



***Public/ Private and other partnerships for  
innovation projects: an Australian  
approach***

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## Permanently changed international wine sector

- Competitiveness in global markets has increased
- Demand in all markets are now strongly contested by the dramatic increase in production and trade and margins eroded by the growth in retailers private brands.
- Supply factors have exacerbated the loss of profitability by grapegrowers and wine brand owners.
- The impacts of the global financial crisis continue to affect demand, supply of capital and purchase patterns.
- The determinants of this adverse environment are unlikely to be reversed in the next five years



## Factors that will shape the future outlook for the Australian wine sector

- Imports share of the domestic market will continue to increase as will the incidence of overseas bottling of exports
- loss of value adding in Australia will threaten wine sector support infrastructure and services, thereby increasing costs and reducing capability
- Capital will become difficult to access and more expensive
- Energy and water costs will increase faster than inflation generally
- Retail concentration and market power will continue to intensify
- Social responsibility, environmental sustainability, health community expectations of social responsibility performance will rise and Governments will respond with further regulation
- Weather conditions will become more variable, extreme conditions more frequent requiring better responsiveness and adaptability from grape growers and winemakers



## Industry outlook and drivers of change over the next five years

- One of the major challenges to the Australian industry over the next decade is to meet these challenges.
- For Australia, we must do so in a competitive environment where Australian wine starts from a substantial cost disadvantage in the production of high quality branded wine.



## International phenomena

- Australia is not alone.
- increased supplies of higher quality wine means that every wine sector faces 'a brave new world'.
- The next five years will, if anything, put higher pressures on all our wine sectors as we try and compete in an increasingly congested market place dominated by a relatively small number 'gatekeepers' who do not have the same interest in the world wide vitivinicultural sector that we do.



## The Research, Development and Extension Framework

- Australia's \$40 billion agriculture, fisheries and forestry industries and the related food sector to the national economy is underpinned by the innovation that flows from research and development and its practical application by industry.
- Australia's enviable reputation for high quality, clean and safe products is not enough to maintain its place in the face of increasing competition in both domestic and overseas markets and continuing changes in consumer and societal expectations in a highly competitive market place.
- It is essential that Australia's wine sector embrace new innovations and adopt new technologies to keep abreast of market changes, open up new markets and maintain a competitive edge. Equally, pressures to achieve and demonstrate sustainable production systems are mounting.



## **Maintaining position in the market place requires improved, sustained and targeted outcomes from Research, Development & Extension (RD&E).**

- Governments, RD&E investors and providers and primary industries stakeholders need to work together to focus effort and maximise outcomes through strategic partnerships including resource, infrastructure and expertise-sharing within the current scope of primary industry RD&E expenditure.
- Need to ensure research, development and extension capacities are aligned nationally with future industry needs, to initiate collaboration that strengthens Australia's position in international markets and to ensure that RD&E delivery is both more efficient and effective.



## The Wine Sector Strategy

- Our vision for the Australian wine sector is of one that is profitable, competitive and sustainable through innovation, while maintaining its role as an important component of a vibrant and healthy rural and regional Australia.
- To achieve this vision we require a highly efficient RD&E sector that fosters world class wine sector innovation, focuses on industry profitability and meets consumer demands.



## Purpose of the Wine Sector Strategy

Boost the competitiveness and sustainability of the Australian grape and wine industry by:

- facilitating greater coordination among industry, university and government sectors to better harmonise their roles in wine sector RD&E and ensure that they work together effectively.
- supporting a strong culture of collaboration to strengthen wine sector research capability to better address wine sector issues.
- focusing research, development and extension resources so they are used more effectively, efficiently and collaboratively, thereby reducing capability gaps, fragmentation and unnecessary duplication.
- Develop international collaborations to maximise international research capacity in pre-competitive research.



## **The key outcome, is an Australian wine sector research, development and extension system that:**

- **has clear market-driven priorities which cover the whole of value chain and are updated regularly**
- **comprehensively meets the needs of the sector**
- **is integrated, interdependent and specialised, with large critical mass and less fragmentation across the nation**
- **funds research on the basis of collaborative programs rather than on the basis of projects**
- **has a high level of collaboration and exploitation of synergies through strategic partnerships and sharing of expertise and research infrastructure**
- **retains and builds capability in areas strategically important to participants**
- **has national centres of research excellence supported by well-linked development and extension systems so that wine sector research developed in one location will be available nationally for the whole industry**
- **has a high level of industry access to international and Australian RD&E capabilities with faster and more effective ‘concept to application’.**



## RD&E PRIORITY SETTING

- Australian wine industry RD&E priority setting and planning is moving towards a more integrated set of national, market driven, 'whole of chain' priorities through the work of the industry's Innovation Policy Committee (IPC); and the Grape and Wine RDC Five Year R&D Plans which take into account the key industry and government RD&E priorities.
- The GWRDC plays a critical role in translating wine industry priorities into funded RD&E projects by purchasing R&D from existing providers on behalf of the Australian grape and wine industry.



## Shift in emphasis to business effectiveness performance improvements

- The wine sector through its peak industry bodies have identified that over the next five years the focus of the wine sector's innovation efforts needs to be on rapidly improving competitiveness and on accessing new sources of value growth.
- The scope and degree of innovation required to formulate and implement this transformational change extends beyond the boundaries of current wine sector RD&E programs, their timelines and scope of GWRDC funding.
- It is the sector's responsibility to request RD&E investment that will achieve a specified objective or will solve a defined problem, rather than rely on researchers for their direction. This will encourage a multidisciplinary approach and provide a focus on the most relevant parts of the value chain, resulting in the highest return on the RD&E investment.



## Getting the 'mix' right

- The shift in emphasis away from production technical efficiency to business effectiveness performance improvements does not necessarily mean that long term research is not appropriate.
- Longer-term strategic projects however, require additional considerations and criteria in their assessment, with the key differences being an ability to quantify value creation and the time horizon for realization of that value.
- Research requires a mix of tactical research and long-term strategic research and needs to take into account capability and capacity maintenance and development.



## **STRUCTURE AND SYSTEM FOR AUSTRALIAN WINE INDUSTRY RD&E**

- **The strategy was developed by key stakeholders from the wine sector, research, universities and government to build upon the existing wine RD&E collaborative arrangements.**
- **The centrepiece of the strategy is a structure and system which provides for a stronger integration of researchers, extension and innovation services, government and industry through:**
  - **a National Wine Research Network;**
  - **a National Wine Extension Network; and**
  - **a Wine Strategy Implementation Committee.**
- **Central to the success of the Strategy is strong wine sector support and leadership, together with a commitment by government/s to maintenance or improvement of capacity and capability in RD&E to the sector.**



## Conclusion

- Australia has recognised the critical nature of RD&E to success in the wine sector.
- RD&E are vital to all international wine sector parties
- Resources are scarce and research capability / capacity is under threat
- Declining R&D investment in real terms provides a strong driver for collaboration
- Much research is pre-competitive
- Commercialization of IP is not the key driver for wine industry research. From the industry perspective, the critical issue surrounding R&D is to make sure that any policy does not prevent the timely dissemination of research results.
- The ability to collaborate internationally can add to the skills base of researchers and add to the international research capability.



## National Wine Research Network

- The National Wine Research Network is a forum for wine research and development providers to share research and information, to encourage consultation, coordination and communication amongst research and development providers and to be a point of contact for industry bodies.
- Potential for this structure to develop into a formal international network to reduce duplication, share resources and encourage collaboration.



## National Wine Extension Network

- The National Wine Extension Network coordinates wine industry extension and innovation services to ensure those services are delivered in the most speedy, client-focused and cost-effective manner.
- Incorporates commercial delivery services, governments, suppliers as well as traditional research extension.
- Provides feed-back loop into priority setting.



## **National Wine Strategy Implementation Committee**

- **Responsible for the development and implementation of the strategy to ensure that wine RD&E is responsive to industry and government requirements and is conducted and delivered in the most efficient and effective manner.**
- **The Wine Strategy Implementation Committee reports and makes recommendations to government/s and the wine sector on implementation of the strategy.**
- **Its formation ensures a forum at which grape and wine industry leaders, researchers, funders, government agencies, regions and extension service providers come together to ensure that wine RD&E is market-led and delivered in the most speedy and cost effective manner**



## National Wine Strategy Implementation Committee

- Provides a linkage, at a high level, between key stakeholders from industry, research, extension, government, regions and funders
- Identifies major RD&E issues and priorities
- Recommends future strategic RD&E direction
- Recommends improvements in the way wine RD&E is planned, conducted and delivered
- Identifies opportunities for coordination and collaboration
- Monitor industry RD&E Capabilities.
- Ensures that R&D delivers cost-effective outcomes that meet the current and future needs of the Australian grape and wine industry of behalf of the grape and wine industry by:
- Ensures research priorities set for the Australian Wine Industry meet the industry objectives
- Determines appropriate funding arrangements for grape and wine research in Australia
- Ensures the adoption of research outcomes by the Australian Wine Industry
- Enhances International cooperation and collaboration
- Promotes innovation.



## **The key stakeholders agreed to work cooperatively and collaboratively to develop and implement the Wine Strategy by:**

- **Freely sharing the knowledge generated by wine industry RD&E effort and minimising barriers to wine RD&E effort created by intellectual property protection**
- **providing ways to facilitate timely and ready access to knowledge and information by potential users**
- **working cooperatively to improve the administrative processes and effectiveness of information sharing and management**
- **building on existing RD&E evaluation frameworks to develop monitoring and evaluation criteria to review the performance of the Wine Strategy**
- **Every five years conduct an independent review of the Wine Strategy, including the effectiveness in achieving its stated objectives and outcomes.**



## Conclusions

- **The nature of the wine industry does mean that the practical results of research diffuse quickly to other producing countries, either through formal company links, flying winemakers and viticulturists or through researcher interaction.**
- **Commercialisation of IP is not the key driver for wine industry research. From the industry perspective, the critical issue surrounding R&D is to make sure that any policy does not prevent the timely dissemination of research results.**
- **Commercial advantage arises from speed of adoption and innovation in response to research, not from locking up intellectual property.**



## Conclusions

- **Much international research is pre-competitive**
- **The ability to collaborate internationally can add to the skills base of in-country researchers and add to their capability and capacity.**
- **The pre-condition for international collaboration must be to give priority to the timely dissemination of research results**
- **Ownership of IP should be assigned by an appropriate contractual arrangement between the research funders and the providers, (and if applicable, in association with a commercialization partner), but must not restrict access to other researchers for non-proprietary information or seek to lock up IP from use by the wine industry.**



## Conclusions

- Resources are getting scarcer and research capability is eroding
- The wine sector must do more with less
- The wine sector has more in-common with itself than with together competing products and must start to work together to maintain its position in the market place.
- There are many pre-competitive collaborative projects that are possible.