Director from 22 November 2021
Justin Brown	Director from 22 November 2021

4.4.1 Governance reviews

It has been out of the scope of this review to undertake a full Board/governance review and the analysis regarding Board governance, composition, function, and effectiveness has been drawn from the two previous governance reviews undertaken of the Wine Australia as well as feedback from Board Directors, management, and external stakeholders.

In February 2020 Effective Governance Pty Ltd was appointed to undertake an independent governance review of Wine Australia and a review of the Wine Australia Board.

A total of 61 recommendations were made, all of which have been implemented by the Wine Australia Board and Government. Many of the recommendations were routine governance matters that many Boards, having undertaken their first formal Board review, need to address to become more effective.

Two key recommendations were:

- The urgent appointment of an appropriately skilled Chair to provide leadership to the Board and organisation
- Ensure appropriate Director succession planning by considering the sequencing of Director terms by renewing 2–3 Directors each year, noting that the appointment of Directors is the responsibility of the Minister and outside the control of the Wine Australia Board.

Dr Michele Allan AO was appointed as a new Chair on 4 July 2020.

A governance review was also conducted in September 2022 by the Australian Institute of Company Directors (AICD), this included a survey of both Directors and management.

The areas that rated the highest under this survey and which were classified as generally sound with no need for substantial improvement were:

- The role of the Chair
- Governance of Wine Australia's outcomes
- The Board's role with respect to the development, implementation, monitoring, and review of strategy
- Director's awareness and exercise of responsibilities and competence of Directors
- Reporting to the Minister
- Reporting under relevant public sector requirements
- The quality of Board papers
- The Board's role with respect to organisational risk
- The Board's oversight of Wine Australia's engagement with internal stakeholders
- Community engagement and cultural expectations.

Areas which were assessed as being adequate but with need for improvement were:

- The membership of the Board and Committees
- The Board's approach to assessing performance of the Board and Committees.

A review of the AICD Board assessment and consultation with Directors and management indicates that, while there are areas for improvement, the Board is operating effectively in particular based on the views of Directors and management there is:

- A strong governance framework
- A very experienced and well-respected Chair
- A good balance of skills and technical expertise on the Board
- A cohesive and respectful Board with better decision-making
- Greater focus on stakeholder engagement
- More strategic and appropriate level of oversight rather than dealing with operational matters
- A strengthened focus and oversight of finances through the appointment of an Independent Chair of the Audit and Risk Committee.

4.4.2 Board composition

The Minister appoints the Wine Australia board members under the *Wine Australia Act 2013*. The Board must consist of a Chair and at least five, but not more than seven, other Directors.

In response to the governance review undertaken in 2020 significant effort was put into ensuring the appropriate skills mix of the Board including filling the skill gaps arising from the resignation of two Directors as well as assessing the current skills of Directors and future needs based on a detailed skills matrix.

A key priority was to also appoint a highly qualified Chair of the Board to provide leadership and strategic direction at a critical time.

Several current Directors in the 2022 governance review highlighted that the Board composition was an area for improvement for the Board, including greater experience in the wine sector.

It is interesting to also note that several industry stakeholders also raised concerns regarding the Board composition. While it was generally recognised that it was a skill-based Board rather than a representative Board there was a view by some large premium producers as well as growers that there should be better wine industry representation on the board including wine producers and growers.

There are seven members on the Wine Australia Board including the Chair and six Directors with one vacancy. There is an opportunity to further enhance wine industry experience on the Board in the filling of this casual vacancy.

4.4.3 Board function

There has been a significant strengthening in corporate governance at Wine Australia because of the changes to the Board including the appointment of a new Chair and Board Directors as well as the appointment of a new Chief Executive Officer. A Governance Committee was appointed to oversee the implementation of the recommendations arising from the governance reviews and the Board and management have committed considerable time and effort to implement changes both at the Board level and within Wine Australia.

The feedback from key internal stakeholders, including Board and Audit Committee members and the Executive is that governance arrangements are working well and are much improved on previous governance arrangements. The Board is taking a more strategic approach with Wine Australia guided by the Strategic Plan 2020-25 and Annual Operational Plan with a stronger focus on good governance and ensuring better and more formal engagement with key industry stakeholders, particularly the key levy payers through the Stakeholder Engagement Plan.

The Board and Portfolio Review Committee is also focussing on having greater accountability about where funding from levy payments is being applied and strengthening contractual arrangements with research partners with a greater focus on the longer-term impact of research including adoption and extension.

The Board meets five or six times a year, while most meetings are held via videoconference, meetings are regularly held in regional areas including the Riverina and Riverland which was very well received by industry stakeholders, many of whom had little contact or engagement with the Wine Australia Board in the past.

The Board has a detailed workplan which is a standing agenda item at each meeting to review the workplan and progress each Committee also has a workplan.

4.4.4 Board Subcommittees

In accordance with Section 11 of the *Wine Australia Act 2013*, the Board may appoint Committees as it considers appropriate to streamline the discharge of its responsibilities.

The current Board has established the following Committees:

- Portfolio Review Committee
- People and Culture Committee
- Audit and Risk Committee (summarised in Section 4.6.4).

The **Portfolio Review Committee** was established to take a more strategic approach to Wine Australia's investment and look at investments from both an R&D, marketing and whole of portfolio perspective.

The Portfolio Review Committee replaces the previous Research Development and Extension Committee and the Marketing Committee which had a very operational and project-based focus.

Wine Australia obtains recommendations and guidance from a number of Australian Grape & Wine sector reference committees, including the Research Advisory Committee, which has an independent chair and provides a sector perspective on RD&E research priorities. The Australian Grape & Wine Joint Marketing Group, which also has an independent chair, provides advice to both Australian Grape & Wine and Wine Australia with respect to marketing, tourism, and promotional priorities of the sector.

The Portfolio Review Committee meets before each Board meeting and comprises four Directors:

- John Lloyd
- Cath Oates
- Mitchell Taylor
- Frances-Anne Keeler

The purpose of the Committee is to:

- oversee investments pertaining to grape and wine research, development, and adoption (RD&A) and the promotion of Australian wine to ensure activities and investments are aligned with Wine Australia strategic and operational plans, and
- provide strategic and operational advice to the organisation pertaining to RD&A and the promotion of Australian wine
- monitor and evaluate Wine Australia's portfolio of RD&A and marketing investments, and
- ensure that funds attributed to grape and wine RD&A and the promotion of Australian wine are spent in a way that is consistent with Wine Australia's objects, functions, and obligations under the *Wine Australia Act 2013*.

The establishment of this Committee highlights the increased strategic focus of the Board as well as its increased attention to monitoring and evaluating Wine Australia's R&I and marketing activities.

The **People & Culture Committee** consists of the Chair and Deputy Chair and meets twice per year or as required.

The purpose of the Committee is to consider and make recommendations in relation to:

- the oversight of organisational design and human capability of Wine Australia commensurate and consistent with its strategic goals including:
 - its recruitment strategies and practices
 - the identification of talent including training and development
 - retention and succession, and
 - diversity

- the behavioural and cultural framework and practices of Wine Australia
- the human resources and remuneration strategies, policies, and practices of Wine Australia
- the remuneration framework for all employees including the Chief Executive Officer
- performance management practices and outcomes.
- To oversee Wine Australia's Work, Health, and Safety Framework
- To review any employee grievance or employee complaints about remuneration
- To ensure that Wine Australia's remuneration and incentive policies, practices and performance indicators are aligned to the Board's vision, values, and overall business.

4.5 Clarity of roles and strategy

Key Findings

Wine Australia has a very clear purpose as outlined by the *Wine Australia Act 2013* and a clear strategic direction, but there is still widespread confusion by many stakeholders (even those who have been in industry for some time) about the role and responsibilities of Wine Australia. The development of the One Grape & Wine Sector Plan along with increased and more effective stakeholder engagement should assist in better clarifying the role of Wine Australia as well as Australian Grape & Wine.

Assessment

Wine Australia has a very clear role as outlined in the *Wine Australia Act 2013* and a well-developed and clear Strategic Plan 2020-25.

The challenge, however, is that there is still widespread confusion by many stakeholders (even those who have been in industry for some time) about the role and responsibilities of Wine Australia. Several stakeholders believed that Wine Australia should just be providing services to industry rather than leading initiatives whereas most stakeholders were looking to Wine Australia to provide clear leadership and direction especially at a times of significant challenges in the sector.

There was also a lack of clarity regarding the role of Australian Grape & Wine and Wine Australia and the overlap and division of responsibilities. Most stakeholders, however, appreciated that Wine Australia was a government instrumentality and was therefore not able to play an advocacy role and this was the responsibility of Australian Grape & Wine.

An example of the lack of clarity regarding the role of Wine Australia is the important work that Wine Australia is doing in leading a sector-wide sustainability and ESG Strategy with some stakeholders applauding the leadership and funding provided by Wine Australia while others believing it is the job of industry or Australian Grape & Wine (see Box 4.1).

Box 4.1 ESG Strategy

In 2022 Wine Australia announced will lead a multifaceted program incorporating expertise from across the grape and wine landscape to build a sector-wide sustainability and ESG Strategy for the Australian grape and wine sector.

The Head of ESG and Market Access at Wine Australia was given the responsibility of leading the ESG Strategy given there was significant market access risk if the sector did not act decisively on sustainability and expand efforts to incorporate ethical and economic sustainability in a greater capacity.

The ESG Strategy includes funding from Wine Australia to develop a range of practical ESG tools, support certification for market access and better inform the sector through evidenced-based research and market intelligence. The aim of the ESG Strategy is to support the Australian grape and wine sector in demonstrating its sustainability and ESG credentials across the triple bottom line – ethical, economic, and environmental sustainability.

A related component of the ESG Strategy is Sustainable Winegrowing Australia (SWA) which is a national program for grapegrowers and winemakers to demonstrate and improve their sustainability in the vineyard and winery. The program is delivered on a fee-for-service basis to obtain SWA accreditation and is administered by the *Australian Wine Research Institute* with governance and support from Australian Grape & Wine and Wine Australia.

Many stakeholders, including larger premium wineries, applauded the leadership of Wine Australia in promoting ESG to the grape and wine sector and supporting the sector, particularly smaller growers, and producers to respond.

There is a view by some key stakeholders that Wine Australia should be taking an even stronger leadership role on ESG and being more ambitious in terms of initiatives and policies.

Other stakeholders, including larger premium wineries, believe that ESG is the market's responsibility and Wine Australia should not be investing funds to assist those that are slower to adapt and respond to changing market trends.

With respect to the SWA program there is widespread confusion amongst stakeholders, with many of the smaller growers and wineries questioning who has ownership of SWA and raising concerns about the cost of gaining accreditation under SWA and wanting it to be fully funded from the levy.

The ESG Strategy demonstrates the challenges for Wine Australia in designing and delivering programs and highlights the diversity of the sector from small to large growers and producers across both the premium and commercial sectors with many small niche operators in the regions. Many stakeholders applaud the leadership role played by Wine Australia on ESG, some want Wine Australia to take an even stronger role, others believe it is purely a market issue and not the role of Wine Australia while smaller operators want Wine Australia to fully fund all initiatives and accreditation under the levy.

There is clearly an important role for Wine Australia to take a strong leadership position on issues such as ESG – the risk of not doing so in terms of reputational damage to the Australian wine and grape industry and/or loss of market access is too great. Wine Australia should continue to lead where there is market failure and a demonstrated need for better information and support to the sector. Given limited resources, Wine Australia should better leverage the expertise and experience of those in the sector that are already leading in terms of ESG. Over time, however, Wine Australia should look to transition programs and initiatives to Australia Grape & Wine or the market once mature. Charging for services delivered by Sustainable Wine Australia is appropriate and in line with the approach to regulation where those that are benefitting directly from the accreditation or licencing should pay for the service.

The Boards of both Australian Grape & Wine and Wine Australia met in November 2022 and the meeting included a review and confirmation of the roles and responsibilities of each organisation as represented in Table 4.2.

Table 4.2 Roles and responsibilities

Roles	Wine Australia	Australian Grape & Wine
Sector consultation and strategy development		
Marketing		
Advocacy		
Research and Development		
Regulation		
Market Insights		
Trade and market access		

Source: Adapted from information provided by Wine Australia

Strategic Plan 2020–25

The Wine Australia Strategic Plan 2020–25 clearly sets out how Wine Australia will address the priorities in line with the *Wine Australia Act 2013* and the SFA.

The strategy was developed following extensive consultation and workshops with industry and key stakeholders.

The strategy has a clear vision, goal, and strategies. The five key strategies are to:

1. Market Australian wine
2. Protect the reputation of Australian wine
3. Enhance grape and wine excellence
4. Grow sustainable environments
5. Build business sustainability, excellence, and leadership

The Wine Australia Strategy 2020-25 also clearly shows the alignment and contribution to the key pillars in the Australian Grape & Wine Vision 2050, a 30-year strategy for the Australian grape and wine industry.

A significant challenge in developing and monitoring progress against the Strategic Plan 2020-25 was the impact of the COVID-19 pandemic restrictions at the time the plan was being developed and then the effective closure of the China market in 2021.

In response to the impact of COVID-19 and the inability of Wine Australia to run in market activities in 2020 and 2021 they developed Australian Wine Connect, which is an electronic showcase for the sector, with almost 300 wineries and 2,400 products showcased on the platform.

One Grape & Wine Sector Plan

In response to the challenges facing the wine sector both domestically and internationally the Boards of Australian Grape & Wine and Wine Australia in November 2022 identified a need to lead a process of developing a One Grape & Wine Sector Plan – to be informed by the sector, for the sector.

The One Grape & Wine Sector Plan will be a shared vision and a unifying strategy to collectively address key priorities for the wine sector from now to 2030 in response to recent challenges.

The strong and increasing collaboration between Wine Australia and Australian Grape & Wine has been very well received by industry stakeholders and seen as a necessary precondition to collectively address the challenges facing the sector.

4.6 Oversight, planning and reporting of investment activities

KPI

KPI 4.1: ongoing oversight, planning and reporting of investment activities is done in accordance with legislative and Australian Government requirements and timeframes.

Key Findings

Wine Australia has strong governance, planning and reporting on investments. There is significant reporting on investments across many metrics and there would be benefits in streamlining and rationalising reporting requirements, so Wine Australia is able to report just once with a focus on a key set of core performance measures.

Many of the reporting measures are activity measures rather than outcome measures and as much as possible the reporting by Wine Australia should be redesigned to focus on impact and outcomes measuring short, medium to longer term impact.

Assessment

In line with the *Wine Australia Act 2013* and the *Public Governance, Performance and Accountability Act 2013* and the Performance Principles outlined in SFA Wine Australia follows the following key principles for good Corporate Governance:

- The Board must govern Wine Australia in a way that: promotes the proper use and management of public resources for which the authority is responsible; promotes the achievement of the purposes of Wine Australia and promotes the financial sustainability of Wine Australia
- The Board must establish and maintain systems relating to risk and control including systems of internal control
- The Board must maintain oversight of the operations of the organisation through reporting by the CEO
- The Board must keep the responsible Minister informed of its activities and of any significant issue that may affect it
- Directors must exercise independent judgment and provide independent oversight of the organisation
- The Board's performance (including the performance of its Chair, the individual Directors and, where appropriate, members of the Board Committees), must be evaluated regularly.

4.6.1 Planning and reporting on investment activities

Wine Australia has comprehensive reporting on its investment activities. As outlined below there are numerous reporting documents and requirements with around 90-100 KPIs reported on every year.

There would be benefits in streamlining reporting requirements so as much as possible Wine Australia is able to report just once with a focus on a key set of core performance measures.

Many of the reporting measures are activity measures rather than outcome measures and as much as possible the reporting should be redesigned to focus on impact and outcomes.

Planning

Having a 5-year Strategic Plan in the current market with so much uncertainty is almost irrelevant. The more important thing is for Wine Australia to have the capacity to adapt and respond to the challenges as they arise.

This is very much the approach adopted by Wine Australia, given the ongoing uncertainty regarding the future of the China market and other challenges, rather than update and amend the Strategic Plan 2020-25, Wine Australia has reflected the changes in the strategic direction and responses in its Annual Operational Plan. The Annual Operational Plan places a much greater focus in the short to medium term on increased market diversification and aligning with Austrade and other partners to increase penetration in the traditional markets of North America, the United Kingdom and Continental Europe and diversify into South-East Asia and Asia Pacific regions.

Reporting by CEO

Board and Committee members have advised that the papers and reporting provided by the CEO and Executive into the Board and the Audit and Risk Committee are of good quality.

There is a constructive and good relationship between the Chair of the Board and the CEO which is important in maintaining an open dialogue regarding issues and reporting.

The Department advises that Wine Australia, through the CEO and Chair, has a good and constructive relationship and engagement with the Department and Minister. There are regular meetings with Wine Australia and the Department, and the relationship is good and built on mutual trust.

Reporting

The Wine Australia Strategic Plan 2020-25 includes clear measures of success of Wine Australia in achieving these measures, and outcomes are reported in the annual Performance Evaluation Reports and in the Annual Report. The Annual Report reports on the achievement of KPIs including yearly operational and financial performance.

An Annual Operational Plan is also developed in line with Wine Australia's Strategic Plan 2020-25 and sets out the operational and RD&E targets in the Balanced Portfolio. There is annual reporting against the Annual Operational Plan.

Wine Australia provides regular reports on performance against the Performance Principles to levy payers and other stakeholders through updates provided in regular newsletters, meetings on their website and regular communications via email.

The Wine Australia's website also includes a range of performance and reporting items including:

- Annual Reports
- Strategic Plan 2020-25
- Annual Operational Plans
- Funding Agreement 2020-2030
- Benefit Cost Analyses of Wine Australia R&D Investments
- Information about the Independent Performance Review.

The Wine Australia Extension and Adoption Strategy 2020-25 outlines the strategy for activities that are designed to facilitate practice change by participants in the wine sector, mainly grape growers, and winemakers.

4.6.2 Investment Strategies

Wine Australia has extensive reporting on its investment activities.

The period considered in this Performance Review includes two Strategic Plans: Strategic Plan 2015-2020, and Strategic Plan 2020-2025. FY20 is assessed against the Strategic Plan 2015-20, while FY21 and FY22 are assessed against Strategic Plan 2020-25.

Strategic Plan 2015-20 included 12 strategies, grouped under 2 priorities, and supporting functions. Wine Australia's expenditure for FY19 and FY20 against these strategies from is shown in Table 4.3.

Table 4.3 Wine Australia's expenditure by Strategy, FY19-FY20 (\$ millions)

Heading	Heading	FY19	FY20
Priority 1: Increasing demand and the premium paid for all Australian wines	Strategy 1: Promoting Australian wine	\$8.65	\$7.59
	Strategy 2: Protecting reputation of Australian wine	\$2.01	\$2.07
	Strategy 3: Building Australian grape and wine excellence	\$5.46	\$5.25
Priority 2: Increasing competitiveness	Strategy 4: Improving resource management and sustainability	\$3.41	\$3.37
	Strategy 5: Improving vineyard performance	\$5.26	\$5.43
	Strategy 6: Improving winery performance	\$2.49	\$3.74
	Strategy 7: Enhancing market access	\$0.71	\$0.80
	Strategy 8: Building capability	\$1.11	\$0.98
	Strategy 9: Business intelligence and measurement	\$1.52	\$1.36
Priority 1 & 2	Strategy 10: Extension and adoption	\$5.55	\$4.26
Supporting functions	Strategy 11: Corporate affairs	\$0.71	\$0.76
	Strategy 12: Corporate services	\$4.56	\$4.37

Source: Wine Australia's Annual Reports

Strategic Plan 2020-25 includes 5 strategies. Table 4.4 shows expenditure for FY21 and FY22 by these strategies.

Table 4.4 Wine Australia's expenditure by Strategy, FY21-FY22 (\$ millions)

Strategy	FY21	FY22
Strategy 1: Market Australian wine	\$5.28	\$7.95
Strategy 2: Protecting reputation of Australian wine	\$3.04	\$2.71
Strategy 3: Enhance grape and wine excellence	\$13.49	\$12.98
Strategy 4: Grow sustainable environments	\$6.07	\$7.02
Strategy 5: Build business sustainability, excellence, and leadership	\$7.44	\$7.29
Support functions	\$5.91	\$4.73

Source: Wine Australia's Annual Reports

In addition to regular reporting there are often independent reports prepared evaluating major programs or investments. For instance, an independent evaluation was conducted of the \$50 million ERWSP which found that the package was broadly effective in growing wine exports in China and to a lesser extent in the United States. A cost benefit analysis (CBA) was undertaken to estimate the returns from the investment and when taking into account the broader market outcomes the package delivered a benefit-cost ratio of 3.44, in other words every dollar invested resulted in a \$3.44 dollar return.

4.7 Management of financial and non-financial risks

KPI

KPI 4.2: demonstrated management of financial and non-financial risk

Key Findings

Wine Australia has been adept at effectively managing programs and finances under very difficult circumstances. Wine Australia's risk assessment and management practices are mature with a skilled and effective Audit and Risk Committee, greater consideration will be required in the future in assessing medium and longer-term market and strategic risks facing the sector. Considering the very difficult market circumstances facing the wine industry it will be even more important for Wine Australia to be nimble and to be able to adapt and respond to challenges and develop adaptive capacity across the organisation.

Assessment

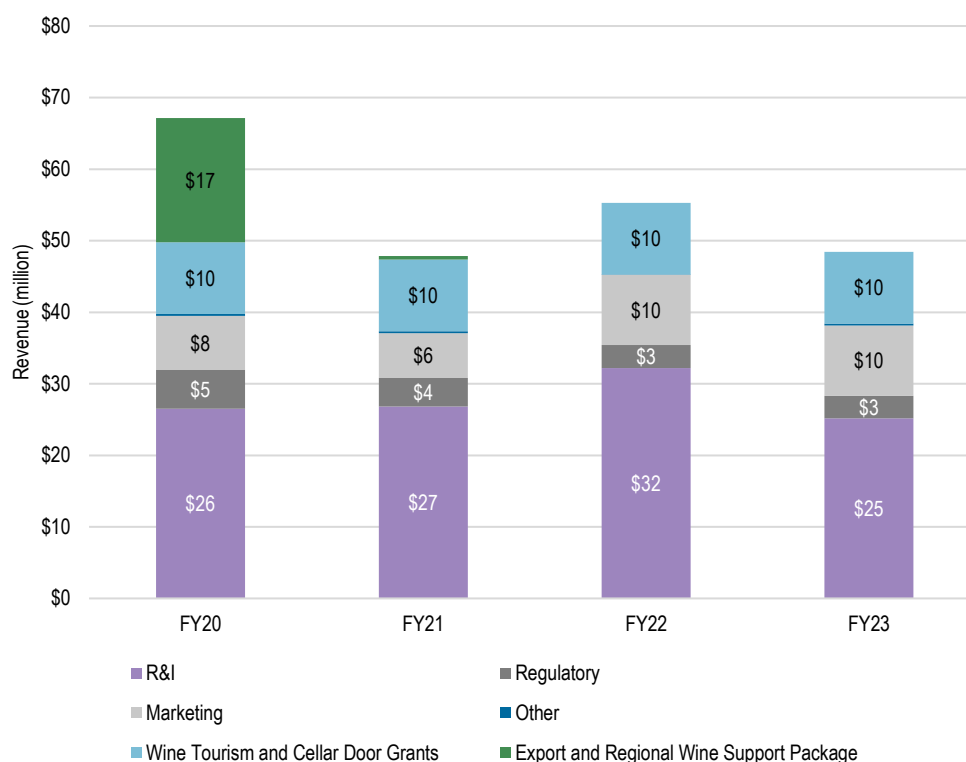
4.7.1 Financial management

Wine Australia has four main sources of **revenue**:

- **R&I funding.** The [grape research levy](#) (grape growers pay \$2 per tonne of winegrapes crushed, with Wine Australia receiving \$1.984 per tonne and Plant Health Australia receiving \$0.016 per tonne) and the RD&E component of the [wine grapes levy](#) (wine producers pay \$5 per tonne of winegrapes crushed) are matched dollar-for-dollar by the Australian Government.
- **Marketing funding.** Wine producers pay the promotion component of the wine grapes levy in a stepped amount per tonne (payable on grapes delivered to a winery over the 10 tonnes threshold). Wine exporters also pay the wine export charge on wine produced in and exported from Australia. The amount of levy payable is based on the free-on-board (FOB) sales value of wine for the levy year.
- **Regulatory funding.** Regulatory activities are funded on a cost-recovery basis through activity-based fees.
- **User-pays activities.** Wine businesses, regional associations and state governments pay voluntary contributions to participate in marketing activities.

In addition, Wine Australia also received the ERWSP worth \$50 million, a one-off government investment to grow Australia's wine exports and showcase the nation's wine tourism offering in key markets. The package was in effect from 2016 to April 2020.

Wine Australia also administered the *Wine Tourism and Cellar Door Grants* program, funded by the Department of Agriculture, Fisheries and Forestry. This funding commenced in FY20 and is ongoing. Wine Australia's administers the grant with revenue equal to the expenditure in each year, with minimal difference. This category of revenue therefore makes no material impact on the financial performance of Wine Australia.

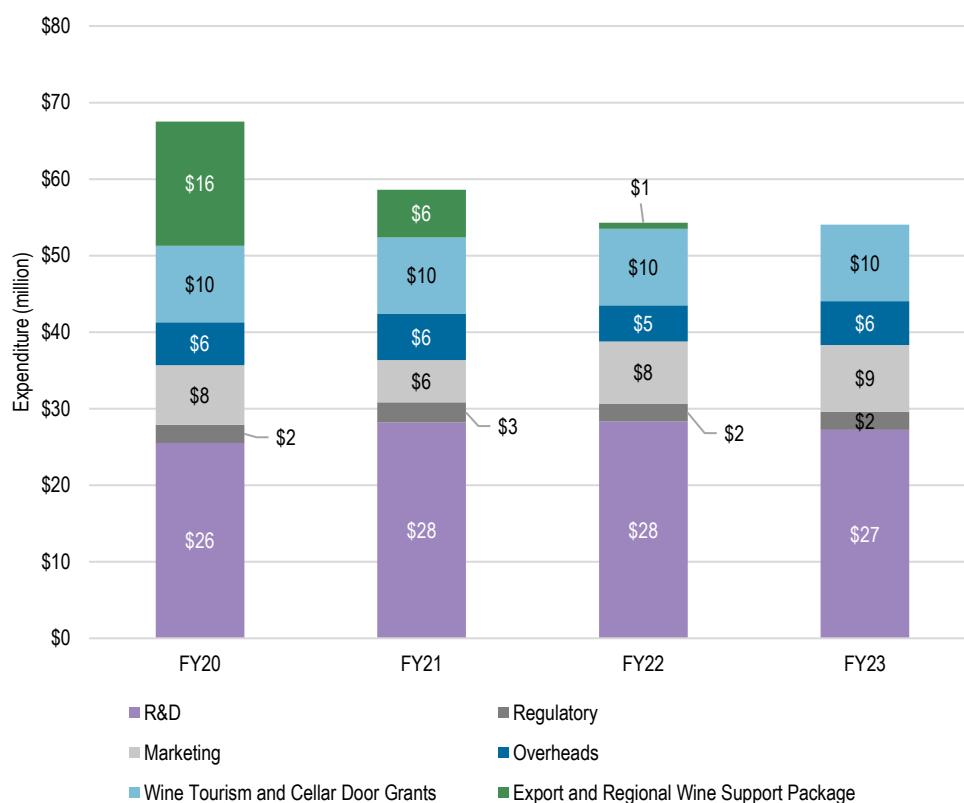
Figure 4.1 Wine Australia's revenue, FY20 – FY23 (actuals)

Source: Wine Australia's financial data

Wine Australia's **expenditure**, likewise, can be categorised into four areas:

- **RD&E:** Make up most of Wine Australia's expenditure. RD&E expenditure includes all research, development, and extension activities. This category also includes wine grape levy and grape research levy collection fee.
- **Marketing:** All activities related to marketing domestically and internationally including in-market staffing expertise and resources, including export charge and promotion component levy collection fee, as well as industry education, and trade and consumer events.
- **Regulatory:** Expenditure incurred from regulatory services Wine Australia provides.
- **Overheads:** Includes general overhead of Wine Australia's operations, such as occupancy, communications & IT, and professional fees.

Figure 4.2 shows Wine Australia's expenditure by function with expenditure on the \$50 million ERWSP tapering off after FY20 and the \$10 million annual expenditure on the *Wine Tourism and Cellar Door Grants* administered by Wine Australia commencing in FY20 and continuing.

Figure 4.2 Wine Australia's expenditure, FY20 – FY23 (actuals)

Source: Wine Australia's financial data

From FY19 to FY21, Wine Australia recorded deficits, with the most significant deficit in FY21 of \$10.77 million. FY22 saw a recovery with \$0.94 million surplus largely due to the increased levy payments in 2021. The average surplus was -\$3.95 million per annum across the 4 years assessed. (Refer Figure 4.3).

In FY20 COVID-19 impacted on the finances of Wine Australia and its operations with the visitation program, which was one of the core programs of Wine Australia, having to be stopped because of COVID-19 restrictions and move to an online social media campaign.

While COVID impacted on the delivery of programs it also resulted in significant cost savings in some areas with the greater use of teleconferencing significantly reducing travel costs from around \$300,000 per annum to almost zero.

In FY21 the major components of the large deficit were:

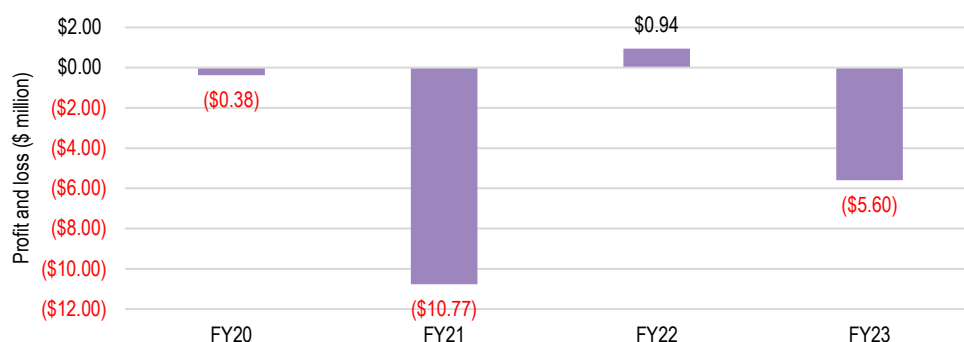
- an RD&A deficit of \$4.3 million due to a draw down in accumulated reserves, which was a decision by the Wine Australian Board to support the sector in difficult times
- a \$5.7 million deficit attributable to the \$50 million package which was largely due to the timing difference between the receipt and expenditure of funds.

Revenue in FY22 was at a peak arising from the strong 2021 vintage with the crush estimated to be 2.03 million tonnes, the largest ever recorded. On the other hand, revenue in 2023 is forecast to be one of the lowest levels on record.

As can be seen from Figure 4.2 and Figure 4.3 the marketing functions has borne the brunt of the adjustments to the significant fluctuations in revenue as well as the challenges in the market including the impact of COVID-19 and the imposition of tariffs by China.

Wine Australia has made several strategic decisions to draw down on accumulated reserves to either fund major investments, such as the development of the new WALAS system, or to further support the sector in difficult times.

Figure 4.3 Wine Australia's profit and loss, FY20– FY23 (actuals)



Source: Wine Australia's financial data

4.7.2 Financial risk management and reserves

To manage Wine Australia's financial risk the Board aims to maintain sufficient reserves given the variations in revenue derived from levies and regulatory fees and the timing of availability of funds.

The reserves are also used to try and maintain a balanced portfolio of investments, given fluctuations in revenue, as well as fund strategic investments such as was the \$4.15 million investment that was made to upgrade the Wine Australia's Licencing and Approval System (WALAS) which was funded from reserves.

Reserves are also important to ensure Wine Australia has the capacity to provide a timely response to emerging risks or opportunities.

Three separate pools of reserves are held by Wine Australia:

- *R&I Reserves*: are derived from revenue that must, in accordance with the *Wine Australia Act 2013*, be spent on eligible research and development activities
- *Regulatory Reserves*: reserves derived from regulatory fees
- *Marketing Reserves*: reserves derived from other revenue.

The minimum level of reserve to be kept by Wine Australia are \$2 million for R&I reserves, \$0.8 million for Regulatory Reserves and \$0.5 million for Marketing Reserves.

The Board may recommend the use of R&I, marketing, or regulatory reserves to below the target level in exceptional circumstances such as an unexpected fall in levy revenues or where there are emerging issues which require an urgent response. Reserves would normally only be accessed when Wine Australia ran an operating deficit.

Wine Australia has demonstrated a prudent accumulation and strategic use of reserves over the review period in 2020-21. For example, Wine Australia held \$10.2 million in reserves including:

- *R&I Reserve*: \$4.8 million which is hypothecated for future RD&I investments
- *Regulatory Reserve*: \$4.2 million opening balance
- *Marketing Reserve*: \$0.4 million opening balance, and
- *ERWSP reserve*: \$0.8 million relates to (\$50m Package)

Given the challenges facing the wine industry Wine Australia will need to maximise its adaptive capacity including the ability to respond to challenges and issues at relatively short notice. The

significant limitations and restrictions on the use of reserves, however, is likely to limit Wine Australia's capacity to respond effectively to emerging issues especially if there is a need for an increased investment in marketing in response to changes in market circumstances.

4.7.3 Risk management

Legislative requirements

- Sections 15 to 19 of the *PGPA Act* and Section 10 of the Public Governance, Performance and Accountability Rule 2014 (PGPA Rule) requires the Board, as the accountable authority, to promote the proper use and management of public resources for which it is responsible set out fraud control requirements for Wine Australia.
- Section 16 of the *PGPA Act* requires Wine Australia to establish and maintain appropriate systems to manage risk.
- Section 45 (1) of the *Public Governance and Accountability Act 2013* requires the Board to establish an Audit and Risk Committee.
- Section 17 of the PGPA Rule outlines the required functions of the Audit and Risk Committee.

4.7.4 Audit and Risk Committee

The Wine Australia **Audit and Risk Committee** has been established in accordance with section 17 of the *PGPA Rule*. The Wine Australia Board approves the Audit and Risk Committee Terms of Reference which were last reviewed and approved by the Board in June 2021.

The functions of the Audit and Risk Committee include reviewing:

- financial reporting
- performance reporting
- system of risk oversight and management, and
- system of internal control.

In 2021–22 the Audit and Risk Committee comprised:

- Geoff Knuckey (Independent Chair)
- Catherine Cooper
- Mitchell Taylor and
- Justin Brown (from 22 December 2021)

Wine Australia significantly increased its focus on strengthening its governance and risk management throughout 2020 and 2021 following the appointment of a new Board Chair and this work has continued following the appointment of a new Chief Executive in late 2021.

The feedback from internal stakeholders is that current Audit and Risk Committee is working well and is effective, with a good mix of skills, high quality papers and a good appreciation of key risks. The Committee has good access to the Board, including the Board Chair with reports to the Wine Australia Board at every meeting.

A few key changes were made to the Audit and Risk Committee to strengthen governance with the appointment of an external and Independent Chair of the ARC in January 2020 and the outsourcing of the internal audit function to an external provider.

The work of the internal audit is guided by the Internal Audit Strategy and Plan 2022-23 to 2024-25 which focus on areas of risk identified in accordance with Wine Australia's Risk Management Policy and Framework, and on emerging risks that were identified by the ANAO performance audit into probity, Board performance review, external governance review and audits of financial statements and previously completed internal audits. The plan is reviewed quarterly in line with new and

emerging risks with an amended version presented at each of the meetings of the Audit and Risk Committee.

The feedback from the Executive is that the appointment of an external provider to undertake the internal audit has provided significant benefits in terms of providing new learnings and advice on better practices based on the experience of the external provider in undertaking similar audits in the agricultural sector.

4.7.5 Risk management

Wine Australia has well developed risk assessment and management policies including a:

- Risk Management and Policy Framework
- Board Risk Appetite Statement
- A Risk Register
- A Risk Management Committee
- Business continuity plan.

The Audit and Risk Committee considers new, emerging, and developing risks at each meeting.

The Board reviews each major risk against the Board Risk Appetite Statement and the Risk and Audit and Risk Committee highlights where projects or matters are outside the risk tolerance.

The independent chair of the Audit and Risk Committee considers the risk assessment and practices at Wine Australia be mature.

The feedback from the Executive and Audit and Risk Committee is that risk management policies are actively implemented, and risks considered for all major projects and there is a requirement for a risk review if the circumstances of a project change significantly.

Several significant risks have clearly impacted on the wine industry over the last few years. While it was not possible to foresee the pace of change, particularly the virtual loss of the China market, many industry stakeholders believe that more should have been done to diversify export markets in the past.

4.8 Policies and procedures

KPI

KPI 4.3: relevant policies and procedures adopted and implemented (e.g., privacy etc)

Key Findings

Wine Australia has a robust policy development process and a comprehensive suite of policies that are high quality and meet the organisation's legislative requirements. There is a much greater communication, training, and awareness of policies with staff than was the case previously. Going forward increased monitoring will be required to ensure compliance with policies and, where possible, looking for opportunities to rationalise and consolidate policies.

Assessment

Wine Australia has developed a Policy Framework to oversee the development and compliance with policies it aims to:

- ensure that a clear and consistent governance and management approach is adopted when developing all Wine Australia policies that enables improved compliance with relevant legislative and regulatory requirements

- enable efficient and effective decision making in relation to policies, which incorporates quality assurance and risk management practices
- establish clear accountabilities and delegated authorities for individual roles and groups for the development of policies.

The Policy Framework fits within Wine Australia's broader governance framework.

The Audit and Risk Committee is responsible for ensuring Wine Australia maintains a register of policies (Register) that records:

- a list of policies
- the date each policy was approved or reviewed (in its entirety)
- the next scheduled review date of each policy, and
- the person responsible for maintaining the policy.

The Audit and Risk Committee review the Register and policies as required or requested to ensure policies are reviewed in a timely fashion.

The Wine Australia Governance Committee meets periodically to:

- review the policy review schedule
- review the policy training schedule
- discuss any changes that ought to be made to existing policies, and
- monitor compliance with policies.

A review of the Policy Framework, Policy Register and list of policies and a review of a sample of the key policies indicates that Wine Australia has a robust policy development process and a comprehensive suite of quality policies which meets their legislative requirements under the:

- *Wine Australia Act 2013*
- *Public Governance, Performance and Accountability Act 2013*
- *Auditor General Act 1997*
- *Public Interest Disclosure Act 2013*
- *Freedom of Information Act 1982*
- *Work Health and Safety Act 2012 (SA)*
- *Privacy Act 1988*.

A key consideration going forward is to ensure the compliance with policies and the Governance Committee undertaking a comprehensive review of policies and compliance.

Diversity, Equity, and Inclusion

Wine Australia has demonstrated a strong commitment to diversity and inclusion as reflected in the Board and staffing composition with a female Board Chair, good gender equity on the Board and four out of seven Executive and 69% of staff being female. It has since developed a Diversity, Equity, and Inclusion Policy, which received strong support by the Board.

There has, however, been several concerns raised by stakeholders regarding the CEO Roundtable which only includes one female CEO from the top twenty levy payers. While this is very much outside the control of Wine Australia, many key stakeholders are looking for leadership from Wine Australia in terms of equity and inclusion in the grape and wine sector. This could include tracking key metrics such as female participation in leadership and decision-making roles in the wine sector and participation in leadership programs as well as increased funding for equity and diversity programs. It should be noted that it is outside the remit of Wine Australia to advocate on this issue.

The Future Leaders Program which is organised and funded by Wine Australia is very well regarded and has been instrumental in sponsoring and supporting several female leaders in the wine sector. The program caters for 15 participants every two years and if resources were available Wine Australia could look to expand to further promote greater gender equity in leadership positions across the sector.

Aboriginal and Torres Strait Islanders

While a number of wine companies have developed a Reconciliation Action Plan (RAP) and are taking active steps to have meaningful connections with First Nations people, there are no wine companies that have a RAP registered with Reconciliation Australia. First Nations people are not considered a priority in much of the wine sector given there is very little Aboriginal or Torres Strait Islander employment in the sector – this is a matter that should be addressed.

There is a need to do much more across the sector with respect to connection with First Nations people especially given their long standing and ongoing connection to the land, the “terra,” and the learnings this can provide to the wine industry.

While it is the responsibility of all in the grape and wine sector, including Australian Grape & Wine, to actively and meaningfully engage with local Indigenous Elders and communities there is an important opportunity for Wine Australia to take a leadership role and provide support for smaller wine producers or growers to connect with First Nations people and in the development of RAPs.

Non-financial resources: organisation and culture

KPI

KPI 4.4: non-financial resources implemented effectively (Human resources, IT, IP etc).

Key Findings

Wine Australia has effectively managed its non-financial resources and has proven to be adept and flexible in being able to reallocate and adjust resources in response to changes in funding or market conditions. The Chief Executive Officer is highly regarded by industry and there is a skilled and highly experienced Senior Leadership Team. Going forward there will be a need to further increase efficiencies and review corporate structure and reduce costs further to align with funding.

Additionally, Wine Australia has some capability gaps and risks that will need to be managed going forward.

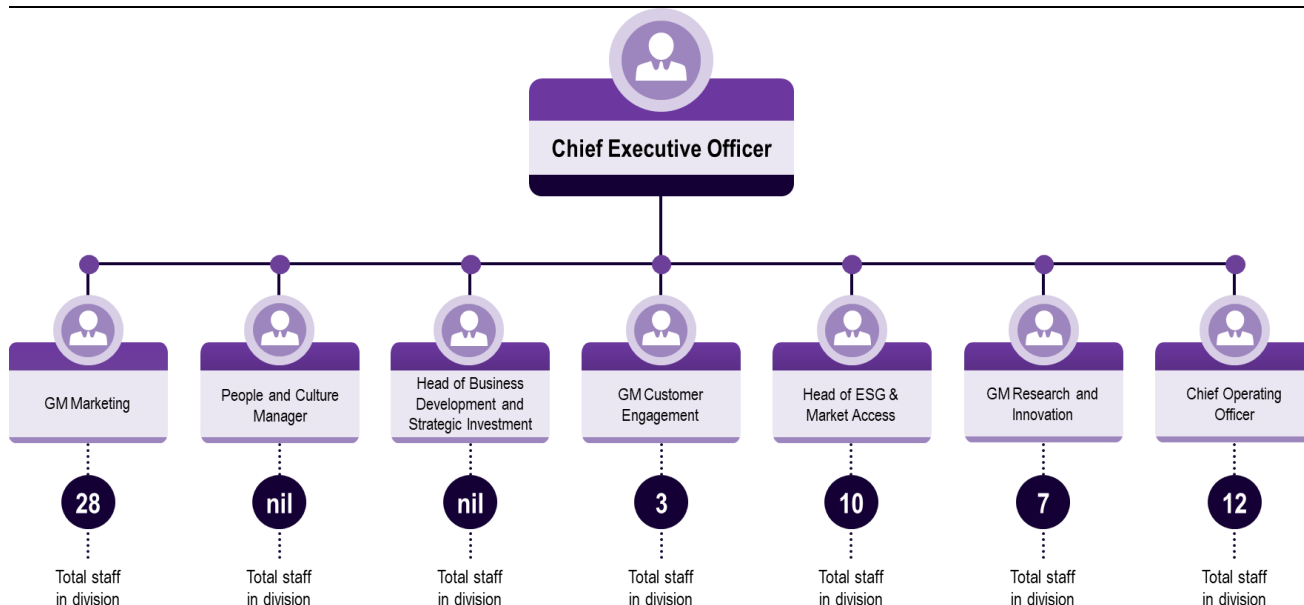
Assessment

Senior Leadership Team

Dr Martin Cole was appointed Chief Executive Officer of Wine Australia in November 2021.

The Senior Leadership Team (SLT) as of December 2022 includes:

- Chief Executive Officer
- Chief Operating Officer
- GM Marketing
- People and Culture Manager
- GM Research and Innovation
- Head of ESG and Market Access
- Head of Business Development and Strategic Investment
- GM Customer Engagement

Figure 4.4 Wine Australia, Senior Leadership Team, December 2022

Source: Adapted from Wine Australia

There has been a significant restructure of the Senior Leadership Team (SLT) following the recommendations of the last performance review in 2018. Capability decisions have been made based on feedback from the stakeholder survey (e.g., Corporate Affairs was redesigned to be a Customer Engagement Team, the appointment of a new GM, Customer Engagement, and the appointment of the Business Development Manager). The current SLT includes 7 General Managers reporting to the CEO as outlined in Figure 4.4.

The SLT was restructured following the appointment of the new CEO to better align with the new strategic direction and priorities of the Board and Chief Executive. This includes the appointment of a:

- People and Culture Manager that reports directly to the CEO to better oversee organisational change, leadership training and driving cultural change in Wine Australia. This role previously reported to the GM Corporate Services
- Chief Operations Officer (Previously GM Corporate Services) to oversee the day-to-day functions of Wine Australia and allow the Chief Executive to have a greater strategic focus and implement a major reform agenda and engage more with key stakeholders.
- New role of GM Customer Engagement (previously Customer Engagement Manager) to support the CEO and SLT to have a greater customer focus and improve Wine Australia's engagement and communication with stakeholders.
- New role of Head of Business Development and Strategic investment to pursue business development and co-funding opportunities in partnership with government and industry stakeholders.

In addition to these changes, a new GM Marketing was appointed, to refocus marketing efforts and rebuild relationships with industry.

Based on discussions with staff and the Executive, the restructure has been important in helping to drive the necessary changes in Wine Australia including having a much stronger and wholistic customer focus. The SLT has worked cohesively to promote greater collaboration between the business units in Wine Australia and break down organisational silos and achieve better alignment and engagement of staff across the organisation with the strategic plans and proposed reforms.

The People and Culture Manager has led the customer-centric culture change initiative, co-designing the new values and behaviours with staff, and designing a leadership course to build the managers capability in leading the customer-centric culture. KPIs regarding the Strategic Plan have also been cascaded down to all staff so there is much stronger alignment.

There is also now a much greater focus on project delivery and performance with the establishment of a Project Management Office to oversee the coordination and delivery of the key strategic projects in Wine Australia.

Wine Australia has responded to funding pressures with the appointment of a Business Development and Strategic Investment Manager to have a greater focus on business investment and pursue co-investment opportunities. This includes leveraging funding at either a State, Commonwealth, or industry level. This is happening through closer engagement with Austrade and other State Government programs and projects as well as leveraging industry funding and applying for new grant funding. Wine Australia is targeting a return or leverage of 1:5 for every one dollar invested by Wine Australia.

There is currently a disproportionate workload and responsibility on some General Managers with two of the General Managers having no staff or direct reports and another having only four staff. At the time of the review period (see Figure 4.4). That said, the move to have the People and Culture Manager and GM Customer Engagement report direct to the CEO is an important change especially given the focus on organisational and cultural change and increased customer engagement. The Head of ESG and Market Access also has responsibility for regulatory functions and has a substantial workload across a breadth of areas and, going forward, there may be an opportunity to revisit responsibilities including the structure and reporting of both ESG and regulatory functions.

The current Executive structure is appropriate given the substantial changes and reforms in Wine Australia and with the development of the One Grape & Wine Sector Plan. Going forward, however, there will need to be further realignment of both the SLT and corporate structure in response to the One Grape & Wine Sector Plan and to further increase efficiencies and reduce costs in line with future funding.

Several industry stakeholders raised concerns regarding the number of executives and corporate overheads at Wine Australia especially considering the declining levy funding and the completion of the \$50 million Export and Regional Wine Support Package. There was a perception by some stakeholders that Wine Australia could be much leaner with more levy funding allocated to the delivery of services, marketing, or research.

However, a comparison with other comparable RDCs would indicate that Wine Australia is relatively efficient in terms of its operations. The Executive costs (salaries) at Wine Australia account for about 4.15% of total revenue, this is below the average for other comparable RDCs at 4.27%. A comparison of corporate service costs shows that Wine Australia's corporate services account for around 8.56% of total revenue, this compares to an average of 13.63% for other RDCs (see Table 4.5).

Table 4.5 RDC Executive and corporate services costs as a proportion of total revenue (FY21)

RDC	CEO & executive remuneration	Total revenue	CEO & executive remuneration % of total revenue	Corporate services costs	Corporate services as % of total revenue
Wine Australia	\$2,294,904	\$55,260,000	4.15%	\$4,730,000	8.56%
Australian Pork Limited	\$1,368,007	\$25,383,722	5.39%	\$1,499,032	5.91%
Fisheries Research and Development Corporation	\$1,472,497	\$36,550,296	4.03%	\$5,130,000	14.04%
Cotton Research and Development Corporation	\$712,610	\$17,712,503	4.02%	\$3,474,000	19.61%
Australian Wool Innovation	\$2,364,571	\$65,273,000	3.62%	\$9,756,000	14.95%
Average of other RDCs (excluding Wine Australia)	-	-	4.27%	-	13.63%

Source: Derived from the 2021-22 Annual Reports and Financial Statements of listed RDCs.

Staffing and other resources

Wine Australia has faced significant challenges since 2019 which have required a major refocussing and realignment of resources particularly staffing. In this regard Wine Australia has shown itself to be adept and flexible in being able to respond to changes in funding or market conditions.

For much of 2020 and 2021 Wine Australia was supporting staff manage COVID-19 restrictions with a transition to working from home where possible. Across the Adelaide, Sydney and London offices, staff adopted hybrid working arrangement where they worked some days from home and some in the office. In North America, staff continued to work full time from home.

In addition to these challenges major staffing changes were required because of the completion of the \$50m ERWSP in April 2019 with many contractors who were engaged to help deliver the package finishing their contracts and several permanent roles also being made redundant. In total there was a reduction of around 20 staff due to the completion of the ERWSP since 2019.

Further staff reductions were required in January 2021 after China imposed import duties on Australian wine exports in late 2020. The significant reduction in revenue derived from the Wine Export Charge due to the reduction in the value of wine exports to China saw a significant decrease in funds available for marketing. Following extensive consultation, Wine Australia made the decision to close the Wine Australia office in Shanghai so that remaining marketing funds could be redirected towards further market intensification and diversification. Several industry stakeholders commented that this may have been a shortsighted decision especially in terms of trying to influence ongoing negotiations and being able to re-enter the market should the import duties be lifted in the future.

In total staffing numbers have been reduced from around 86 in July 2019 to around 57 at December 2022 (see Table 4.6). As the table highlights Wine Australia has responded effectively to changes in market conditions and funding (especially the completion of the \$50 million package) through the reduction and reallocation of resources over the last three years.

At the same time Wine Australia has been able to increase/reallocate staff to meet with new and emerging priorities such as the expansion of the USA Market Entry Program.

Wine Australia is praised by stakeholders for its responsive attitude to changing circumstances and effective reduction in staff numbers and costs post the \$50 million *Export and Regional Wine Support Package*. However, stakeholder sentiment is there should be further reduction in staff

numbers and staff-related costs as the industry faces increasingly challenging times with further reductions in revenue.

Table 4.6 Staffing by function, Wine Australia FY20-FY23

Division Headcount	FY20	FY21	FY22	FY23
Corporate Services	13.2	12.5	11.7	16.0
Corporate Affairs	3.5	2.9	3.0	3.8
Regulatory Services	15.2	9.6	8.6	8.1
R&I	11.4	11.4	11.6	14.6
Marketing	25.4	20.8	22.5	18.0
\$50m Package	16.9	1.5	0.0	0.0
TOTAL	85.7	59.3	57.4	60.5

Source: Wine Australia

Wine Australia has enhanced and improved the on-boarding of staff and Directors with a comprehensive induction pack including details regarding all policies. In addition, policies have been developed for the management of intellectual property, equal employment, anti-discrimination, management of conflicts of interest, declaration of gifts and hospitality as well as comprehensive WHS policies.

Wine Australia is in the process of converting several contract staff to permanent positions, while this will be important for staff attraction and retention it may impact on the ability of Wine Australia to respond quickly to any unforeseen changes in funding or market conditions in the future.

Additional capability and/or adaptive capacity may need to be built in the following areas to enable Wine Australia to achieve its outcomes given the current (and changing) environment and Wine Australia's new customer centric approach. Capability is required in the following areas:

- improved and/or additional business development/brokerage skills (with industry experience and an understanding of government operations)
- co-design capability in R&I (within Wine Australia)
- science communication capability (within Wine Australia)
- more consistent capability and/or service offerings across international offices
- improved project management/execution.

Culture

Our interviews with staff indicated that, despite the significant changes and reduction in staffing numbers and challenges facing the wine sector, there is generally a positive culture in Wine Australia. There has been a major focus on culture change and listening to staff with the appointment of the new Chief Executive in November 2021 and the People and Culture Manager reporting directly to the CEO and becoming part of the SLT.

Internally, the new leadership has improved staff morale and culture which has resulted in a more engaged, responsive, efficient, effective, and less siloed workforce. There is also better communication across the organisation, increased training opportunities and better alignment of KPIs and strategic priorities within the organisation.

Information Technology and Systems

When funds are available Wine Australia has been investing to upgrade IT systems. Wine Australia invested \$4.15 million to upgrade the Wine Australia's Licencing and Approval System (WALAS)

system over a three-year period from 2017-2020 and upgraded the Export Labelling Infringement System (ELISS) with funding from the \$50 million package. Wine Australia is also developing a new customer engagement framework to improve its customer engagement and communications.

The Cyber Security Group meets regularly and no less than quarterly to assess the priority and progress of agreed initiatives. It updates and maintains several policies including:

- Acceptable Use of IT Policy
- Cyber Security Policy
- Privacy Policy
- Data Breach Response Plan
- Fraud Control Policy
- Anti-bribery and Corruption Policy.

4.9 Regulatory functions

Key Findings

Almost all industry stakeholders consulted believed that Wine Australia was doing an excellent job in terms of its regulatory responsibilities and feedback was overwhelmingly positive. This was particularly the case where wine companies had received advice and support regarding the regulatory and labelling requirements for access to new markets.

Many stakeholders commented on the professionalism of the service provided, the quality of advice, its timeliness, and the accessibility of key staff. The regulatory advice has played an important role in facilitating market access especially as companies are looking to diversify.

Assessment

Wine Australia unlike many RDCs (the notable exception being Fisheries RDC) also has responsibility for the regulatory oversight of the industry within the same organisation.

The regulatory functions include compliance with the Australia New Zealand Food Standards Code, which underpins how wine is made, and the Act, which determines how wine can be described and presented, is monitored through two key activities: the Label Integrity Program and Export Controls.

In addition, Wine Australia annually samples and submits to chemical analysis a statistically valid sample of Australian wine.

Wine Australia also maintains the Register of Protected Geographical Indications and Other Terms and supports the Geographical Indications Committee – a statutory committee established to define the grape producing regions of Australia.

The regulatory functions are not strictly compliance and auditing but there is also an important guidance and advisory service available to industry to help improve market access for Australian wines and to provide advice and assist wine exporters by publishing guides to the wine production and labelling requirements of 40 export markets.

In summary Wine Australia's regulatory responsibilities and services include:

- administration of the export controls on wine exported from Australia in accordance with Part 3 of the *Wine Australia Regulations 2018* (Regulations) by issuing licences, export approvals for grape products, and export certificates
- ensuring that grape products exported from Australia comply with the Australia New Zealand Food Standards Code (Food Standards Code)
- ensuring that exported products comply with the laws of the importing country

- maintaining the Register of Protected Geographical Indications and Other Terms
- maintaining the Label Directory
- ensuring the truth of claims made on wine labels about vintage, variety, and origin through administration of the Label Integrity Program in accordance with Part VIA of the Act.

The export control activities of Wine Australia include:

- Issuing of Licences to Export Grape Products
- Product Approvals: registering of products proposed for export
- Shipping Approvals: issuing of export permits to wines which fulfill the requirements of the conditions of export
- Import certificates: issuing of import certificates as required to facilitate the clearance of Australian wine in overseas destinations.

The audit activities of Wine Australia fall into the following main categories:

- The Label Integrity Program: ensuring the description and presentation of Australian wine fulfills the requirements of the Act
- Samples auditing: ensuring exported products comply with the Australia New Zealand Food Standards Code (the Code)
- Customs audits: reconciling shipping data between Wine Australia's Licensing and Approval System (WALAS) and Australian Custom's export declaration data.

Wine Australia is required to follow Commonwealth regulator best practice guidelines (Box 4.2).

Box 4.2 Regulator best practice principles³⁸

The Commonwealth's Regulator Performance Guide outlines three Principles of Regulator Best Practice:

1. Continuous improvement and building trust: regulators adopt a whole-of-system perspective, continuously improving their performance, capability, and culture, to build trust and confidence in Australia's regulatory settings.
2. Risk-based and data-driven: regulators manage risks proportionately and maintain essential safeguards while minimising regulatory burden, and leveraging data and digital technology to support those they regulate to comply and grow.
3. Collaboration and engagement: regulators are transparent and responsive communicators, implementing regulations in a modern and collaborative way.

Source: <https://www.finance.gov.au/government/managing-commonwealth-resources/regulator-performance-rmq-128>

Wine Australia's Licensing and Approval System (WALAS)

Wine Australia also administers wine export controls through an online system called the Wine Australia's Licensing and Approval System (WALAS). WALAS allows users to: apply online for a licence to export; register products and apply for shipping approval; upload label; edit shipping details; apply for export documents; manage associated exporters; make payments online and manage account access.

A \$4.15 million investment was made by Wine Australia in the development of a new Wine Australia Licensing and Approval System (WALAS) which was a three-year project 2017-2020 and went live in June 2020. The project was funded out of accumulated, non-RDE levy reserves.

³⁸ In mid-2021 the Australian Government replaced the Regulator Performance Framework with 3 principles of best practice contained in the Regulator Performance Guide.

The previous WALAS system was an old legacy system which was not efficient and resulted in delays in securing approvals and licences. The re-development of WALAS was in part in response to stakeholder feedback regarding the time to process approvals.

The investment in WALAS is a good example of Wine Australia responding to industry needs and making investments that result in better services as well as organisational efficiencies. The upgraded WALAS system has resulted in a 50% efficiency dividend with the reduction of six FTE, two of whom who were reassigned to other roles in R&D and IT.

Wine Australia undertook considerable stakeholder engagement in the design and development of WALAS. This was initially with larger exporters and an Exporter Reference Group was established to also capture smaller and boutique exporters and regions.

Wine Australia also invested in change management and training to support wine exporters in transitioning to the new system.

Export Labelling Infringement System (ELISS)

Another good example of the investments by Wine Australia to respond to industry feedback and improve services, efficiencies and regulatory compliance is the investment made in the *Export Labelling Image Search System (ELISS)*.

In accordance with the *Wine Australia Regulations 2018*, Wine Australia maintains a Label Directory which the public can access through *Wine Australia's Export Label Image Search System (ELISS)*.

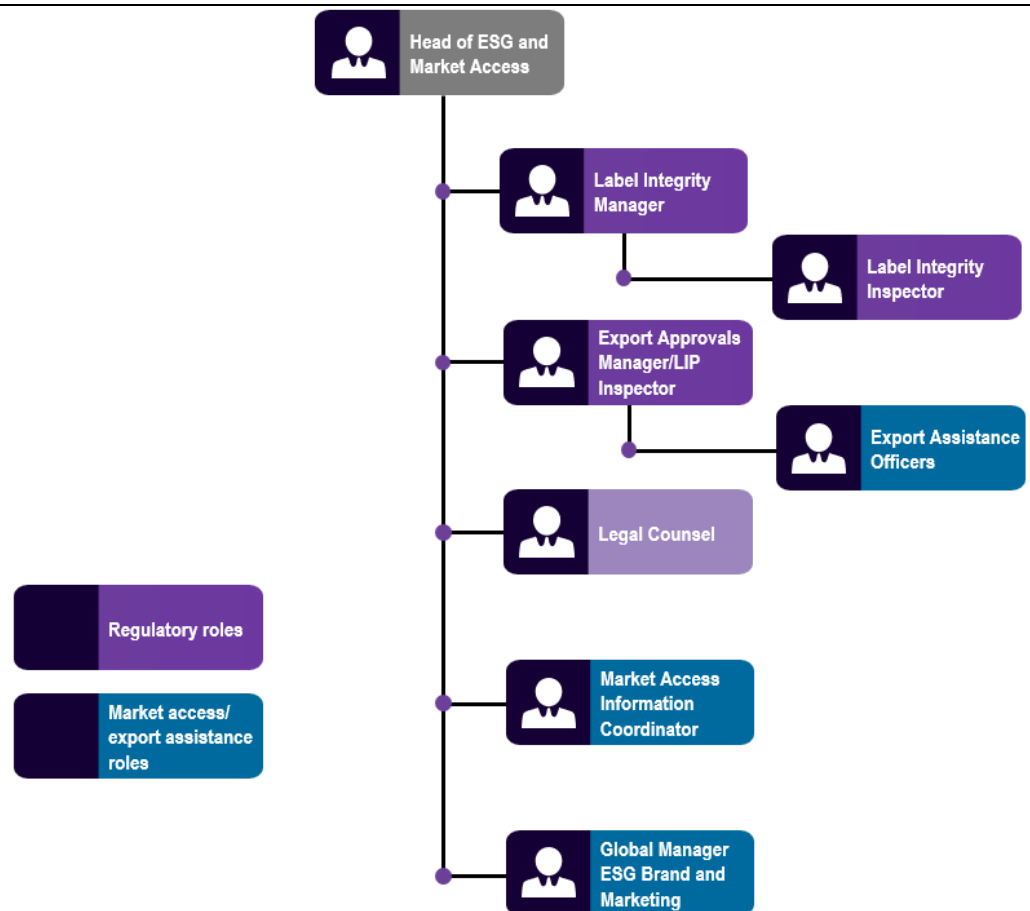
In response to industry concerns regarding increasing brand infringement funding was provided through the \$50 million Export and Regional Wine Export Package for the development of a new *Export Labelling Image Search System (ELISS)* which allows brand owners to identify potential breaches of intellectual property rights and provides a platform through which consumers can verify whether a label has originated in Australia. The system seeks to minimise the extent of brand infringement throughout the Australian grape and wine sector.

ELISS is also interfaced with the *Wine Australia Licensing and Approvals System (WALAS)* whereby Australian wine exporters are required to upload all labels for packaged products prior to gaining export approval. All packaged products intended for export after 1 July 2021 are searchable within ELISS.

4.9.1 Governance of regulatory functions

The Wine Australia Board is responsible for regulatory decision making and has delegated daily operational decision making to certain members of the regulatory services team. The Wine Australia Board cannot delegate decision making pertaining to suspension and cancellation of licences to export grape products from Australia.

The Head of ESG and Market Access for Wine Australia has the responsibility and authority for quality assurance within the Regulatory Services Department of Wine Australia. In the Head of ESG and Market Access's absence, this responsibility is assigned to the Export Approval Manager. The organisational structure for the regulatory functions within Wine Australia is shown in Figure 4.5.

Figure 4.5 Regulatory and market access functions within Wine Australia

Source: Wine Australia

As can be seen from Figure 4.5, Wine Australia's market access and regulatory functions are carried out within the same division which is led by the Head of ESG and Market Access (refer Box 4.1). There is little separation between market access and regulatory functions within Wine Australia with the regulatory functions reporting to the Head of ESG and Market Access.

Market access includes:

- tariff measures facing imports of Australian wine (but not domestic taxes in the destination market)
- non-tariff barriers including those relating to wine labelling, wine composition, winemaking techniques, and certification.

This structure recognises that regulatory requirements are an integral requirement for market access and that there are significant benefits from the sharing of information between market experts with regulatory compliance and export assistance officers. Wine Australia must have regard to compliance with importing country requirements when making decisions about shipping approvals, and when providing technical market access advice.

The benefits of co-location of regulatory and market access functions from Wine Australia's point of view include:

- *Mindset and culture:* while Wine Australia has important regulatory responsibilities in terms of ensuring compliance, integrity, and standards, it also has an important role in supporting industry and providing services and advice with respect to market access. The co-location of functions can be beneficial in obtaining the right balance between regulatory and market

access while still maintaining strong discipline and information walls between personnel when required.

- *Knowledge and information:* the co-location of personnel, especially in a small organisation such as Wine Australia, can assist in sharing information and knowledge about market trends and developments and this can assist in building the readiness and knowledge base from both a marketing and a regulatory point of view.

Depending on the organisation and nature of regulation, good governance practices, however, would usually recommend a separation of regulatory functions from market development (it should be noted that the market access activities of Wine Australia are separate to market development and marketing activities). This is the approach for larger government agencies or Statutory Authorities which have responsibility for both market development and regulation and where regulatory functions have a much stronger compliance, enforcement, and auditing function. An example is State Government mining and energy agencies where the regulatory functions are either a separate division within the Department, such as the Office of the Technical Regulator within the Department of Energy and Mining in South Australia which has responsibility for gas and electricity regulation or are administered through a separate Statutory Authority, such as Energy Safe Victoria in Victoria which is separate from Resources Victoria.

For smaller government organisations, however, it may not be feasible to fully separate regulatory functions from market development and there are often considerable benefits in the sharing of technical and other market information in administering regulations and supporting industry to comply with appropriate regulations. This is the case with the Australian Space Agency which has responsibility for the regulation of Australian rocket launches and space activities. The regulatory division in the ASA, while separate, is embedded within the agency and reports to the CEO. This is appropriate, given the size of the ASA and the early development phase of the Australian space sector where the ASA needs to work closely with industry in assisting them to understand, comply and meet regulatory standards.

Obtaining the right balance between market development and regulatory functions can be a challenge for many Government organisations and while there is no right or wrong model a decision on the degree of separation of regulatory functions should consider:

- the nature of the regulatory and compliance functions
- the potential benefits to industry from the co-location of regulatory and market development personnel
- any potential costs or challenges including the need to manage any potential conflicts with clients between facilitating market development and development and regulatory compliance
- the size of the organisation and feasibility and cost of establishing full separation of regulatory functions.

Consultation with industry stakeholders indicated that there are significant benefits to industry from the co-location of regulatory and market access functions within Wine Australia.

Almost all industry stakeholders believed that Wine Australia was doing an excellent job in terms of its regulatory responsibilities and feedback was overwhelmingly positive. This was particularly the case where wine companies had received advice and support regarding the regulatory and labelling requirements for market access to new markets.

Many stakeholders commented on the professionalism of the service provided, the quality of advice, its timeliness, and the accessibility of key staff.

Most stakeholders believed that Wine Australia had the appropriate balance between guidance compliance and audit.

"It's a service that Wine Australia provides well and works well within the organisation."

There were mixed views on whether there was a need for greater separation of the regulatory functions. While many stakeholders believed that Wine Australia administered its regulatory and market access responsibilities well there were a number of stakeholders that wanted to see greater separation of these functions with clearer separation and reporting of the regulatory division within Wine Australia.

Concerns were also raised regarding the oversupply situation in the Wine sector and the need for Wine Australia to be resourced to undertake more audits to protect the ongoing brand integrity of Australian wine.

On balance, considering the very positive views of industry regarding the regulatory functions at Wine Australia and considering the size of Wine Australia and its current budget constraints, it would be appropriate to retain the current structure of the regulatory functions especially given the need to diversify and access new markets.

In time, however, consideration should be given to having greater separation of the regulatory team within Wine Australia, this could include establishing a separate regulatory division or department with separate reporting on regulatory compliance and audits while still maintaining strong lines of communication with the Head of ESG and Market Access. The appointment of one person responsible and overseeing regulation will ensure greater separation and a greater focus on regulatory functions, audits and compliance as exports recover in key markets. The timing of such a restructure will be subject to budget constraints and regulatory needs and will require additional resourcing which should be factored into future cost recovery calculations.

4.9.2 Cost recovery of regulatory functions

Wine Australia charges fees and charges to recover the cost of their regulatory activities from industry.

Under Section 8(2)(g) of the *Wine Australia Act 2013* Wine Australia may charge export approval fees without gaining separate approval from the Australian Government. The regulatory activities conducted by Wine Australia pursuant to the Act and Regulations are:

- controlling the export of grape products from Australia as set out in the Regulations 4
- administering the LIP described in Part VIA of the Act.

Cost associated with these activities are recovered through charges paid by exporters of Australian wine relating to export licences, product approvals, label registrations, shipping approvals and import certificates.

Under the Public Governance, Performance and Accountability (Charging for Regulatory Activities) Order 2017 (Order) Wine Australia must maintain a Cost Recovery Implementation Statement (CRIS) relating to its regulatory charging activity. The regulatory activities funded from revenue derived from regulatory fees are articulated in Wine Australia's CRIS, which is maintained in accordance with the Regulatory Charging Order.

In accordance with the Regulatory Charging Order, regulatory fees are required to be charged at cost-recovery.

Wine Australia must also comply with the Australian Government Cost Recovery Guidelines and Policy, issued by the Department of Finance.³⁹ Under this policy, where appropriate, industry

³⁹ See *Australian Government Cost Recovery Policy*, Department of Finance
<https://www.finance.gov.au/government/managing-commonwealth-resources/implementing-charging-framework-rmg-302/australian-government-cost-recovery->

should be charged some or all the costs of regulatory activities. The cost recovery policy promotes consistent, transparent, and accountable charging for government activities and supports the proper use of public resources. The Australian Government Cost Recovery Guidelines also requires Wine Australia to regularly review its regulatory fees and charges.

The Wine Australia Board is required to certify changes to Wine Australia's CRIS, and review the CRIS in accordance with the Board workplan, which requires an annual review. In the past, Wine Australia has not been fully recovering the full cost of fees and charges to minimise the costs to industry. In 2022, Wine Australia undertook a review of its fees and charges and the Board agreed to update the CRIS and increase some fees and charges. This was the first adjustment to fees and charges for 8 years since 2014. The Board resolved that fee changes be applied on 1 July 2023, with a view to returning to cost-recovery by 2025-26.

In line with government policy, Wine Australia undertook a thorough process including consultation with key stakeholders to assess the impact of any changes in fees and charges in line with cost recovery. The feedback from industry stakeholders was that there was good consultation and transparency regarding the proposed increase in fees and charges.

Wine Australia developed a Full Cost Recovery Model to assist in achieving full cost recovery by 2025-26 for its regulatory functions. This included a detailed and full assessment of the actual costs of delivering and administering regulatory functions. The model aims to tailor fees to best meet the needs of its regulatory functions while balancing the need for industry development and competitiveness.

The Board resolved that in future years, CPI increases would be applied to all regulatory fees on 1 July with the aim of meeting full cost recovery by 2025-26. In addition, periodic reviews of Regulatory Fees would be conducted as part of the five-year Strategic Planning process to ensure that the Regulatory Fees continue to be charged at cost-recovery.

The transition towards a full cost recovery model for Wine Australia aligns with government policy and helps ensure ongoing and appropriate investment in regulatory activities to meet the need for increased audits and regulatory compliance.

[policy#:~:text=The%20Australian%20Government's%20overarching%20cost,the%20costs%20of%20those%20activities.](#)

In the regular reviews of regulatory fees and charges, Wine Australia should align itself with the cost recovery guidelines and policies developed by the Australian Government and consider the following guiding principles in reviewing, designing, and amending fees and charges for regulatory services:

- **Efficiency:** fees and charges should be based on the efficient administration and delivery of services by Wine Australia.
- **Effectiveness:** fees and charges should be evaluated regularly by Wine Australia to assess their effectiveness and alignment to meeting government policy objectives and legislative requirements.
- **Equity:** fees and charges should be imposed directly on those applying for the license or approval and who benefit from the application of the regulation.
- **Transparency:** fees and charges should be clearly documented and there should be information available to stakeholders and interested parties on the rationale for full or greater cost recovery, the costs incurred and the proposed user-charging rates.
- **Review:** the cost of delivering the regulatory services and fees and charges imposed should be regularly reviewed.
- **Simplicity:** as much as possible charges should be relatively simple, easy to administer and understand.
- **Policy:** the application of any fees and charges should align and be consistent with government policies including considerations of industry development and competitiveness.

The co-location of regulatory and market access functions within Wine Australia provides significant benefits to industry in terms of expert advice and support for access to new markets, in time however, consideration should be given to having greater separation of regulatory functions including establishing a separate division with a single line of reporting. This would require additional resourcing and will be subject to budget constraints and market conditions.

Conclusion

5

The Australian grape and wine industry has faced numerous challenges like climate change, COVID-19 disruptions, supply line issues, the imposition of duties on Australian still wine imports to China and inflation affecting production costs. These challenges had a significant effect on winegrape and wine supply.

At the same time Wine Australia experienced leadership changes, including a new Board Chair and directors, new Strategic Plan 2020-25 was initiated, and subsequent strategy 'refresh' was developed in response to rapid external changes

The issues faced by the grape and wine industry and Wine Australia dominated this review period, making assessments challenging.

5.1 Overview of Wine Australia's performance

Wine Australia can demonstrate performance effectively in whole or part across all performance principles and KPIs.

There is, however, a significant discrepancy between the documentary evidence from Wine Australia and the feedback of stakeholders. While Wine Australia's documents suggest that they meet or surpass many of the KPIs, stakeholders have raised concerns about their engagement levels, marketing strategies, and the impact of R&I investments. Although the recent leadership changes at Wine Australia have introduced a more customer-focused approach and enhanced stakeholder communication, this disconnect remains and may be attributed to:

- The industry's recent challenges have heightened businesses' expectations from Wine Australia regarding outcomes and ROI.
- Stakeholders are reserving judgment on the new leadership's customer-centric approach as its results are not yet evident.
- There is confusion about Wine Australia's role, leading to unrealistic stakeholder expectations and the organisation overextending itself.
- Wine Australia has been ineffective in conveying the benefits and results of its operations, especially in Research and Innovation areas, to many of its stakeholders.

Although stakeholders focused more on their recent experiences with Wine Australia, those that had been involved with Wine Australia over the review period noted that, in general, there had been improvement in Wine Australia's performance over time. The exceptions to this were in the areas of extension and adoption and communications, where sentiment remains largely negative. As discussed above, there may be several reasons for this.

5.2 Key findings and recommendations

The key findings include:

- **Focus for the future:** Wine Australia should narrow its activities to focus on its core functions.
- **Roles and responsibilities:** There's a need for clarity and transparent communication regarding roles and responsibilities.
- **Build adaptive capacity:** Wine Australia should consider its capability and adaptive capacity needs, with areas such as strategic risk management, project management, and research and innovation highlighted.
- **Better communication:** Current communications are passive and might not be suitable for the intended audience. Improvements are suggested in communication capabilities.
- **Better feedback and responsiveness:** Wine Australia should be more adaptive and responsive to stakeholder feedback and internal monitoring processes. A centralised feedback register could be helpful.
- **Smarter KPIs:** Future KPIs should be specific, measurable, achievable, relevant, time-bound (SMART) and focused on delivering outcomes and impacts.

A series of recommendations are made across six areas and are summarised below:

Recommendation 1 – clarify and communicate roles and responsibilities

It's essential for all involved parties, including Wine Australia, to understand Wine Australia's responsibilities. It's vital that this understanding is shared both within and outside the organisation. A robust engagement and communication approach with stakeholders will play a significant role in this.

Clarity will help Wine Australia concentrate on its primary tasks and outcomes, while effectively managing stakeholder expectations. The One Grape & Wine Sector Plan initiative has underscored the importance of defining roles and duties throughout the wine sector.

Recommendation 2 – manage strategic and systemic risks and expectations

Wine Australia should develop a systemic and emerging risk register beyond the immediate operational and project environment (i.e., looking at the “bigger picture” risks). This will aid Wine Australia in comprehending and steering the expectations of its stakeholders more effectively.

This will guide Wine Australia in discerning its essential functions, and the associated risks of not fulfilling primary duties. It will also shed light on how to alleviate residual risks.

Recommendation 3 – strengthen research impact, innovation, and skills

Wine Australia is currently revamping its R&I program to be more attuned to industry requirements. It is important that this effort continues. Where suitable, there should be an emphasis on leveraging funds from industry associates and other partners to amplify its reach and influence.

Recommendation 4 – focus on implementation and communicating outcomes and impacts from core functions

Wine Australia's performance against delivery and communication of outcomes and impacts in relation to R&I, E&A and marketing can and should be improved.

While stakeholders feel more engaged than before, the prevalent sentiment indicates that while engagement has been adequate, Wine Australia now needs to act on the feedback received and commence delivering results and impacts beneficial to the industry.

Several sub-recommendations fit under this recommendation and are detailed below.

Recommendation 4a – monitor and report on transition to implementation

Wine Australia needs a transition and implementation register and needs to monitor and report progress on implementation of crucial plans on a 6 monthly basis until the plan is effectively achieving outcomes. This should be published on Wine Australia's website so that stakeholders are aware of the progress being made.

Recommendation 4b – develop and implement a new strategic plan (as soon as possible)

Wine Australia should, on completion of the OSP, integrate any strategic priorities within its remit (as set out in the *Wine Australia Act 2013*) through its annual operational plans (AOPs) and *Strategic Plan for 2025–30*. In doing so, Wine Australia needs to focus only on what it must, and can afford to do, and what industry perceives as activities that will make a difference.

Recommendation 4c – collaborate outside the current provider base

One of the key findings of the Strategic Partnership Agreement Review in 2021 was that Wine Australia needed to broaden its R&I provider base. One of the key findings of the Strategic E&A Review in 2020 was similar for E&A providers. This performance review finds that 72% of R&I (including E&A) funding goes to just four providers. This is a key risk for Wine Australia in terms of delivering outcomes and impact to stakeholders as well as creating consolidation of capability in just a few institutions.

Recommendation 4d – improve communication of outcomes and impacts

Although Wine Australia has funded and delivered projects of impact with positive returns on investment to levy payers over the performance review period, the message is not getting through.

Recommendation 5 – build adaptive capacity and the right capability

To effectively deliver outcomes and impact to industry, Wine Australia needs to consider its capability and adaptive capacity needs. Capability needs to be fit for purpose to drive action and be adaptive to manage uncertainty. People with the right skills are critical for a future fit Wine Australia with a leaner budget.

We recommend that Wine Australia immediately reviews/assesses its capability and adaptive capacity relative to its ability to deliver on its next strategic plan and implement changes in accordance with the findings.

Wine Australia also needs to be aware of the capability risks in its provider base and work to manage those risks where possible. We propose that a broader capability and adaptive capacity review be considered a priority within the next few years.

Recommendation 6 – be more adaptive and responsive to stakeholder feedback and internal monitoring and evaluation processes

We propose a centralised feedback register may assist with demonstrating that feedback is recorded, considered, and then responded to either by incorporating the feedback or providing a response back to the stakeholder who provided it.

We recommend that future KPIs are specific, measurable, achievable, relevant, time-bound (SMART) and focused to achieve outcomes and impacts in core functions. If performance against KPIs is not achieved, Wine Australia should evaluate why that is the case, what insights can be drawn and how to rectify its performance and adapt either its behaviour to achieve the KPI or adapt the KPI should it be unsuccessful in driving Wine Australia's performance.

Appendices

Organisations consulted

A

Table A.1 List of organisations consulted

Organisation
Accolade
Australian Commercial Wine Producers
Adelaide Hills Wine Region
Australian Grape & Wine
Australian Vintage Limited
Australian Wine Research Institute (AWRI)
Berton Vineyards
Calabria Family Wines
CCW Co-operative
Clare Valley Wine and Grape Association
CSIRO
De Bortoli Wines
Department of Agriculture, Fisheries and Forestry
Department of Trade and Investment South Australia
FABAL & Australian Grape & Wine Vignerons Committee
Inland Wine Regions Alliance
Limestone Coast Grape and Wine Council
Margaret River Wine Association
McLaren Vale Grape Wine & Tourism Association
Murray Valley Winegrowers Inc.
NSW Wine Industry Association
Paragon Wine Estates
Pernod Ricard Winemakers
Riverina Winegrape Growers Association
Riverland Wine
South Australian Research and Development Institute
South Australian Wine Industry Association
The Wine Group
Treasury Wine Estates

Organisation

Watkins Family Wines

Wine Grape Council of South Australia

Wine Australia

Wine Grape Council of South Australia

Wine Tasmania

Wine Victoria

Wine Yarra Valley

Wines of Western Australia

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