Proposal to merge Wine Australia Corporation (WAC) and the Grape and Wine Research and Development Corporation (GWRDC)

August 2012

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Executive Summary

The Winemakers’ Federation of Australia (WFA) and the Wine Grape Growers Australia (WGGA) have recently conducted an extensive consultation with wine industry stakeholders to gauge the level of support for a merger between the Wine Australia Corporation (WAC) and the Grape and Wine Research and Development Corporation (GWRDC).

WAC and GWRDC are statutory authorities, established by, and responsible to, the Australian Government. GWRDC’s mission is to generate new information that enhances the profitability, international competitiveness and sustainability of the Australian grape and wine sector. It does this by investing in RD&E that can lead to innovation and so contribute to improved profitability, competitiveness and sustainability.

The Australian Wine and Brandy Corporation (renamed WAC in 2011) was established in 1981 to provide strategic marketing support to the Australian wine sector. In 2011, it was renamed Wine Australia Corporation. WAC works to increase and sustain demand for Australian wine via five core responsibilities: Market Development, Knowledge Development, Compliance, Trade and Geographic Indications (GIs).

Funded predominantly through voluntary membership fees, both WFA and WGGA are industry representative organisations for the purposes of the legislation under which WAC and GWRDC operate.

For some time WFA and WGGA have been seeking ways to manage industry and government investment in WAC and GWRDC more efficiently, and have concluded that a merger would have significant industry benefits.

The consultation process has indicated significant industry backing for the initiative. A significant majority of persons and associations consulted expressed the view that the merger would rationalise the wine sector’s support structure, remove duplication, reduce confusion and increase efficiency in service delivery and ensure alignment of industry strategy across research, development and marketing.

It has also provided valuable feedback on preferred structures and priorities for the merged entity.

In response to the outcomes of the consultation process, WFA and WGGA have developed a formal proposal to merge the GWRDC and WAC including recommendations on the objectives and governance arrangements for the new organisation.

A number of important issues were raised during the consultation process and they are also referenced and considered in the proposal. The consultation process confirmed strong industry support for the safeguarding of research funds from marketing activities and for this to be guaranteed in the relevant legislation. This principle is also a pre-condition of WFA and WGGA’s support for the proposed merger.

WFA and WGGA are seeking formal support from the Australian government for this merger to take place.

We would also note that our proposal is consistent with the Rural Research and Development Policy Statement released in July 2012 and that the changes outlined in this document will have implications for the structure of the merged body.

WFA and WGGA look forward to working closely with the Australian government, WAC and GWRDC over the coming months on the proposed merger to bring this important initiative to a conclusion.
1 Introduction

1.1 Proposal purpose

The Winemakers' Federation of Australia (WFA) and Wine Grape Growers Association (WGGA) have a clearly defined agri-political role to advance the interests of the Australian Wine Sector through advocacy and policy development.

This submission, in support of a merger between the two statutory bodies - Wine Australia Corporation (WAC) and the Grape and Wine Research and Development Corporation (GWRDC), has been developed by both of these organisations. Funded predominantly through voluntary membership fees, both WFA and WGGA are representative organisations for the purposes of the legislation referred to in this document. This submission is made in this capacity, on behalf of the Australian Wine Sector.

1.2 Proposal background

Australia's share of world wine trade has grown steadily since the 1960s and rapidly over the past decade before peaking around 2007 and showing a decline since.

The following dates are noted for consideration in the context of the data provided below:

- 1929 Establishment of the Australian Wine Board
- 1930 Establishment of Wine Grape Growers' Council of Australia (est.)
- 1981 Australian Wine & Brandy Corporation (AWBC) succeeds the Australian Wine Board
- 1990 Grape and Wine Research and Development Corporation (GWRDC) established
- 1990 Inception of Winemakers' Federation of Australia (WFA)
- 2005 Incorporation of Wine Grape Growers Australia (WGGA)

A shortcoming of the current organisational structures was seen to be the inability of any one group or process to tackle thought leadership and strategy on behalf of the whole industry, and to be accountable to industry for performance against defined strategies. The sector managed to develop strategy, but no agency or process retained single-point accountability, and there was no clear structure or process in place for future strategic activity.

2 Historical timeline and rationale for change

2.1 Background to change

In the mid 2000's it became clear that the Australian wine industry was facing a number of critical challenges:

- An imbalance between supply and demand of winegrapes/wine undermining the industry's branded market penetration;
- Dramatic change in water availability and trading conditions;
- Climate change implications;
- More robust competition in international markets; and
- An elevation of community consciousness around alcohol abuse and heightened expectations of detrimental industry policy initiatives

The wine sector responded through two important strategic processes to address these challenges and to build opportunities for the sustainable parts of the Australian wine business.

2.2 Directions to 2025 and Taking Stock and Setting Directions

In 1996, the Australian wine industry released Strategy 2025. The decision to initiate a visioning exercise for the whole industry grew partly out of the success of the export effort, partly out of the proposal in the 1993 Federal Budget to increase the sales tax on wine and partly from the resulting bitter public campaign that convinced industry leaders that more needed to be done to develop recognition of the industry's special circumstances and vulnerability. Strategy 2025 articulated the opportunity inherent in the orientation to world markets and the move from non-premium to premium segments. By 1995, these had clearly emerged as drivers of industry growth and profitability. Following the years of growth, the sector entered then into a period of increased competition, lower growth and lower profits.
Directions to 2025 (Annex 1) was developed as a joint initiative of the (then) AWBC and the WFA, with the strong and essential support of other national, state and regional industry bodies and the wine sector itself. To guide and oversee the process, a taskforce to represent wine producers, grape growers and sector organisations was appointed in February 2006.

From the outset, each of the parties involved in the development of Directions to 2025 recognised that it was an evolutionary development of the wine sector’s broad design as expressed in Strategy 2025. Naturally, it owes much to the principles that made Strategy 2025 both visionary and effective.

Articulating the business case for Australian wine as it stood in 1996 and where it could be in 2025, Strategy 2025 first analysed a range of performance and competitiveness criteria. It then articulated a sustainable future based on Australia’s ability to establish global leadership in specific branded market segments. Aside from its major measurable business targets, its key objectives were also to implement 30 specific strategies and to improve the recognition and understanding of the wine business by its stakeholders, individually and collectively.

The impact of these 30 strategies has been significant. They have underpinned the planning process and the ongoing activities of WAC, WGGA, WFA and the QWRDC and have been incorporated into the activities of other sector bodies, research and development agencies, governments and commercial businesses. Similarly, the level of stakeholder recognition has been immense.

Strategy 2025 succeeded because it was comprehensive, realistic and right for its time. Directions to 2025 represented an equally comprehensive and timely plan for the Australian wine sector to transform itself from a volume-driven approach to one that delivers a more sustainable and profitable business environment for more growers and producers.

Directions to 2025 focused primarily on wine producers and was released in May 2007. WGGA completed a complementary project in December 2006. Australian Wine Grape Industry Taking Stock and Setting Directions involved a rigorous self-assessment by the grape growing sector, supported by independent consultants. Relevant findings were incorporated into the process. Directions to 2025 was a comprehensive blueprint for Australian wine to achieve a sustainable return for its 7,000-plus grape growers and 2,000-plus wine producers. It delivered a broad and sustainable strategy based on a clear understanding of such matters as market change, climate change, the environment and vine health.

Directions to 2025 and Taking Stock and Setting Directions project a case for change in a number of key areas. At the heart of these change agendas lies the capacity of the industry to work collectively on a single vision for its future.

Kevin McLintock, the Chairman of the Directions to 2025 Taskforce and current Board member of Wine Australia Corporation wrote in the foreword of Directions to 2025 ‘Underpinning Directions to 2025 is the awareness that there are times when sectors and businesses need to adapt. I firmly believe that now is the time for a full, research-based review of all sector organisational and research structures. Australia needs and deserves an inter-organisational structure that delivers a significant international competitive edge. Our structure needs to be the best equipped to deal with the future challenges represented by markets local and overseas, as well as climate change and future environmental challenges.’ (Wine Australia, May 2007).

2.3 Response to Directions to 2025

In response to the challenge raised by Kevin McLintock, and in recognition of the almost $50M per annum invested in national industry collective activities alone and additional millions invested in collective activities at state and regional levels, the wine sector believed it had the financial muscle to develop sound, targeted strategy to address some of these key challenges.

However, the sector needed to bring together the key components of its supply chain and the key functions of its various industry bodies to drive forward the industry’s broad agenda.

In seeking to do this, the critical question of what is the best industry structure that empowers the whole industry to implement these essential changes and provide the leadership to springboard into the future became apparent.
To answer this, in 2007 a task force was established comprising the Chairs of the four peak organisations of the Australian wine industry – WFA, WGGA, the Australian Wine and Brandy Corporation (now WAC) and GWRDC. The group was tasked to oversee a review of the national organisational structures of the Australian Wine Industry (the NOS Review). The objective of the review was to ensure that future industry structures delivered against an aligned set of strategic objectives.

These strategic objectives were identified in Directions to 2025, which called for ‘a sector-led approach for individual enterprises’ and ‘a strengthening [of] sector structures, directly influencing domestic and export markets and gearing up for sustainable success’.

The goal of the strategic document was identified as being the realisation of an additional $4 billion worth of wine sales for Australia over the next five years.

Both strategies recognised that the factors that drove Australia’s success between 1985 and 2005 were no longer dominant or exclusive.

Noting the identified strategies and goals in these two documents, the organisational structure of the wine industry became critical. The goal of the task force was to ensure that future organisational arrangements delivered a significant international competitive edge, as well as the capacity to respond to future challenges.

2.4 October 2007 Consultation Paper

An independent consultant (Kate Grenot, the current Chair of the Rural R&D Council) was appointed to review the structures and prepare a consultation paper (Annex 2). This paper set the guidelines for the reform agenda for the industry over the next five years. Grenot considered a reform of organisational structures would overcome many of the inefficiencies in the system allowing the sector to:

- build on current capabilities
- resolve key structural impediments to the delivery of Directions
- increase the responsiveness of the system to enable change in a timely manner
- clarify immediate structural arrangements for current ‘outliers’, such as health and environment
- adopt suitable best practice from models used elsewhere, for various functions, and
- simplify the system, while maintaining high levels of governance, transparency and accountability to stakeholders.

In October 2007, the NOS Review Task Force released the Consultation Paper for industry comment that outlined three possible approaches “to ensure that future organisational arrangements deliver a significant international competitive advantage, as well as capacity to respond to future challenges”:

a. A reform agenda based on the current national organisational structures
b. Structural redesign based on an industry services body (ISB) model; and
c. A single statutory authority.

2.5 February 2008 Briefing note

After considering the submissions received in response to the Consultation Paper, the task force met on 20 December 2007 in Sydney, and agreed to disseminate a Briefing Note for further industry consideration on 8 February 2008 (Annex 3). This note was sent to:

- all national, state and regional wine and grape associations;
- all those who made submissions to the NOS Review;
- DAFF (and the Minister’s office);
- selected media (as per distribution of the Consultation Paper); and
- WFA website.

The Briefing Note contained a number of recommendations that favour a structural redesign based on an ISB with some elements of the reform agenda.
The principal structural recommendations outlined in the Briefing Paper may be summarised as follows:

1. Establish a ‘Council of Chairs’ to drive Directions to 2025 and structural reform and enable ‘joint authorisation’ of industry direction.
2. Continue the CEO Forum with responsibility for strategy and policy pending establishment of an industry-wide strategic planning function.
3. WFA and WGGA retain responsibility for winemaker/grower specific advocacy and establish a Peak Council for whole-of-industry representation.
4. AWBC retain responsibility for Compliance.
5. GWRDC retain responsibility for Research & Development - at least in the short term.
6. Establish an ISB (newly created or derived from a restructured WFA or AWBC) to deliver all other services including:
   - Market development
   - Knowledge development
   - Industry-wide strategic planning
   - Communication
   - Workforce development
   - Health
   - Environment
   - Research and development (subject to future review)
7. Develop future funding arrangements and a case for an increase in statutory levies.
8. Develop mechanisms to better integrate national planning and delivery with state and regional planning processes and simplify the hierarchy of wine industry organisations.

2.6 WFA Board meeting 2008

At its April 2008 Board meeting, the Winemakers’ Federation of Australia (WFA) considered the recommendations raised in the briefing note resulting from the consultation paper and subsequent consultations. The WFA Board determined that the capacity of the industry bodies to respond to these challenges was limited by the lack of a single, unified body to drive the strategic direction of the industry that incorporated the value chain from growers to processors to in-market activity.

Accordingly, WFA recommended the creation of an industry-owned corporate entity (working title, Wine Australia Inc.) that would become the industry’s single, unified strategy-setting and implementation body. The initial model incorporated a broad range of functions currently performed by WFA and the Australian Wine and Brandy Corporation (AWBC). More recently, the functions of the Grape and Wine Research and Development Corporation (GWRDC) have also been included in Wine Australia Inc. under the WFA policy.

The other national stakeholder organisations also considered the policy and requested that a due-diligence process be undertaken to inform their policy considerations.

2.7 Due-diligence process

The due diligence process was undertaken by a working group comprising members from WFA, WGGA, AWBC and GWRDC. In this process structure, functions and budgets were all examined to assess the cost-benefit of the establishment and operations of an ISB or a merged statutory authority.

WFA originally supported a policy that would incorporate key functions of WFA and AWBC into Wine Australia Inc., but retaining the AWBC Act for compliance functions and the WFA structure for advocacy functions. The WFA policy sought to consider the inclusion of GWRDC functions in Wine Australia Inc. at a later stage (to be reviewed in 3 years) in recognition of the greater complexity of negotiating an outcome with the two other funding stakeholders in GWRDC, notably the Commonwealth and WGGA.

During this process it became apparent that stakeholder consultation and endorsement process would be required for either model. Accordingly, WFA altered its policy to include the GWRDC immediately, and noted that broader consultation with the GWRDC and key stakeholders was necessary ahead of an industry-agreed solution. For the purposes of the due-diligence process, the full model (inclusive of GWRDC) was investigated.

At this stage the preferred model was for Wine Australia Inc. to incorporate the functions of the GWRDC, WFA (excluding advocacy) and AWBC (excluding Regulatory/Compliance function).
WFA and WGGA would be structured as per current arrangements, including the formation of the Joint Policy Council. The regulatory function of the AWBC would be retained in a trimmed-down AWBC or alternatively as a separate regulatory authority operating under its own Act, and with corporate government protocols determined under the Financial Management Accountability Act (FMA).

The table below summarises the ownership and governance arrangements of the current statutory arrangements compared with the proposed Wine Australia Inc. model.

<table>
<thead>
<tr>
<th>Entity</th>
<th>AWBC and GWRDC</th>
<th>Wine Australia Inc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Objectives and Functions</td>
<td>Prescribed by an Act of Parliament</td>
<td>As defined by industry members in the constitution. Will need to be reflective of statutory funding agreement with the Australian Government</td>
</tr>
<tr>
<td>Ownership</td>
<td>Government</td>
<td>Members as specified (industry)</td>
</tr>
<tr>
<td>Service Capability</td>
<td>Functions defined by the Act</td>
<td>Flexible: as per the company’s constitution and statutory funding agreement with the Australian Government</td>
</tr>
<tr>
<td>Organisational Structure</td>
<td>Board. Minister appoints the Chairman. Other board members are appointed by the Minister on the advice of a selection committee. Government directs the composition, tenure and re-appointment conditions of the Board.</td>
<td>Board. Elected by members or selected by a selection committee nominated by the peak bodies. Board structure, size, tenure etc. specified in the constitution.</td>
</tr>
<tr>
<td>Funding</td>
<td>Statutory levies. R&amp;D expenditure matched by the Commonwealth up to 0.5% of GVP</td>
<td>Statutory levies. R&amp;D expenditure matched by the Commonwealth up to 0.5% of GVP. Provisions can be made to enable Commonwealth matching for voluntary contributions</td>
</tr>
<tr>
<td>Accountability: Industry</td>
<td>Annual Report to Parliament distributed to levy payers AGM (AWBC only). GWRDC report through WFA and WGGA AGM’s</td>
<td>Annual Report to members. AGM</td>
</tr>
<tr>
<td>Resource Allocation</td>
<td>No formal industry input although consultations do occur, particularly around SDG process and GWRDC 5 year plan</td>
<td>Consultation process with peak bodies incorporated into constitution.</td>
</tr>
<tr>
<td>Supply-Chain representation</td>
<td>GWRDC incorporates grower and processor representation into Board selection committee. AWBC processors and exporters only</td>
<td>Growers and wineries have equal input into formal functions (Board selection committee and resource allocation consultation)</td>
</tr>
</tbody>
</table>
The business case for the formation of Wine Australia Inc. rested on the following criteria:

**Strategic Alignment**
Wine Australia Inc. provides the best framework to align all of the industry’s key strategic functions. It brings together the market development, knowledge development and R&D functions nationally into one implementing organisation. Furthermore, by bringing grapegrowers and wineries into the accountability structure, it creates an organisation that will be the catalyst for aligning policy and strategy between the growing and winery sectors. It would, for example, avoid the situation where two strategic plans are developed for the grower and winery sectors as is currently the case.

**Resource Allocation Flexibility**
The ability to allocate resources across all of the functions of Wine Australia Inc. will enable much greater flexibility to meet industry needs. The experience of other similar organisations during levy reductions has been that the allocation flexibility has been essential to maintain critical strategic programs.

**Industry Accountability**
The formation of a single body with strong formal links to the peak bodies, WFA and WGGA would increase the degree of accountability to industry.

**Better Corporate Governance**
The experience of Dairy Australia was that the changes should enable a more rigorous commitment to a skills-based Board, without any government influence with respect to geographic, gender or other considerations. It was recommended that the legislation be written to reflect the essential skill requirements.

Expenditure of Government matched funds for R&D would still be accountable to government through the reporting requirements.

**Efficiencies**
The proposed structure would provide efficiencies of between $500,000 p.a. and $1,000,000 p.a., with significant savings anticipated in finance and administration roles as well as the loss or downgrading of one Board.

**Communications**
The structure would facilitate better internal communications within the various industry functions, which is directly linked to the strategic alignment above. It would also streamline and more effectively target communications with the industry and broader stakeholders. Once and for all, it will resolve the ‘who does what’ question.

### 2.8 Role of Compliance

The maintenance of a compliance role was fundamental to any discussion of structural change. WFA was, and is, firmly committed to ensuring an appropriate level of compliance for exports. The rationale underlying the establishment of the WAC compliance function is to preserve Australia's international reputation for the production of wines of quality and integrity. A number of international incidents over the past 30 years have caused serious problems for other countries’ wine industries, notably the Austrian experience following the adulteration scandals of the mid 80’s and more recently, the allegations of artificial flavourings added to South African white wine and the reaction in the German market to suggestions that Californian wine contained added water.

In broad terms, the objectives of the compliance function are achieved by licensing exporters, issuing export permits for shipments of wine and brandy, protecting third country Geographic Indications (GIs) that are entered in the Register of Protected Names, liaising with other regulatory agencies and managing export issues and running a label integrity program to ensure truth in labeling claims with respect to vintage, variety and region.

The other key regulatory matters undertaken by WAC (but outside the Compliance area) are to maintain a Register of Protected Names and support the Geographical Indications Committee (GIC) (a statutory committee established to define Australian wine GIs).
There is also a very close synergy between compliance and broad market access issues and this creates an important nexus. The interdependence of the compliance functions and the trade and market access aspirations of the industry mean that dealing with market access issues rely on a close relationship with the compliance structure.

There are two essential elements to the Australian regulatory regime; the label integrity program (LIP) prescribed by the Act; and the export controls prescribed by the Regulations.

Label Integrity Program

- The program is designed to ensure that any claim made regarding vintage, variety or geographical origin of wine can be substantiated through recorded traceability from the vineyard to the bottle.
- As part of the export approval system, label claims are compared with compositional details submitted when export approval is sought. LIP auditors then use this information to cross check at audits.
- WAC monitors compliance with the program through its audit function. Non-compliance with the record keeping requirements of the Act can result in prosecution. The WAC will generally seek remedy through a consultative approach, with temporary license suspension an option in the more serious cases.
- WAC is required to investigate alleged breaches, prepare briefs for the prosecution (the Department of Public Prosecution (DPP) prosecutes on issues of LIP; breaches of Food Standards Code are prosecuted by State Health Authorities).
- Direct costs of prosecutions are borne by the Commonwealth Director of Public Prosecutions, although the WAC bears the substantial operating costs involved in investigating alleged breaches and in the preparation of the briefs required by the CDPP.

Export Controls

- The WAC maintains an export approval process aimed at ensuring that exports are fit for purpose. The export of wine is prohibited in the absence of a permit provided by WAC.
- To obtain an export permit from WAC, exporters must hold a license
- Label claims made in relation to vintage, varietal and regional provenance are reconciled with compositional data provided in support of the export permit application. Demonstrated compliance with the Australia and New Zealand Food Standards Code is also required.
- Permission to export wine unpackaged requires an additional criterion to be satisfied. Prospective recipients of bulk wine must be able to demonstrate compliance with an independently audited, internationally recognized, quality management standard. The process is administered by WAC but the audits are conducted independently, with the international customer bearing the compliance cost. Commercial samples of the packaged product are returned from the international market to enable comparison with the material initially submitted for export assessment.
- Refusal to grant an export license, or to issue an export permit for a wine, provides grounds for appeal to the Administrative Appeals Tribunal. Costs in defending such an appeal would fall to WAC.
- Customs audits – Customs send data and these are matched with the Wine Export Approval System. This acts as a check on the integrity of the system

Although the LIP and the export controls are distinct functions, substantial synergy derives from their common administration. Labels submitted for export approval are compared with exporter-supplied compositional data which is subsequently subject to audit via the label integrity program. Separating the two functions would not only introduce additional cost, but would reduce the effectiveness of each.
Other compliance functions

(a) Administration of the Australian – European Union Wine Agreement – Under the EC wine Agreement, ‘the Contracting Parties shall take the measures necessary to ensure that the obligations laid down by this Agreement are fulfilled’. According to the Agreement, Australia is required to:

- prevent the use of European protected names to describe and present a wine originating in Australia;
- provide protection of the European geographical indications through the provision of legal means
- provide certification documents and analysis report/s through the competent body (For the purpose of this Article, the competent body in the case of Australia is WAC).
- The competent body does have the ability to allow self-certification. Individual producers are competent to carry out these responsibilities providing they meet certain requirements.

These activities are all currently undertaken by the WAC. They take the form of issuing of VI1 forms; protection of European GIs and issuing of export certificates. The Commonwealth is obliged to ensure that a comparable regulatory capability is retained to give effect to the Wine Agreement.

(b) Australian Wine Overseas Program (AWO). The AWO program is aimed at promoting the sale of Australian wine overseas by making it available in Australian and other diplomatic missions throughout the world. This activity is based in the compliance area of WAC.

(c) Intervention when disputes arise in export markets. The Compliance area of the WAC is the first refuge whenever problems emerge with shipments in export markets. Resolution of these disputes and pressure to change import requirements benefits from the ability of the WAC to display a government endorsement.

(d) Information - The export approval report is generated from the Compliance Centre and the Export Market Guides are produced – as a compliance function of WAC – these provide a very good reference for import requirements to key markets, are updated when changes are made and reviewed annually.

(e) Relationships with Regulators - WAC builds relationships with key regulatory authorities in major markets. This has included staff exchanges with the United States Taxation and Trade Bureau (TTB); visits and relationship building (UK Wine and Spirits Board; AQSIQ).

(f) WAC undertakes a number of other certification activities that are required for particular export markets. These include:

- Issuing of Certificates of Free Sale (for China, the Philippines, Hong Kong, Vietnam et al)
- Certificates of Cultivars – (South Africa)
- Health Certificates (Taiwan)
- Import Certificates for China and Brazil
- Compliance with organic certification.

Key Issues in the NOS Review on Compliance

The international regulatory environment is not static and continues to evolve. It is necessary to assess the potential regulatory risks to make a decision on the structure of compliance in any ongoing regulatory framework. Key issues included:

(a) Increasing international traceability requirements
(b) Water scarcity and climate change
(c) Increasing relevance of emerging markets of Asia and Eastern Europe
(d) High level of international competition
(e) Emergence of environmental regulations and requirements
The (then) AWBC compliance processes were among the most stringent in the world when they were first introduced. However, other countries, notably Canada, South Africa and New Zealand, have emulated Australia’s approach, and it may be necessary to review the adequacy of Australia’s regulatory procedures to ensure they remain robust enough to withstand international scrutiny.

At the time, it is was felt that it was not the task of the review to determine the appropriate level of compliance required by the Australian wine industry to protect its reputation, but that this needed to be taken into account when assessing regulatory models. In the context of the NOS Review the risk profile of the Australian wine industry was assessed against the level of compliance required, including, an assessment of the costs and benefits of different compliance activities taking into account the current international and domestic environment and likely future regulatory developments.

**GIC ongoing Status**

The Geographical Indications Committee (GIC) is a statutory committee of Wine Australia established in 1994. Its function is defined in the Wine Australia Corporation Act as being "to make determinations of geographical indications for wine in relation to regions and localities in Australia”. The GIC has three members plus two nominated alternate members to avoid potential conflicts of interest.

The Commonwealth will be obliged to retain the functions of the GIC or comparable functions in an appropriate alternative organisation. Independently, WFA, AWBC and WGGA have all consulted with the Australian Government department responsible for administering Australia's intellectual property regime, IP Australia, on a potential alternative model. IP Australia have advised that they are capable of undertaking the dual processes of creating new GIs and protecting existing GIs in a fashion that will meet Australia’s obligations under the WTO Agreement of Trade Related Aspects of Intellectual Property Rights (TRIPS Agreement), the Agreement between Australia and the European Community on trade in wine and various Free Trade Agreements with provisions for intellectual property protection for wine. This is an option that could be considered under the merged entity.

**Collection of Levy**

There was an expectation that the Levies Management Unit would continue to collect the levies for a single body. At this time there appeared to be little prospect of rationalising the levy (i.e. combining the levy from three into one). However, it is now possible that there may be cost efficiencies in the levy collection under a merged model.

### 2.9 Post 2008 developments

Despite the preferred position of the WFA board to create a single Industry Services Body (ISB), it was not possible to obtain sufficient industry support from grapegrowers and winemakers for this move was not possible to obtain. The key objection was a distrust of the experiences of the other ISBs and unwillingness to take such a high cost option when there appeared to be a much simpler option with the same outcome. WFA and WGGA consulted extensively over the last three years and the Boards of both organisations have agreed that, of the three options originally proposed back in 2007, a single statutory authority could best deliver the services to the industry and meet the needs of Government. Combining the current functions served by WAC and GWRDC, one authority, established under a single statute would:

- create one national delivery agency for the Australian wine industry;
- maintain the Label Integrity and Geographic Indications programs and associated regulatory and government-to-government activity;
- align research and marketing strategy and maximise efficiency in delivery against this strategy with scarce resources;
- where necessary, extend the wine industry’s responsibilities in areas such as health, education and environment; and
- realise economies through common management and financial reporting, corporate support, systems and procedures.
2.10 December 2011 WFA and WGGA Board meetings

The Boards of the Winemakers’ Federation of Australia (WFA) and Wine Grape Growers’ Australia (WGGA) both endorsed a recommendation to merge the Wine Australia Corporation (WAC) and the Grape and Wine Research and Development Corporation (GWRDC) into a single statutory organisation in December 2011.

The appeal of this approach is that it combines the benefits of the ISB model with the benefits of operating within a government legislative framework. For example, one Statute could enable one Authority to:

• create one national delivery agency for the Australian wine industry
• maintain the Label Integrity and Geographic Indications programs and associated regulatory and government-to-government activity
• more closely align research and market-related activities, with continued receipt of Government matching R&D funds
• where necessary extend responsibilities in areas such as health, education and environment, and seek economies in management and financial reporting, corporate support, systems and procedures.

Under this Option, the industry associations, WGGA & WFA, would again remain separate given that funds cannot be applied for agri-political purposes.

In considering the recommendation, the respective Boards agreed to the following commitments:

Research and development
Notwithstanding the current considerations for levies raised under the PIERD Act to be available for market research, the respective Boards strongly support the use of levies raised under the PIERD Act to be retained only for research and development and ensure that they are quarantined for this purpose under any revision to the Act.

Statutory Model
The review of a merger of the two entities considered two models – an Industry Owned Corporation (IOC) and a Statutory Corporation. The Boards supported the statutory model.

Levies
WFA and WGGA do not propose to alter the form or magnitude of levies with the merger of WAC and GWRDC.

Consultation program
Although WFA and WGGA believe there is a strong case for the proposed merger, they believed there was a need to undertake a comprehensive consultation process to demonstrate industry support.

Peter Schultz, the (then) President of the Winemakers Federation of Australia and Vic Patrick, the Chair of Wine Grape Growers Australia wrote to the Minister for Agriculture, Fisheries and Forestry, Senator the Hon. Joe Ludwig on 8 December 2011, to inform him that the Boards of the Winemakers’ Federation of Australia (WFA) and Wine Grape Growers’ Australia (WGGA) both endorsed a recommendation to merge the Wine Australia Corporation (WAC) and the Grape and Wine Research and Development Corporation (GWRDC) into a single statutory organisation (Annex 4).

The view stated was that a merger between WAC and the GWRDC will provide substantial industry benefit, particularly in the alignment and implementation of industry strategy and in cost efficiencies in administration. There are important links between the investment initiatives of the GWRDC and the marketing, knowledge development, market access and compliance functions of WAC. WFA and WGGA believed that the merger will enable these linkages to be managed more efficiently and effectively, and at the same time give the primary stakeholders (grapegrowers, wineries and the Australian government) one body to engage with on the direction of strategy and its execution in our respective interests. The initiative would also provide efficiencies in administration and management estimated to be in the order of at least $750,000 per annum.
The letter sought a meeting with the Minister to discuss the proposal and obtain in-principal support for this recommendation so that WFA and WGGA could commence a process of due-diligence with the Department and undertake a consultation program with the industry.

On Thursday 9 February 2012, the Minister for Agriculture, Fisheries and Forestry, Senator the Hon. Joe Ludwig, met with representatives of the Winemakers’ Federation of Australia and Wine Grape Growers’ Australia and agreed to these bodies undertaking further investigation into merging the two corporations into a single statutory corporation and receiving a detailed proposal when this project is completed.

After this meeting, a meeting with officers from the Department of Agriculture, Fisheries and Forestry was convened and the need for a high-level steering committee to advise the Winemakers’ Federation of Australia and Wine Grape Growers’ Australia on the development of the proposal was agreed.

The role of the committee was to assist the Winemakers’ Federation of Australia and Wine Grape Growers’ Australia in the development of a formal industry proposal to the Minister for Agriculture, Fisheries and Forestry to merge the Grape and Wine Research and Development Corporation and the Wine Australia Corporation.

Recognising that responsibility for the proposal lies with the Winemakers’ Federation of Australia and Wine Grape Growers’ Australia, this group provided advice to the industry on matters relating to:

- the development and implementation of a communication strategy and material;
- industry consultation;
- a model and structure for the proposed organisation; and
- the submission of a proposal to government.

3 Roles and responsibilities of WAC and GWRDC

WAC and GWRDC are statutory authorities, established by, and responsible to, the Australian Government. Their functions are determined by legislation, they are subject to direction by the Minister for Agriculture, Fisheries and Forestry (“the Minister”) and they are prohibited from undertaking industry advocacy or other activities not specifically provided for by the relevant Acts of Parliament.

3.1 The Grape and Wine Research and Development Corporation (GWRDC)

The GWRDC was declared in 1991 as a “Research and Development Corporation” pursuant to the Primary Industries and Energy Research and Development Act 1989 (PIERD Act).

GWRDC’s mission is to generate new information that enhances the profitability, international competitiveness and sustainability of the Australian grape and wine sector. It does this by investing in RD&E that can lead to innovation and so contribute to improved profitability, competitiveness and sustainability.

It does not undertake RD&E itself, but it invests in RD&E from providers such as the Commonwealth Scientific and Industrial Research Organisation, state agencies, universities and the Australian Wine Research Institute on behalf of the Australian grape and wine sector.

GWRDC's investments are guided by a strategic plan, which is developed in consultation with relevant stakeholders and endorsed by GWRDC’s representative organisations (s7 PIERD Act; currently WFA and WGGA) and the Minister. The Corporation’s responsibilities are to:

- develop and implement a Five-year R&D Plan and ensure programs in the Plan produce their desired outcomes;
- evaluate research outcomes and extend the benefits of R&D;
- report to and liaise with stakeholders (including industry groups, R&D providers and the Australian Government); and
- maintain a watching brief for opportunities (including awareness of activities of other R&D organisations in Australia and overseas).
**Funding**

The GWRDC is funded by two industry levies (the Grape Research Levy and the Wine Grapes Levy) and matching Australian Government funding up to 0.5% of the Gross Value of Production.

In 2010-11, GWRDC received $11.207m from these levies, which was then matched by a $12.279m contribution from the Australian Government. GWRDC also receives grants from the Australian Government, such as $420,000 from the *Australia’s farming future: Climate change research program*. GWRDC invests approximately $23–25m on an annual basis and currently has around $110m of contracted research.

**Governance**

The GWRDC is governed by a skills-based Board of Directors, comprised of a Chair, seven non-executive directors and the GWRDC Executive Director. It is subject to the regulatory framework established by the *Commonwealth Authorities and Companies Act 1997* (CAC Act) and the provisions of the PIERD Act. The Board provides corporate governance, sets strategic direction for RD&E investments following industry consultation and monitors the performance of GWRDC and the Executive Director, who has responsibility for the day-to-day conduct of the business.

The Chair is appointed by the Minister. Other non-executive directors are appointed by the Minister on the basis of recommendations made by a Selection Committee made up of an independent Chair and other members nominated by the representative organisations (WFA and WGGA).

The Board is accountable to the Minister and to Parliament for the efficient and effective expenditure of the funds appropriated. The Board is accountable to the sector through WFA and WGGA.

**3.2 Wine Australia Corporation (WAC)**

The Australian Wine and Brandy Corporation was established in 1981 under the *Australian Wine and Brandy Corporation Act 1980* (now *Wine Australia Corporation Act 1980*) to provide strategic marketing support to the Australian wine sector. In 2011, it was renamed Wine Australia Corporation. WAC works to increase and sustain demand for Australian wine via five core responsibilities: Market Development, Knowledge Development, Compliance, Trade and Geographic Indications (GIs). Core responsibilities include:

- promotional activity;
- regulatory affairs, including export regulation;
- wine sector information and analysis;
- maintaining the integrity of Australia’s wine labels and winemaking practices; and
- defining the boundaries of Australia’s wine producing areas.

While Food Standards Australia New Zealand and State health departments regulate health and safety aspects of production, WAC’s compliance role is designed to protect the quality and reputation of Australian wine. The compliance role can be broken down into three parts:

(a) **Label Integrity Program (LIP):**
- the object of LIP is to help to ensure that WAC can verify wine label claims made by Australian producers relating to vintage, variety and geographical indication. The program requires the making and keeping of records along the wine production supply chain to ensure an auditable trail from the harvest of grapes to the sale of the wine.

(b) **Export regulation:**
- issuing of licences to companies for the export of grape products;
- issuing of export permits to licensed exporters for the export of consignments of wine; and
- providing certification for Australia’s export destinations.

Export approval is a “user-pays” service.

(c) **GI determination & maintenance of the Register of Protected Geographical Indications and Other Names.**
Funding

WAC is funded by two industry levies (the Wine Grapes Levy and the Wine Export Charge), voluntary industry contributions and “user-pays” fees associated with the wine export approval process on a cost-recovery basis.

In 2010-11, Wine Australia’s income was $13.3 million, of which $5.5 million was from industry levies.

Governance

WAC is governed by a skills-based Board of Directors, comprised of a Chair and seven non-executive members and is subject to the regulatory framework established by the CAC Act. The Board provides corporate governance, sets strategic direction and monitors the performance of WAC and the Chief Executive, who has responsibility for the day-to-day conduct of the business.

The Chair is appointed by the Minister. Other members are appointed by the Minister on the basis of nominations made by a Selection Committee made up of an independent residing Member and other members nominated by WFA.

The Board is accountable to the Minister. The Minister is accountable to Parliament for the efficient and effective expenditure of the funds appropriated through his portfolio. The Board is accountable to industry through WFA.

3.3 Winemakers’ Federation of Australia (WFA)

WFA is a voluntary peak body incorporated under the SA Associations Incorporation Act 1985. The current Constitution was adopted in 2006. The objects of the Association are:

(a) to represent the interests of Australian Winemakers and Grape Growers of all sizes on national and international issues affecting the Australian Wine Sector, through a single organisation;
(b) to actively promote and protect the reputation and success of Australian Wine and the Australian Wine Sector;
(c) to encourage unanimity of opinion and action amongst Members in all national and international matters pertaining to the Australian Wine Sector;
(d) to initiate legislative or other regulatory activity, or government response or action, or otherwise facilitate any outcomes, deemed desirable by the Association for the benefit of the Wine Sector in Australia;
(e) to provide a medium through which opinions of Members may be ascertained or expressed;
(f) to provide relevant information to Members;
(g) to foster co-operation and goodwill between viticultural and oenological research and education bodies and all other bodies relevant to the Australian Wine Sector;
(h) to encourage good practice and standards of winemaking and Wine business management within the Australian Wine Sector;
(i) to administer funds collected from Members in support of the activities and objects of the Association;
(j) to protect and enhance community and Government support for the Australian Wine Sector;
(k) to promote economic, environmental and social responsibility in the production and consumption of wine in Australia; and
(l) to promote the interests of the Association and to do all such other lawful things as the Association may consider incidental or conducive to the attainment or advancement of the objects of the Association.
3.4 Wine Grape Growers Australia (WGGA)

WGGA is a voluntary peak body incorporated under the SA Associations Incorporation Act 1985. The current Constitution was adopted in 2006. The objects of the Association are:

(a) to represent and promote the common interests of Australian wine grape growers, through liaison and advocacy with other industry bodies and government;
(b) to deliver tangible benefits to its members;
(c) to improve the profitability and sustainability of Australian wine grape growers;
(d) to represent and promote wine grape growers’ interests at all levels of industry;
(e) to develop and maintain industry standards and codes of conduct for the sale and purchase of grapes, the negotiation and administration of contracts, wine grape quality standards, measurement and assessment of grape and wine quality and other commercial arrangements between wine grape growers and processors;
(f) to obtain, develop and publish information concerning wine grapes, wine grape production, marketing and viticulture and any other information of interest to, or for the education of, wine grape growers;
(g) to foster, coordinate or conduct relevant research, education, extension and other programs that promote the profitability and sustainability of wine grape growing;
(h) to employ officers and staff, or consultants and contractors, as required to undertake the objects of the association;
(i) to join or support such other national representative organizations as may be in the interest of members generally; and
(j) to apply the funds of the association towards any of the above objects or purposes.

4 Profile of the Australian Wine Sector

The Australian wine grape industry has expanded significantly over the past two decades, with wine grape production growing, on average, by 8% p.a (ABS 2011). Between 1990–91 and 2010–11 the volume and gross value of wine production tripled. WFA’s annual Vintage Survey estimates the total national crush for 2012 at 1.66 million tonnes, compared with 1.6 million in 2011. This is close to the latest five-year average of 1.63 million, but well below the peak of 1.93 million in 2005.

The industry’s development was largely driven by a steadily increasing demand for Australian wine in export markets. By 2010–11, Australia exported wine to 123 countries and accounted for 7% of the global wine trade (UN Comtrade 2012; Wine Australia 2011). In 2010–11, wine exports were 727 million litres, with an estimated value of $2 billion — around 6% of the total value of Australia’s agricultural exports (ABARES 2011).

Over the past five years, global competition has increased significantly. This and the internal oversupply of grapes and wine versus demand and the high Australian Dollar has placed downward pressure on the price of both wine and wine grapes. Looking ahead, it is expected the Australian wine industry will continue to face strong competition in both the domestic market and traditional export markets. Demand in these traditional markets is not expected to increase significantly in the foreseeable future.

However, in new and emerging markets, the prospects are very different. Between 2001–02 and 2010–11, for example, the value of Australian wine exports to China increased by around 58% p.a and exports to the Republic of Korea saw an average 18% p.a increase (UN Comtrade 2012). By 2010–11, China had become the fourth largest export market for Australia, with export returns worth $18 million.

In 2012, the Australian wine sector finds itself in a very different situation from that which characterised the major expansion phase earlier this decade:

- a decline in Australia’s competitiveness in global markets due to a combination of exchange rate fluctuations, competitor countries’ enhanced performance and erosion of the reputation of Australian wine;
- decreasing demand in export markets – falling by $1 billion in sales value;
• decreasing demand in the domestic market resulting from more accessible/cheaper imported wines;
• increased competition from domestic retailers’ private labels and subsequent decrease in margins;
• supply factors that have exacerbated the loss of profitability by grape growers and wine brand owners.

The consequences of this adverse environment are unlikely to be reversed naturally in the next five years.

One of the most disturbing trends has been the dramatic decline in the export sales of higher value wines.

The long-term sustainability of the Australian wine sector will depend upon the production of higher value product. Therefore, over the next decade the challenge for industry will be to reverse that trend, and to do so in a competitive environment where given the currency situation Australian winemakers face a substantial cost disadvantage in the production of high quality branded wine.

Some of the factors that will shape the future outlook for the Australian wine sector include:

• the strong Australian dollar and an exchange rate that will probably remain above the historical average driven by terms of trade (commodity and energy boom) and capital inflow resulting in;
  - the higher price of Australian wine in our traditional and emerging markets – with wine being priced out of some current markets and price segments;
  - greater cost disadvantage faced by small producers that will limit their global market opportunity to small fragmented niches with limited scope for volume growth;
  - the increasing share of imports in the domestic market that will continue to increase as will the incidence of overseas bottling of exports;
• the loss of value-adding in Australia – threatening wine sector support infrastructure and services, resulting in increasing costs and reducing capability;
• the current global economic environment with its permanent influence on consumer purchase behaviour that will see “trading down” when purchasing wine (countering the previous dominant “trading up” trend);
• increasing difficulty in access to capital with increasing difficulty in maintaining the current degree of capital intensity of wine businesses;
• increasing energy and water costs (compared to inflation)
• an increasingly consolidated retail sector;
• greater expectations in relation to social responsibility, environmental sustainability, health and potential regulation;
• as a result of climate change, increased variable weather conditions with more frequent extreme conditions requiring better responsiveness and adaptability from grape growers; and
• production of commodity grapes at below the sustainable cost of production that will support opportunistic traders whose business models and commercial interest will be at odds with the rest of the industry.

The current, and predicted, trading environment is causing the Australian wine sector to rethink many of its current strategies. The goal is to reposition the sector to ensure sustainable growth prospects over the longer term. Achieving this goal requires an increased focus of the key institutional bodies under a common strategy.

Repositioning the Australian wine brand and sector will require a strong culture of innovation and marketing, underpinned by a strong R&D base. It is important that government and industry levy funds are spent efficiently and targeted for maximum benefit.
5 Why WFA and WGGA propose a merger

Within the grape and wine sector, industry services are provided by a Research and Development Council – the GWRDC - and the last remaining statutory marketing corporation, WAC. Industry, represented by WFA and WGGA, has been seeking ways to improve the efficiency and effectiveness of the delivery of these industry services.

5.1 Key objectives of a merger

The merger of the two existing statutory bodies would see the following industry benefits:

- an ability to identify and deliver aligned industry strategic imperatives and RD&E goals;
- management efficiency in program delivery;
- streamlined functional relationships between industry and government;
- genuine accountability to industry at the same time as meeting government requirements; and
- improved communication and strategic alignment between the national associations and the merged entity.

WFA and WGGA believe a merger of the two bodies will enhance service delivery to industry. It will ensure a unified strategy and remove duplication. Consolidating all of the existing functions of WAC and GWRDC in one organisation will provide for better coordination of activities across the value chain, more focussed strategies for the industry as a whole and greater responsiveness to emerging trends.

The merged statutory authority will also present an immediate opportunity to coordinate the service-delivery functions of WAC and GWRDC.

A single statutory authority will provide one clear pathway and point of contact for grape growers, winemakers and regional and state associations to access information and services and provide input. It will also be easier for industry to access programs and services.

While cost savings are not the focus, efficiency gains may occur through the removal of duplication in staffing, lower Board costs (with the creation of a single Board), lower costs in reporting to Government, and synergies across governance functions, audit, IT and a range of administrative functions. Any financial savings will be redirected towards enhanced services to R&D, Market Development and Knowledge Development.

6 Consultation program for the proposed merger of Wine Australia Corporation (WAC) and the Grape and Wine Research and Development Corporation (GWRDC)

6.1 Agreed consultation program between industry and government

On December 8, 2011, the President of WFA and the Chairman of WGGA wrote to Senator the Hon. Joe Ludwig, Minister for Agriculture, Fisheries and Forestry, seeking in-principal support to merge WAC and GWRDC into a single statutory organisation.

The Minister responded, supporting a further investigation into the proposal and agreeing to consider a detailed proposal once this process was completed.

A key consideration in any merger proposition is the support of key stakeholders, including levy payers. The Minister requested strong support from WFA and WGGA, as well as relevant state and regional organisations. The Minister has also requested the views of levy payers, including details of any significant opposition.

This document serves to provide a synopsis of the investigation led by the Industry and a detailing of Industry’s views in relation to the merger proposal.

6.2 Consultation program

The consultation program was developed in conjunction with Government. It was designed to reach as many stakeholders as possible to authoritatively gauge industry support.
The process included the following components:

- Preparation and dissemination of a discussion paper for the merger – this was made available on the website of major industry bodies and the two statutory corporations (Annex 4). Members of WFA/WGGA and levy payers of WAC and GWRDC were notified directly.
- Preparation and publication of articles for the major industry journals and articles in industry newsletters
- The solicitation of comments on the merger; to provide to the Australian government as part of its information package.

Public meetings were held in significant winemaking and grape growing regions of each major producing State. These included meetings with key state and regional wine associations. Officials from the Department of Agriculture, Fisheries and Forestry (DAFF) were present at a number of these meetings.

6.3 State and Regional meeting program

In accordance with the consultation program supported by Government, WFA and WGGA developed a regional meeting program where all states and regional wine associations were contacted to seek formal input to the plan to merge the two corporations (Annex 5).

Letters of support from all State industry, and major regional, associations have been collected. All State and Regional Associations have been solicited for comments, those received are attached.

These organisations were also requested to send a discussion paper, developed by WFA and WGGA, to all winemakers and grapegrowers through their member networks. They were also asked if they wished to participate in a formal meeting to brief their members on the merger plan and to assist in organising regional meetings.

In total, sixteen meetings were held across Australia to brief interested stakeholders on the merger proposal and to seek feedback. A list of the meetings is given in Annex 3. In general, participants in the meetings were well informed and raised a number of issues which have been taken into account when developing the detailed merger proposal.

Participation at many of the meetings was low, despite extensive publicity from the state and regional associations. When asked about this, participants indicated it was due to a generally-held view that the proposed merger should happen, that it was not controversial and did not require further input.

An example of this view was provided by Andrew Margan, the President of the Hunter Valley Wine Industry Association, who said, “Without appearing too pessimistic I would suggest that attendance will be a problem. Everyone I know just wants this to happen and don’t need to go to a meeting for any more convincing. The last thing any of us need are more meetings.”

6.4 Feedback from the meetings

NEW SOUTH WALES
Two meetings were held in New South Wales. The first was held in the Hunter Valley on 21 May, 2012 and a second in Griffith on 7 June. The New South Wales Wine Industry Association represents both wineries and grapegrowers in the State and has written in support of the proposal. Participants at both meetings expressed strong support for the merger. In addition, a letter of support was received from the Riverina Wine Grapes Marketing Board although with the clear caveat that R&D funds be quarantined for research and development.

TASMANIA
WFA attended the board meeting of the Tasmanian State Wine Association, Wine Tasmania, on 17 May, 2012 to present details of the proposal. In addition to this Board presentation, the merger discussion paper prepared by WFA and WGGA was circulated to Wine Tasmania’s producer members through its monthly newsletter.

After consultation with members, Wine Tasmania confirmed its in-principle support for the proposed merger and noted the importance of “quarantining” funds (maintaining the current level of funding) for research and development. Wine Tasmania has provided a letter of support.
QUEENSLAND
Two meetings were held in Queensland – the first in Kingaroy on 22 May, 2012 and the second in Stanthorpe on 23 May. Grapegrowers and winemakers were both present at the meetings. It was apparent from these meetings that there was a limited understanding of the different roles and responsibilities of WAC and GWRDC. At both meetings, stakeholders emphasised that a simplification of the system would be of benefit. While the importance of “quarantining” funds for research and development, there was overarching support for the proposal. The Queensland Wine Industry Association has provided a letter of support.

VICTORIA
A meeting was held in Melbourne on 22 May, 2012 organised by the Victorian State Wine Association, Wine Victoria. Key questions raised included:

• whether the proposal affected levies; including whether the current budgetary environment would impact on future matching Government contributions. Participants were assured that the size or composition of levies was not going to be changed under the merger.
• whether R&D funding could be “quarantined” to guarantee that R&D levies paid for only R&D and was not used for marketing;
• whether the current boards of GWRDC and WAC supported the proposal; and
• how other industries have tackled similar scenarios through industry-owned companies.
• whether the merger would lead to economic advantages - with a view that costs should be kept as low as reasonably possible.

The questions demonstrated that the participants had understood the proposal. Participant feedback indicated satisfaction with the responses provided by WFA and WGGA and clear support for the merger. Wine Victoria has supplied a letter in support of the merger.

Mornington Peninsula
A meeting was held in the Mornington Peninsula organised by the Regional Association on 23 May, 2012. It was identified through this meeting that growers and producers in the Mornington Peninsula have frequent contact with WAC, but little contact with GWRDC. It was suggested that the merger would permit improvement in contact with the R&D side of the new organisation.

In general, much like the meeting in Melbourne, participants were supportive of the proposal.

Mildura
A meeting was held in Mildura on 5 June, 2012. This meeting was very well attended. Key issues raised were:

• the need to better integrate marketing, promotion and research;
• the need for good corporate governance following the creation of a ‘super’ corporation;
• the need for industry consultation in the appointment of a Chair for the merged organisation; and
• the need for an expertise-based Board with strong industry links.

The Murray Valley Wine Grapes Marketing Board has supplied a letter of support for the merger.

SOUTH AUSTRALIA
A meeting was held in Adelaide on 25 May, 2012. This meeting was organised by the South Australian Wine Industry Association. Strong support for the merger was shown by all parties. The South Australian Wine Industry Association has also provided a letter of support for the merger.

Barossa and McLaren Vale
Meetings were scheduled to be held in the Barossa Valley and McLaren Vale on 14 June 2012. However, no industry members attended the McLaren Vale meeting.

There was concern expressed at the low turn-out – with one attendee asking if apathy will prevent the merger happening. This issue was raised at a number of meetings where participants noted that it was so obvious to merge that people would not bother to register their support.

One grape grower suggested that there was not enough time for attendees at the meeting to make their views known and that the local grower committee has never discussed the merger proposal. He made clear that his views are his own, rather than those of any local committee.
There was a question about transitional arrangements, particularly related to the GWRDC Five-year plan. A current GWRDC Board member, said that he believes the five-year plan will run its course. This is something that will need to be addressed in developing the transitional arrangements and legislative model.

**Coonawarra**
A meeting was held in the Coonawarra on 15 June, 2012. Key points of discussion included:

- the perception that GWRDC is moving further away from growers, with a resultant concern that a bigger organisation would be further removed;
- the appointment of the Chair and the need to make it transparent with strong industry input;
- the importance of an industry-based Board with an appropriate skills set;
- the undesirable possibility that funds for R&D and marketing would be combined - the ‘quarantining’ of funds was again raised as the answer to this concern.
- the need for industry flexibility and the question of whether a new body would increase the speed at which industry can respond to opportunities;
- the need for education on the ground/in the vineyard, noting that the decline seen over recent years has been to the detriment of the industry; and
- the possibility that a merger could be reviewed if it proved unsuccessful.

Once again, there was undisputed support for the merger by participants.

**Riverland**
On 4 June, 2012, a meeting was held in Loxton in South Australia for the winemakers and grapegrowers of the Riverland. The meeting was well attended by growers.

The number of winemakers was limited, predominantly because the key regional winemakers are also members of WFA and have previously given their support for the merger.

This was the only meeting where support for the merger was not uncontested. Some participants were concerned that there would be no direct benefit to them or the region. Specific concerns were identified by Mr Jim Caddy on behalf of CCW Co-operative Limited. Mr Caddy is a former Non-executive Director of GWRDC and is a strong supporter of wine sector R&D. He was particularly concerned that the abilities and activities of GWRDC would be adversely impacted by the merger.

Both WFA and WGGA share Mr Caddy’s desire to ensure that R&D will run effectively under the merged entity. Mr Caddy has subsequently provided us with correspondence detailing his concerns (annexed).

The Riverland Wine Industry Development Council (RWDC) also wrote on 27 July, 2012 noting the ‘conceptual plan’ as presented by WFA and WGGA. While this letter indicates support for the merger and the potential synergies and savings that would be realised, the Association noted the absence of a detailed business case in support of the proposal.

The RWDC wished to convey in-principle support for the concept and recommended further progressing this concept plan. The Council proposed that independent due diligence be conducted through the auspices of a major accounting firm (or similar). The Council also advocated the need for key industry stakeholders to peruse any draft legislation as it relates to the new model.

**WESTERN AUSTRALIA**
Two meetings were held in Western Australia. The first was held in Margaret River on 29 May, 2012 and the second in Perth on 30 May. Key issues raised in the meetings were that the issue of amalgamation of the statutory bodies had been discussed since 2005 and that this process was a natural part of the reform strategies required by the industry.

The generally expressed view at both meetings was that the merger would support focus on a common strategy and result in increased communication and consultation with stakeholders.

The Margaret River Wine Industry Association and the West Australian Wine Industry Association have written letters of support for the merger.
6.5 Frequently asked questions
A number of questions were consistently raised during the consultation process. These questions, in addition to the answers provided, are detailed below.

1. **Which bodies will be merged?**

   It is proposed that Wine Australia Corporation (WAC) and the Grape and Wine Research and Development Corporation (GWRDC) will be merged to create a single statutory authority.

   WAC and the GWRDC are statutory authorities, established by and responsible to the Australian Government. Their functions are determined under legislation, they are subject to direction by the Minister and they are prohibited from undertaking industry advocacy or other activities not specifically provided for in the relevant Acts of Parliament.

   WAC was established under the Wine Australia Corporation Act 1980 and works to increase and sustain demand for Australian wine via five core responsibilities: Market Development, Knowledge Development, Compliance, Trade and Geographic Indications. Core responsibilities include:

   - promotional activity
   - regulatory affairs, including export regulation
   - wine sector information and analysis
   - maintaining the integrity of Australia’s wine labels and winemaking practices
   - defining the boundaries of Australia’s wine producing areas.

   GWRDC was established under the Primary Industries and Energy Research and Development Act 1989. Its role is to plan and fund collective R&D programs and facilitate the dissemination of the results to industry. It does not undertake R&D itself; it funds research providers, notably the Australian Wine Research Institute (AWRI), CSIRO and universities. The Corporation’s responsibilities are to:

   - develop and implement a Five Year R&D Plan and ensure programs in the Plan produce their desired outcomes;
   - evaluate research outcomes and extend the benefits of R&D;
   - report to and liaise with stakeholders (including industry groups, R&D providers and the Australian Government);
   - maintain a watching brief for opportunities (including awareness of activities of other R&D organisations in Australia and overseas).

2. **Why should we merge the two bodies?**

   WFA and WGGA believe a merger of the two Corporations will enhance industry service delivery by aligning their functions around unified strategy that also removes duplication between the two organisations.

   A single statutory authority will provide a single pathway for grape growers and winemakers to the activities that it undertakes. The benefits to industry will be greater simplicity in sourcing programs and services and appreciation of whole-of-value-chain issues.

   A merger of WAC and GWRDC will create savings estimated conservatively at $750,000 per annum. These will principally accrue from the removal of duplication in staffing, lower Board costs due to the creation of a single Board, and lower costs in reporting to the Government. These savings can then be used on market development and R&D activities.

3. **What is the industry role in this process?**

   The levy payers will decide if they support a merger, but the Minister for Agriculture, Fisheries and Forestry has the final decision on if a merger will occur. The Minister has made it clear that he will not approve any merger unless the levy payers overwhelmingly support change and he requires evidence of support. WFA and WGGA sought written feedback on this proposal by 14 July 2012. Comments were collated and included in a formal recommendation to the Minister.
WFA and WGGA held meetings in each State to present the case for the merger and seek views.

The Minister for Agriculture, Fisheries and Forestry, Senator the Hon Joe Ludwig, approved the consultation with industry, but made it clear that no decision on the merger would be made until he had heard from the levy payers. WFA and WGGA made a commitment to present a formal case by to him, incorporating an overview of all comments received during the consultation phase. If there is not overwhelming support for the merger it will not proceed. It was agreed that, all views, positive and negative would be communicated to the Minister for his final decision.

4. What will be the functions of the new body and will my R&D funds be diverted to marketing or vice versa?

WFA and WGGA believe it is appropriate that any legislative changes required to establish a single statutory authority not change the functions and objects of the existing bodies.

The aim is to maintain the current capacity and resources of WAC and GWRDC albeit in one rather than two organisations. The reform proposal is not affected by, and independent of, recent changes to WAC’s export approval process.

WFA and WGGA strongly believe that the levies currently directed to GWRDC for R&D must be quarantined for R&D within the new merged entity. The Australian Government determines the extent of the allocation for R&D, just as it sets clear guidelines around the type of projects GWRDC may fund. We would propose to include relevant references to the Primary Industries & Energy Research & Development (PIERD) Act in any new legislation drafted to ensure that R&D funding is protected by the provisions of that Act. The provision of a special account for R&D expenditure could ensure this.

Similarly, industry levies directed towards WAC should be retained for WAC functions, notably market development and market access.

5. How will the new body deal with conflicting objectives?

In the view of some of the industry the presence of the marketing function on the funding Board could be seen as a conflict of interest. Currently, the WAC Act refers to “to conduct, arrange for, and assist in, research relating to the marketing of grape products” – therefore there is a question on how will the structure ensure the required separation of interests and transparency in the allocation of levy funds for marketing and research purposes.

WFA and WGGA do not believe there is a conflict and that in setting up the new body it will be possible to clarify what constitutes marketing and should be funded from the marketing levy portion and what is appropriate for the R&D levy to fund. This has been adequately defined in some of the industry owned companies that undertake a marketing and R&D role.

6. Will the levy be increased?

No. This proposal also does not seek to change the level or structure of levy payments. Any money saved through efficiency gains will be used for service delivery, replacing some of the income lost because of a recent decline in total levy receipts linked to economic issues in the industry. It is not considered appropriate to contemplate increasing levies in the current economic environment.

7. When will it happen?

- March to June 2012: Consultation process, including regional meetings in each state
- 14 July 2012: Deadline for comments from industry and stakeholders
- August 2012: Submission to Minister, including summary of industry support or rejection for proposed merger and collation of comments
- June 2012 – January 2013: Ministerial decision, policy approval, drafting legislation
- February 2013: Target for Bill to be introduced into Parliament
- May – June 2013: Passage of Bill through Parliament
- 1 July 2014: New Corporation operational
8. Why does it take so long?

Any change to Wine Australia Corporation (WAC) and the Grape and Wine Research and Development Corporation (GWRDC) requires a legislative change. To change legislation requires a long process to gain approval from both Houses of Parliament. In addition, before the Minister gives approval for such a change he must be confident that the proposal is a good one and supported by levy payers.

6.6 Level of support and dissent

From the feedback received through meeting with individual grape growers and winemakers and comments from State and Regional Associations and levy payers, there is clear support from the wine sector for the proposal to merge the two existent statutory bodies.

WGGA represents growers Australia-wide through representation of all winegrape growing regions in Australia on its Executive Committee. Based on WGGA records and data from the 2009-10 ABS Vineyard Survey, direct membership numbers around 2 350 independent growers, with this number predominantly derived from SA. An additional 750 growers have a close association with WGGA via project funding from the Riverina and the Murray Darling-Swan Hill districts. WGGA is a co-proponent of the merger.

WFA currently has 348 members. These include the largest five wine producers in Australia, 29 of the medium-sized family companies and 250 small wineries. Representing these members, the WFA Board unanimously supports the merger.

In addition, WFA has received a number of letters of support for the proposal, representing levy payers responsible for the majority of wine production in Australia. In addition, there is support from major producer (grape grower and winemaker) organisations on behalf of their members. Letters of support are attached (Annex 7).

There was only one major dissenter to the proposal, Mr Jim Caddy, a former non-executive Director of GWRDC. As the Chair of the CCW Cooperative Limited, Mr Caddy represents 632 grower members and 11.4% of Australia’s wine grape production. CCW is a member of WFA and is the major supplier of grapes to Accolade Wines. Accolade Wines has supported the merger proposal.

The key issues raised by Mr Caddy were:

- That research funds would be ‘shifted’ to the peak industry bodies to fund advocacy.
- The fact that WAC and GWRDC are two different enterprises which require different thinking and planning - research is predominantly a long term process whereas marketing has to be reactive to the consumer/customer changing requirements.
- The questionable savings in administration costs – such savings not being the result from the merger of other organisations.
- The concern that a single board will not be able to provide appropriate governance for a merged entity.
- The concern that research funds may be shifted from RD&E to marketing, in particular, statistic collection must not be shifted into the R and D funds from the marketing funds where it currently sits.
- The lack of detail on what the structure and operations of the merged body would look like.

Mr Caddy also noted the Industry Associations' motives for the proposal in that he questioned direct financial advantage to either WFA/WGGA if the merger goes ahead; e.g. any cost shifting or supply of service from either of these organisations.

Mr Caddy’s concerns are attached in full. Our response to these concerns is as follows:

- There will be no direct financial advantage to either WFA/WGGA if the merger goes ahead.
- Both research and marketing require longer term strategic thinking and short to medium term tactical thinking. A single organisation will ensure that there is a stronger link between marketing and research and a delivery of services against a single unified strategy.
- Savings in administration costs are not the main reason for a merger. The key industry benefits will be from efficiency in service delivery and strategy development.
• There are a number of organisations operating in Australia that undertake research and marketing functions efficiently within a Board structure.
• WFA and WGGA support the retention of research funds for research purposes and would request that the legislation be drafted accordingly.
• Industry will be consulted in the process of developing the structure and operations of the merged entity.

Mr Caddy has raised legitimate concerns, but these can be addressed by clear legislation and good governance. The need for clear legislation supports the importance of on-going consultation with industry throughout the drafting process for the new legislation. None of these concerns should be sufficient to prevent the merger proceeding. Mr Caddy has advised that he does not intend to object to the merger proceeding.

7 Proposal

7.1 Introduction

WFA and WGGA are representative organisations for the purposes of the PIERD Act and are recognised by the Australian government as representing the interests of growers and winemakers – the levy-payers that fund the GWRDC.

Wineries and exporters fund the WAC. For the purposes of the Wine Australia Corporation Act, WFA and WGGA are the declared winemakers’ organisation and grape growers’ organisation respectively.

On behalf of the Australian wine sector, WFA and WGGA support the proposed merger between the two existent statutory bodies. This support is based on the belief that a merger will provide substantial industry benefit, particularly in the alignment and implementation of industry strategy. Incidental benefit will also be seen with the realising of savings due to increased administrative efficiency.

There are strategic relationships between the investment initiatives of the GWRDC and the marketing, knowledge development, market access and compliance functions of WAC. We believe that the merger will enable these linkages to be managed more efficiently and effectively.

At the same time, it will also give the primary stakeholders (grape growers, wineries and the Australian government) one body to engage with on the direction of strategy and its execution of our respective interests.

The initiative would also provide efficiencies in administration and management.

There was some concern raised about a lack of detail regarding the form and function of a merged organisation.

It is understood that decisions on the final model organisation will be made by the Minister, in consultation with other Ministers and the parliamentary drafters after considering views of industry and Australian Government policy. However, in considering the recommendation and as a result of the industry consultation program, our respective Boards seek to propose several important principles that should be taken into account in developing the final model:

7.2 Key principles

Research and development
The Boards of the representative organisations of WFA and WGGA strongly support the use of levies raised under the PIERD Act to be retained only for RD&E purposes. We would seek to ensure that they are “quarantined” for this purpose by the direct insertion of all definitions of R&D into the new legislation.

Wine Australia Compliance
It is assumed that the recently amended WAC compliance system will be able to be accommodated within the proposed merged entity.
**Chairman and Board selection**
We recognise the current system where Industry is consulted on the Chairman and Board selection, with the ultimate decision resting with the Minister. For the merged entity, WFA and WGGA would strongly support industry participation in the selection and appointment of both the Board and Chair.

**Statutory Model**
Our review of a merger of the two entities considered two models – an Industry Owned Corporation (IOC) and a Statutory Corporation. Noting the regulatory role played by WAC, our Boards support the statutory model.

**Levies**
We do not recommend altering the form or magnitude of levies with the merger of WAC and GWRDC.

7.3 **Recommendations for the merged organisation**

The representative organisations propose that:

**Name:**
The merged organisation be called Grape and Wine Australia (GWA).

**Legislative basis:**
GWA be established pursuant to the Commonwealth Authorities and Companies Act 1997 (with specific legislation drafted to formalise the organisation’s powers, functions, governance and operating rules. The legislation should include provisions establishing the research and development function, promotion function and the regulatory and compliance role (currently administered by WAC).

**Objects and functions:**
- The objects of the legislation establishing GWA mirror those of the PIERD Act:

<table>
<thead>
<tr>
<th>(a)</th>
<th>to make provision for the funding and administration of research and development relating to the wine grape and wine industry with a view to:</th>
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<tr>
<td>(i)</td>
<td>increasing the economic, environmental and social benefits to members of the industry and to the community in general by improving the production, processing, storage, transport or marketing of the products of the industry; and</td>
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<tr>
<td>(ii)</td>
<td>achieving the sustainable use and sustainable management of natural resources; and</td>
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<tr>
<td>(iii)</td>
<td>making more effective use of the resources and skills of the community in general and the scientific community in particular; and</td>
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<tr>
<td>(iv)</td>
<td>improving accountability for expenditure upon research and development activities in relation to primary industries.</td>
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(b) to promote and control the export of grape products from Australia;

(c) to promote trade and commerce in grape products among the States, between States and Territories and within the Territories; and

(d) to enable Australia to fulfil its obligations under prescribed wine-trading agreements and other international agreements.

(e) to improve the profitability of the wine grape and wine industry

- The PIERD Act definition of research and development and research activity be the definitions used in the establishing legislation.

- The functions of the new authority include:
  - to control the export of grape products from Australia;
  - to develop the market for Australian grape products both in Australia and overseas;
  - to investigate and evaluate the requirements for research and development in relation to grape products;
  - to co-ordinate or fund R&D;
- to facilitate the dissemination, adoption and commercialisation of the results of research and development in relation to grapes and grape products; and
- such other functions as are conferred on the Corporation by this Act or any other Act.

**Governance**

- GWA be managed by an independent skills-based board of five to seven directors, a Chair and Chief Executive Officer.
- The Chair is appointed by the Minister following consultation with the board and industry representative organisations.
- Directors are appointed by the Minister on the basis of recommendations made by a Selection Committee, the members of which are nominated by the representative organisations.
- The Board appoint the Deputy Chair.
- The list of required skills and experiences include corporate governance and the range of skills and experience identified in the current Wine Australia and PIERD Acts.
- Appointments of Directors will be staggered.
- The Board appoint a suitable qualified Chief Executive Officer for the merged entity.

**Funding**

- the GWA be funded through the same levies as WAC and GWRDC with matched government funding for the research and development levies; allowing “user pays” activities as appropriate.
- the legislation establishing the GWA require that money collected by levies only be used for the purpose for which they were collected and business administration purposes.

**Accountability**

- The GWA hold an AGM if required by either (or all) industry representative organisations or at the request of a number of levy payers, provided the request meets certain conditions.
- The Chair of the GWA be required to attend annual general meetings of industry representative organisations to present the annual report.
- The GWA Board have the power to appoint, set conditions and terminate the appointment of the Chief Executive Officer.
- The GWA be accountable to declared winemaker and grapegrower organisations.

**Planning**

- The GWA be required to prepare a five year strategic plan to be approved by the Minister and provide an annual plan to the Minister for information.
- The GWA be required to consult with industry representative organisations when preparing its strategic plan.

**Other**

- The GWA set the terms and conditions of the employment of staff outside of the framework of the Public Service Act.
- The GWA have the ability to form committees to assist it to perform its functions and exercise its powers.
- The GWA be able to engage consultants.
- The Geographical Indications Committee be established as a committee of the GWA rather than as a separate statutory committee.
8 Recent policy developments

Senator the Hon Joe Ludwig, Minister for Agriculture, Fisheries and Forestry released the *Rural Research and Development Policy Statement* in July 2012. Essentially the statement outlines government policy surrounding rural R&D following the release in June 2011 of the Rural Research and Development Council *National Strategic Rural R&D Investment Plan*, which outlines a rationale for balancing Australian Government investment in rural R&D, provides a picture of the current level of investment, and offers a vision for the rural R&D system; and the Productivity Commission review of the RDC model, which examined the rationale for government investment in RDCs and the overall effectiveness of the RDC model.

The policy statement does not propose large-scale changes to the existing system. The actions outlined in this statement are intended to ensure the effectiveness of the RDC model and the wider rural RD&E system into the future, provide clarity to system participants on government priorities and expectations, and outline the government’s role in system oversight to ensure rural R&D results in optimal outcomes and provides a strong return on investment.

The statement does make two important policy announcements that the merged entity can deliver on.

First, where an industry can demonstrate sufficient support from its members, the government will also favourably consider proposals for mergers of RDCs. Administrative savings and economies of scale could be achieved from such amalgamations, allowing a greater proportion of funds to be spent on R&D. While this is not strictly a merger of RDCs, this proposal clearly meets that policy principle.

Second, the Productivity Commission recommendation that the *Primary Industries and Energy Research and Development Act 1989* (Cwlth) should be amended so that the statutory Rural Research and Development Corporations (RDCs)—with the exception of Rural Research Australia—can add marketing to their functions, where this is supported by the majority of levy payers and approved by the Minister for Agriculture, Fisheries and Forestry. These recommended amendments would ensure that government contributions to any RDC that takes on marketing functions are only used to fund research and development, as defined in the Act. This is consistent with the objects of the proposed merged entity. We would reiterate the consultation process confirmed strong industry support for the safeguarding of research funds from marketing activities and for this to be guaranteed in the relevant legislation.

Importantly, the statement also outlines changes designed to increase transparency and accountability in the RDC model. This will have implications for the structure and functions of a merged WAC and GWRDC. These changes include:

- introduction of statutory funding agreements (SFAs) for statutory RDCs;
- reporting on performance of RDCs, and mechanisms to address underperformance; and
- measures to increase levels of communication between government, RDCs and levy payers.

The government has reiterated its support for the objects of the RDC model, as set out in the legislation underpinning the RDCs to make provision for the funding and administration of research and development relating to primary industries with a view to:

- increasing the economic, environmental and social benefit to members of primary industries and to the community in general by improving the production, processing, storage, transport or marketing of the products of primary industries;
- achieving the sustainable use and sustainable management of natural resources;
- making more effective use of the resources and skills of the community in general and the scientific community in particular improving accountability for expenditure upon research and development activities in relation to primary industries.

In our view the merged entity better meet these objectives than the current model.

Importantly the statement also says that ‘for their part, industry members should:

- continue their support for an effective collective approach to rural research and development through the RDCs in collaboration with the Australian Government;
- make their needs and priorities for RD&E clear to RDCs so they can be used as a basis for planning and decision making; and
- communicate openly with RDCs and government about the performance of the RDC system.
The merged entity is designed to more efficiently reflect industry needs and priorities with regards to R&D and the compliance and marketing activities of WAC.

Finally, two further policy outcomes strengthen the ability of the merged entity to deliver an enhanced operating environment to the wine sector and its levy payers.

The policy statement also proposes an amendment to the levies impositions Acts to remove product-specific maximum rates. The levies imposition Acts relating to rural R&D levies are the *Primary Industries (Excise) Levies Act 1999* and the *Primary Industries (Customs) Charges Act 1999*. This increases flexibility within the legislation to amend levies in a timely fashion.

Voluntary contributions will be eligible for matching funding where no commercial-in-confidence provisions relating to release of the R&D preclude general access by the wider industry for any longer than is needed to apply for agreed intellectual property protection. This provides the opportunity to deliver timely and focused R&D according to specific sector priorities.

9 **Transitional arrangements**

The goal for the transitional arrangements should be the seamless merger of the two organisations with as little impact on service and function as possible.

One option that the Government may consider is for the new organisation to commence prior to 1 July, 2014. Relevant legislation could come into force on 1 January 2014, for example, to provide 6 months for the appointment of an interim Board, the subsequent recruitment of a CEO and further work on outstanding transition issues with the 2 existing Boards. The legislation could then provide for the two WAC and GWRDC Boards to cease on 1 July 2014 with the new Board moving forward with full authority. It is also important that the appointment of the new CEO is undertaken by an open and transparent recruitment process.

Other transitional arrangements will require careful consideration and WFA and WGGA look forward to working with the two statutory organisations and Government on identifying the key issues and options for a seamless transition.

10 **Conclusion**

WFA and WGGA have completed a comprehensive consultation process and can confirm widespread industry support for the proposed merger between WAC and GWRDC.

A significant majority of persons and associations consulted expressed the view that the merger would rationalise the wine sector’s support structure, remove duplication, reduce confusion and increase efficiency in service delivery and ensure alignment of industry strategy across research, development and marketing.

The consultation program included the preparation of a discussion paper and circulation to:

- All wineries (email)
- All regional associations (email)
- All State Associations (email and letter)
- GWRDC, WAC, DAFF (email and letter)
- Trade Press (email)
- WFA and WGGA Boards (email)
- Grower networks.

The consultation process also included regional meetings.

We recommend that the Government formalise a merger of GWRDC and WAC to form a single statutory corporation responsible for research, development and extension, market development and compliance.

WFA and WGGA believe a merger of the two existent corporations will enhance industry service delivery by aligning their functions around a unified strategy. Consolidating all of the existing functions of WAC and GWRDC into one organisation will provide for better coordination of activities across the value chain, more focussed strategies for the industry as a whole and greater responsiveness to emerging trends.
The merged statutory authority will also present an immediate opportunity to coordinate the service-delivery functions of WAC and GWRDC and make the services of both organisations easier to access by winemakers and grape growers.

A common theme resulting from the consultations is the need for research funds to be used solely for research and not diverted to marketing. This is also a pre-condition of our organisations’ support for this proposal.

This proposal is consistent with government policy outlined in the Rural Research and Development Policy Statement in July 2012. If Government agrees to the merger we would welcome the opportunity to continue to work with DAFF to prepare legislation and finalise advice on transitional arrangements.

11 References

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