

VINEHEALTH AUSTRALIA FUNDING REVIEW

INDUSTRY CONSULTATION REPORT
2022/23



The Phylloxera and Grape
Industry Board of South Australia,
trading as Vinehealth Australia

RELEASED TO INDUSTRY 16 JUNE 2023



VINEHEALTH
AUSTRALIA

Table of contents

| | |
|--|----|
| 1. Executive summary | 3 |
| 2. Background | 3 |
| 3. Proposed funding solution | 5 |
| 4. Industry consultation | 7 |
| 5. Feedback received | 12 |
| Responses received from South Australian vineyard owners | 12 |
| Feedback from South Australian vineyard owners | 15 |
| General feedback | 19 |
| 6. Next steps | 19 |

1. Executive summary

Vinehealth Australia is unable to perform its statutory responsibilities as per the *Phylloxera and Grape Industry Act 1995* (Act) due to significant funding constraints. In 2018, the Board of Vinehealth undertook a comprehensive review of Vinehealth's activities and the funding required to support delivery of its statutory functions.

A proposed funding solution was determined incorporating three new rules and rates, to raise the \$1.38 million required.

Following endorsement of a Consultation Plan, extensive industry consultation was undertaken between 14 November 2022 and 31 January 2023. This included every vineyard owner in South Australia (3,221) being sent a consultation pack of information (including how to obtain the Business Case), a feedback form and reply-paid envelope. Seven regional Q&A sessions were held, and regular electronic reminders were sent to vineyard owners welcoming and encouraging feedback.

All SA vineyard owners were therefore aware of the opportunity and mechanisms by which to provide feedback. Very high open rates of electronic reminders at 68-83%, also demonstrated that vineyard owners actively engaged with the funding review.

A total of 120 vineyard owners provided feedback. This represents a 3.7% response rate. No opinion was voiced by more than 96% of South Australian vineyard owners. Of the responses, 42% voiced support for the indexation of the variable rate to \$9.69 per hectare in 2022-23, 49% voiced support for either a fixed fee of \$200 or offered an alternative solution to the proposed \$200 that still increases funding, and 41% voiced support for annual indexation of both the variable rate and fixed fee from 2023-2024.

Analysis of the 120 responses received across the 3,221 vineyard owners in SA showed that:

1. Between 0.9% and 1.5% of vineyard owners in SA voiced support for each of the three elements of the proposed funding solution.
2. Between 1.6% and 2.6% of vineyards owners in SA voiced opposition to the proposed three elements of the funding solution. However, a third of vineyard owners who opposed the \$200 fixed fee, voiced alternative solutions to raise funds.
3. More than 96% of vineyard owners did not voice an opinion on the proposed funding solution.

Correspondence was received from the South Australian Wine Industry Association (SAWIA), the South Australian Vine Improvement Association (SAVIA), and 9 regional grape and wine associations, supporting:

- The continuation and strengthening of Vinehealth's highly valued functions and services that enable the future prosperity of the SA grape and wine industry
- The need to increase funding
- The need for temporary government co-investment to support a staggered increase

Vinehealth understands that the Wine Grape Council of South Australia (WGCSA) may have sent a letter to PIRSA on the funding review. The contents of this letter are unknown.

Recommendations to the Minister were made on 9 March 2023.

2. Background

The Phylloxera and Grape Industry Board of South Australia, trading as Vinehealth Australia (Vinehealth) was created in 1899 to protect SA's vineyard assets from pest and disease threats. Since then, the value of the State's grape and wine industry has grown to \$2.36 billion.

While the biosecurity threats facing the State's grape and wine industry have intensified and diversified, Vinehealth's funding has stagnated.

Currently, Vinehealth's funding comes from mandatory contributions paid by vineyard owners of \$9.50 per hectare, with a minimum of \$50. This results in approximately \$740,000 of annual income. There has been no change to this contribution rate of \$9.50 per hectare since 1996. Since this time, inflation alone has diminished the purchasing power of Vinehealth's funds by around 20%. This, combined with the level of work required by Vinehealth to meet current biosecurity challenges, has resulted in eight budget deficits over the previous nine years, rapidly eroding equity, and the sustainability of the organisation.

Vinehealth's current capacity to deliver the regulatory functions and services that vineyard owners expect and rely on to protect them from biosecurity shocks, is therefore compromised. The consequence being a greater likelihood of a significant biosecurity outbreak, leading to financial, social, environmental and community impacts.

The Board of Vinehealth highlighted this funding nexus with industry and government over a number of years.

To address this, the Board of Vinehealth completed a comprehensive review of funding in 2018-19 to identify:

- The activities Vinehealth must undertake to deliver its regulatory functions and services to meet the expectations of industry and government, and the cost associated with these activities.
- Those who should pay for the regulatory functions and services delivered by Vinehealth.
- The most equitable, effective, and efficient system to discharge the costs.

From this review and in consideration of government commentary, a detailed Business Case was developed. This Business Case provides comprehensive information upon which three rules and rates for contributions payable by vineyard owners were proposed.

Consultation with industry on these proposed changes was initially planned by the Vinehealth Board for 2020, however, was halted due to the pandemic. Again, the following year, consultation did not proceed due to a Ministerial directive.

In 2022, the Board of Vinehealth once more sought endorsement from the Minister to undertake industry consultation on the proposed new rules and rates. At this time, the Board acknowledged that industry conditions were challenging, and that these challenges were likely to continue at least in the short term. However, the Board considered that a conversation with industry about funding could not wait.

This decision was driven both by the immense biosecurity pressures being faced by SA and Vinehealth's ongoing constrained resources to perform its statutory responsibilities to safeguard the State's grapevines. The alternative was having a discussion with industry in two to three years' time when the organisation would effectively not be a going concern.

In early November 2022, the Minister for Primary Industries and Regional Development endorsed Vinehealth having a conversation directly with vineyard owners on the proposed rules and rates for contributions payable.

This report summarises the feedback from this industry consultation.

3. Proposed funding solution

The three proposed rules and rates for contributions payable by Registered Persons (Vineyard Owners) were:

1. That the current variable contribution rate of \$9.50 per hectare be adjusted by an indexation factor of 2%, to \$9.69 per hectare for the 2022/23 period, payable by all Registered Persons (Figure 1).
2. That the current minimum contribution of \$50 be replaced by a fixed fee of \$200 for the 2022/23 period, payable by all Registered Persons (Figure 1).
3. That these fixed and variable rates be adjusted by no greater than the annual indexation factor set by the South Australian government each year, commencing in 2023/24.



Figure 1. Proposed rules and rates for contributions payable by all Registered Persons (Vineyard Owners) for 2022/23.

Variable rate

The variable component reflects the general relationship between the area under vine and potential risk creation. This generates income to enable Vinehealth to deliver its regulatory activities, including 10 primary functions.

Fixed fee

The fixed fee of \$200 is set at a cost recovery level. It reflects a vineyard owner's contribution (regardless of vineyard size) to the base level of biosecurity risk they create to SA's \$2.36 billion grape and wine industry by owning a vineyard, thus generating the need for Vinehealth to perform its services and deliver core biosecurity activities. The fixed fee also covers the registration of a vineyard owner's vine plantings on Vinehealth Register, pursuant to Section 19 of the Act.

The underlying principle of this fixed fee is around shared responsibility – in that the decisions a vineyard owner makes on their vineyard in relation to biosecurity not only impact their vines, but have a ripple effect on their neighbours, region, and state. For example, decisions such as checking machinery/equipment for cleanliness, disinfesting visitor footwear, tracking visitor entry through a register, providing staff training, fencing, signage, inspecting vines, buying clean planting equipment, and adhering to the SA Plant Quarantine Standard.

In addition, an important principle of cost recovery is that levies should only be collected if the value of the collection exceeds the cost of undertaking the collection. Therefore, to ensure that contributions payable remain efficient to collect, the fixed fee should be above that of the average cost to collect contributions.

Annual indexation

To prevent the current financial position of Vinehealth occurring in the future, annual indexation of the fixed fee and variable rate should be considered each year by the Board of Vinehealth, and a recommendation made to the Minister for approval.

In determining this proposed funding solution, the Board considered:

1. That industry strongly supports, trusts and relies on Vinehealth for biosecurity expertise.
2. The current operating landscape of the grape and wine industry.
3. That income from current contributions payable by vineyard owners is insufficient to fund Vinehealth's regulatory activities and services.
4. That current rates for contributions payable by vineyard owners have not changed since 1996 and are not revised for inflation.
5. That contributions have not been adjusted to reflect the increasing number and complexity of biosecurity threats facing SA vineyards.
6. That the SA government does not provide ongoing or matched funding. This is despite Vinehealth existing as an instrumentality of the crown with its powers and functions being for a public purpose.
7. That any proposed adjustments must align with government imperatives and commitments.
8. That Vinehealth has been delegated responsibility and thus the cost by the Commissioner for State Taxation to manage the collection of contributions payable from approximately 3,200 vineyard owners in SA.

The proposed funding solution would deliver \$1.38 million in funding for Vinehealth in 2022/23 and beyond, to enable Vinehealth to perform its statutory functions and to keep SA's vineyards safe. It represents a 0.06% investment in grape and wine biosecurity activities, based on the value of the SA wine industry.

4. Industry consultation

The Consultation Plan for Vinehealth's proposed funding solution was developed in line with the Australian Government Department of Agriculture, Water and Environment's (DAWE) 'Levy guidelines: How to establish or amend agricultural levies' (2020) and following review of other recent industry levy consultations in SA, including the WIF Scheme levies and the Dog Fence rateable area.

The five principles outlined in DAWE's paper (below) were addressed to ensure outcomes of the consultation were sufficient to inform a decision by the Minister on the proposed funding solution.

Five principles

1. **Accessibility:** Offer all actual or potential levy payers an equal opportunity to have their say
2. **Impartiality:** Levy payers must be able to express their opinion without interference or fear of adverse consequences
3. **Clarity:** Clearly and accurately describe the options being put to levy payers
4. **Coverage:** The method chosen to measure industry support must maximise participation
5. **Accuracy:** Must present an accurate, reliable result

The Minister was provided a copy of the Consultation Plan on 2 November 2022 for endorsement. At this time PIRSA was also provided a copy.

With SA vineyard owners the sole contributors of funds to Vinehealth, and therefore directly impacted by proposed changes to the rules and rates for contributions payable, the Consultation Plan focussed on obtaining feedback directly from these vineyard owners. Feedback sought was free-form style around the three rules and rates proposed.

A specific response rate was not requested by the government, nor set by the Board. No contact with vineyard owners to directly solicit the submission of feedback forms was made by the Management or Board of Vinehealth during the consultation period, except for the general state-wide activities outlined in Table 1.

The opportunity for each SA vineyard owner to provide feedback on the funding proposal during the consultation period was provided through three methods:

1. A feedback form to be easily returned in a supplied reply-paid envelope.
2. Direct verbal feedback at regional Q&A sessions.
3. Emailing or calling Vinehealth's CEO directly.

To ensure integrity and impartiality around the submission and receipt of feedback via the feedback forms, the following measures were put in place:

- Each of the 3,221 vineyard owners received a unique feedback form, inscribed with the numeric code ('grower number') attributed to their business on Vinehealth's Register.
- Where the same postal address and contact name was recorded for more than one grower number on Vinehealth's Register, a single consultation pack and feedback form was mailed to this address. The unique feedback form was inscribed with each of the grower numbers associated with that address and contact. Feedback provided via each feedback form was then attributed separately to every grower number inscribed.
- A third party, Perks & Associates (Perks), was contracted to receive and process the feedback forms. Receipt was either directly from vineyard owners, or via Vinehealth forwarding unopened reply-paid envelopes.
- To assist Perks in processing the feedback to ensure accurate and reliable results, Vinehealth provided Perks with a spreadsheet which listed all grower numbers, and associated vineyard size category and region.

- Perks entered the feedback from each unique feedback form against all relevant grower numbers on this spreadsheet.
- Perks undertook verification to ensure that only one feedback form had been received for each grower number.
- At the conclusion of the consultation period and once all feedback forms had been entered into the supplied spreadsheet, Perks then removed the identifying grower number column and sent the spreadsheet to Vinehealth.
- To further ensure integrity of the feedback being analysed, Vinehealth's CEO also provided Perks with grower numbers associated with those vineyard owners who:
 - Provided direct feedback (at regional Q&A sessions, by email or by phone). Perks was asked to validate whether these vineyard owners had also submitted a feedback form. In situations where a feedback form had not been submitted by the vineyard owner, their feedback was added to the spreadsheet by the CEO prior to analysis.
 - Became 'inactive' during the 11-week industry consultation period. There were 21 vineyard owners in this situation, being that they sold or removed all their vine plantings on Vinehealth's Register. Given that each of these vineyard owners would no longer be paying contributions to Vinehealth, their grower numbers were also provided to Perks to be removed from the feedback spreadsheet.

Table 1 provides a detailed summary of industry consultation activities undertaken by Vinehealth, and associated levels of engagement.

Table 1. Industry consultation activities and engagement.

| Timing | Action | Engagement |
|----------------|---|--|
| 26 Oct 2022 | Met with the South Australian Wine Industry Association (SAWIA), Wine Grape Council of South Australia (WGCSA) and the South Australian Vine Improvement Association (SAVIA) to brief on the funding proposal. Support was provided by the three organisations to proceed with industry consultation. | |
| 3 Nov 2022 | Met with PIRSA to brief on the funding proposal and industry consultation. | |
| 7 Nov 2022 | Met with Minister Clare Scriven to brief on the funding proposal. Support was provided to proceed with industry consultation. | |
| 14 Nov 2022 | <p>Direct mail out of Consultation Pack to <u>all SA vineyard owners</u>, including:</p> <ul style="list-style-type: none"> • Letter detailing the funding review • Consultation paper • Feedback form • Q&A • Reply-paid envelope | <p>Consultation Pack sent to all 3,221 SA vineyard owners</p> <ul style="list-style-type: none"> • 52 ‘return to sender’ packs were received from vineyard owners who have not updated their mailing address with Vinehealth |
| 14 Nov 2022 | <p>A ‘Funding Review Consultation’ page was made live on Vinehealth’s website (https://vinehealth.com.au/funding-review/) and included:</p> <ul style="list-style-type: none"> • Funding review documents (Consultation paper, Q&A) • How to request the detailed Business Case • Dates and booking links for regional Q&A sessions • Supporting information (Vinehealth’s 2022 Annual Report and Performance At a Glance, Vinehealth’s Strategic Agenda 2021-2026, and the 2021 SA Vineyard Owner Survey Topline Report) • Background articles on biosecurity threats • Support from industry | <p>The Funding Review Consultation webpage</p> <ul style="list-style-type: none"> • 320 unique visits out of a total 10,492 unique visits to the website overall, equating to 3.05% of traffic to Vinehealth’s website accessing information on the funding review • Largest spikes were: <ul style="list-style-type: none"> ○ 70 unique views on 1 December 2022, likely linked to the pending regional Q&A sessions ○ 86 unique views on 24 January 2023, immediately post a reminder about submitting feedback in Vinehealth’s January e-news • Average time spent on the funding review page was just under 1.57 minutes |
| 15-18 Nov 2022 | Vinehealth CEO spoke to each of the SA regional wine association CEs to discuss the funding review and how best to run the Q&A session in their region. | |
| 24 Nov 2022 | <p>Electronic Notice sent to SA vineyard owners and operators for whom we have an email address. This detailed the funding review, industry consultation, how to provide feedback and links to book into regional Q&A sessions.</p> | <p>Sent to 2,416 SA vineyard owners and operators</p> <ul style="list-style-type: none"> • 95.6% successful delivery rate (across original email and repeat send on 28 November where original email was unopened) • 83.2% total opens, with 218 total clicks on links embedded within the Notice |

| Timing | Action | Engagement |
|---------------------------|---|---|
| 30 Nov 2022 – 17 Jan 2023 | <p>Regional Q&A sessions were held:</p> <ol style="list-style-type: none"> 1. Padthaway 30 November 2022 2. Barossa 5 December 2022 3. Langhorne Creek 5 December 2022 4. Clare 7 December 2022 5. Coonawarra 8 December 2022 6. McLaren Vale 9 December 2022 7. Adelaide Hills 17 January 2023 <ul style="list-style-type: none"> • Q&A sessions promoted through Vinehealth’s e-news and website, and regional wine association communication channels • Open forum for vineyard owners to attend | <p>33 people attended 7 regional Q&A sessions:</p> <ul style="list-style-type: none"> • Padthaway – 15 • Barossa – 2 • Langhorne Creek – 6 • Clare – 1 • Coonawarra – 3 • McLaren Vale – 4 • Adelaide Hills – 2 |
| 30 Nov 2022 – 27 Jan 2023 | <p>Ongoing discussions with Riverland Wine Chair, CE and Engagement Officer regarding a Q&A session in the Riverland given the flood situation.</p> | <p>A Q&A session was not held in the Riverland due to:</p> <ul style="list-style-type: none"> • A focus on flood preparation and management • Each Riverland vineyard owner received a Consultation Pack with opportunity to provide direct feedback using the feedback form and reply-paid envelope, or by contacting the CEO <p>However:</p> <ul style="list-style-type: none"> • Low attendance at other regional Q&A sessions and at grower events held by Riverland Wine is also acknowledged. • During the consultation period, Vinehealth was active in the Riverland contacting growers in relation to fruit fly movement restrictions, thus our presence was visible to growers. • A presentation was also given to the Riverland Wine Executive Committee. |
| Dec 2022 – Jan 2023 | <p>Updates and reminders of the funding review provided through Vinehealth’s e-news.</p> | <ul style="list-style-type: none"> • December e-news (76.4% open rate) with reminder in ‘CEO introduction’ having 5.2% total clicks • January e-news (68.5% open rate) with article on funding review having 5.5% total clicks |
| Nov 2022 – Dec 2022 | <p>Information on Vinehealth’s funding review provided by regional associations direct to their members.</p> | <ul style="list-style-type: none"> • 8 notifications distributed through regional wine association communication channels |

| Timing | Action | Engagement |
|----------------------|--|--|
| 14 Nov – 31 Jan 2023 | Presentations and discussions with industry organisations. | <ul style="list-style-type: none"> • SAWIA regional leaders’ forum 14 November 2022 • Adelaide Hills Wine Executive Committee 31 January 2023 • Riverland Wine Executive Committee Board 8 February 2023 • McLaren Vale Phylloxera and Biosecurity Working Group 9 December 2022 • South Australian Vine Improvement AGM 15 December 2022 • Limestone Coast Grape and Wine Council technical sub-committee workshop 7 February 2023 • National Wine Biosecurity Committee 8 November 2022 • Ongoing conversations with regional and state associations, and Australian Commercial Wine Producers Limited |
| Nov 2022 – Jan 2023 | Two updates provided to Minister Scriven and PIRSA during industry consultation (27 November 2022 and 24 January 2023). | |
| 17 Feb 2023 | Met with SAWIA, WGCSA and SAVIA to debrief on feedback received during industry consultation and discuss recommendations to be made to the Minister. | |
| 2 Mar 2023 | Met with CE and ED of PIRSA to debrief on feedback received during industry consultation and discuss recommendations to be made to the Minister. | |

In summary:

- The industry consultation process was extensive, meeting the five principles of accessibility, impartiality, clarity, coverage, and accuracy.
- All SA vineyard owners received the consultation pack, and very high engagement rates for the electronic reminder in November are noted. This suggests that vineyard owners were aware of the funding review and proposed solution, and the mechanisms to provide feedback.
- Every SA vineyard owner had an opportunity to ask questions and provide feedback through multiple channels within the 11-week consultation period.

5. Feedback received

Responses received from South Australian vineyard owners

In total, 120 SA vineyard owners provided feedback on the proposed funding solution for Vinehealth. This equates to a 3.7% response rate.

Table 2. Number of SA vineyard owners who provided a response to the proposed funding solution.

| | |
|--|------------|
| Feedback received directly by CEO (phone, email, in person) | 11 |
| Deidentified feedback forms received | 109 |
| Total number of vineyard owners who provided a response | 120 |

In addition:

- 3 vineyard owners requested the detailed Business Case from Vinehealth's CEO.
- 1 vineyard owner sent a letter of support directly to Minister Scriven's office.
- 1 vineyard owner sent a cheque for \$200 accompanied by a blank feedback form to Vinehealth.
- 6 vineyard owners requested further information from Vinehealth's CEO, which was promptly supplied.
- 4 feedback forms were received after analysis of feedback was completed. Sentiment towards the funding solution was balanced across these forms.
- 2 vineyard owners who provided feedback were noted as having outstanding contributions payable to Vinehealth.
- 2 feedback forms were received for which the grower number(s) had been cut off.
- Sentiments were received through general discussions with vineyard owners and representatives of regional wine associations, who came to the regional Q&A sessions.

It is important when analysing responses received to ensure that they are broadly reflective of the demographics of the overall vineyard owner population across SA to avoid potential bias. Two key factors to consider are vineyard owner size and region. For example, if all the responses were from vineyard owners in one region, this would be important to note and consider when interpreting feedback.

Analysis of responses received by *vineyard owner size category*, shows that:

- The greatest number of responses was received from vineyard owners with 0.5-5.26 hectares of vineyard (Figure 2).
- Only 10% of responses came from vineyard owners owning greater than 30 hectares of vineyard, with this cohort owning 70% of the planted hectares across SA.
- The number of responses received from each vineyard owner size category is roughly proportionate to the size category split across SA (Figure 3), except for a higher proportion of responses received from the 0.5-5.26 hectare category. This size category, whilst representing 40% of vineyard owners across SA, accounts for 5% of the planted area.

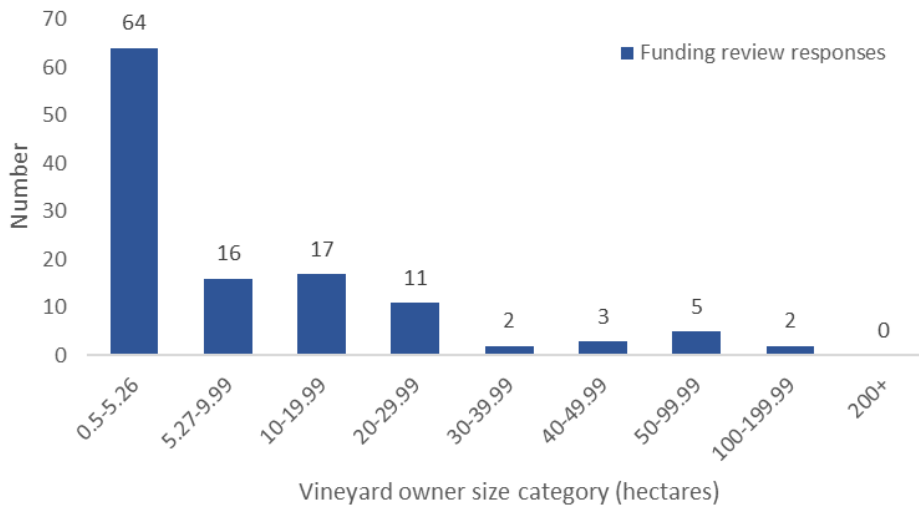


Figure 2. Breakdown of the number of responses received by vineyard owner size category.

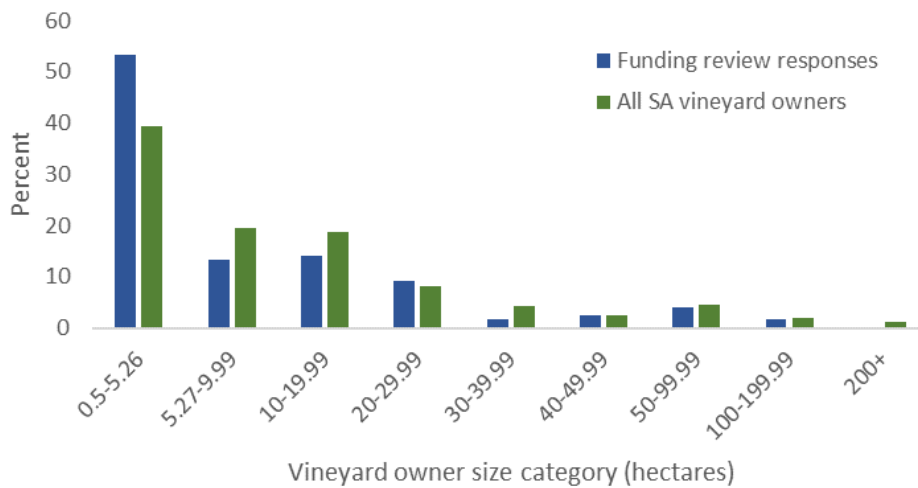


Figure 3. Comparison of the proportion of responses received by vineyard size category to the split of vineyard owners by vineyard size across SA.

Analysis of responses received by *region*, shows that:

- The greatest number of responses was received from Barossa Valley, McLaren Vale and Riverland vineyard owners (Figure 4).
- The proportion of responses received by region is similar to the regional split of vineyard owners across SA (Figure 5), noting:
 - 8% higher response rate from Barossa Valley and McLaren Vale.
 - 9% lower response rate from Riverland, which is a similar variance reported in the 2021 Vinehealth Vineyard Owner Survey.

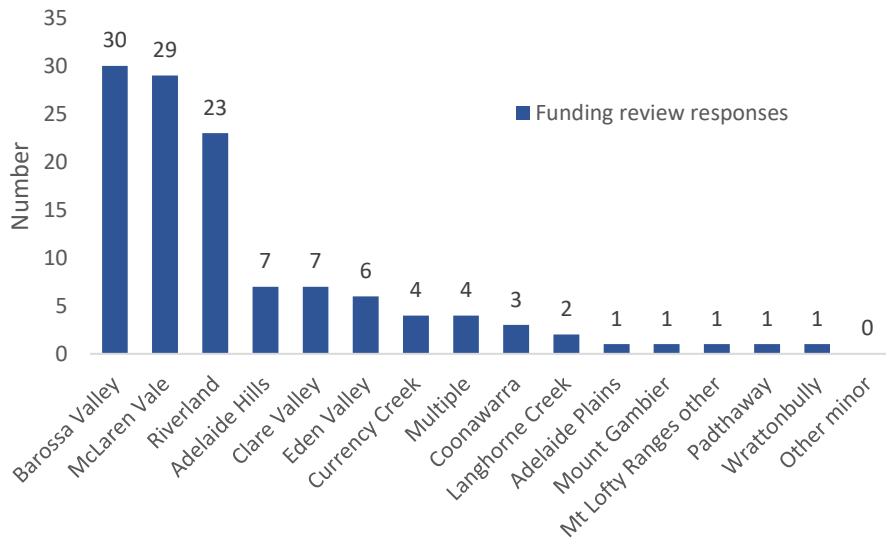


Figure 4. Number of responses received by region.

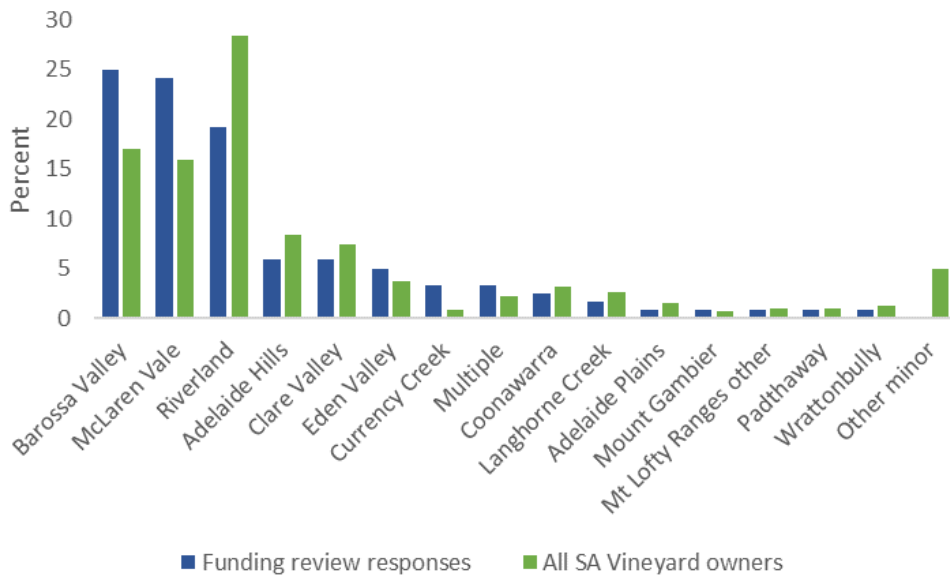


Figure 5. Comparison of the proportion of responses received by region to the split of vineyard owners by region across SA.

Vinehealth experiences high engagement rates with vineyard owners across SA. Vineyard owners are used to regularly consuming information provided by Vinehealth, responding to requests for information, and partnering with Vinehealth on biosecurity activities. Examples of this include:

- 60% average open rate for monthly e-news (industry average ~21%), with 11% click through rate (agriculture and food services industry average 3%).
- 14.4% response rate to Vinehealth’s 2021 Vineyard Owner Survey, with 63% of these being vineyard owners who owned less than or equal to 24 hectares. This was a lengthy survey seeking feedback from growers on their thoughts on biosecurity risks, their farm-gate hygiene practices, and a performance assessment of Vinehealth. The high response rate to this optional and detailed survey, highlights that growers do engage with Vinehealth.

Therefore, in its daily operations Vinehealth enjoys high engagement rates with vineyard owners, who actively voice their opinion as they see fit. The comparatively low response rate of 3.7% to the proposed funding solution, must therefore be considered against the demonstrated ongoing high engagement rates that Vinehealth has with vineyard owners. It should not be used to diminish the

nature or relevance of the consultation process or be used to argue lack of support for the proposed funding solution given that consultation was extensive and provided an open invitation to provide feedback. Additionally, no minimum response rate was requested by the government, or set by the Board.

Feedback from South Australian vineyard owners

Where possible, feedback from vineyard owners for the proposed funding solution was analysed separately for each of the three elements put forward:

1. Adjustment of the variable rate to \$9.69 per hectare, payable by all vineyard owners in 2022/23.
2. Replacement of the minimum of \$50 with a fixed fee of \$200, payable by all vineyard owners in 2022/23.
3. Adjustment of both the fixed and variable rates by no greater than the annual indexation factor set by the South Australian government each year, commencing in 2023/24.

Analysis of the feedback provided by vineyard owners, showed that:

- Not all who provided feedback commented on each of the three elements of the funding proposal.
- Of the responses received, the split of ‘yes’ versus ‘no’ responses for each element of the funding proposal (Figure 6) varied:
 1. Variable \$9.69/ha → 16 fewer ‘yes’ than ‘no’ responses
 2. Fixed fee \$200 → 54 fewer ‘yes’ than ‘no’ responses
 3. Annual indexation → 15 fewer ‘yes’ than ‘no’ responses
- There was a higher number of ‘no’ responses for the proposed fixed fee of \$200 than for the variable rate moving to \$9.69/ha or the annual indexation elements, noting results presented in Figure 3 that show the highest proportion of responses were received from vineyard owners with 0.5-5.26 hectares of vines who currently pay the \$50 minimum contribution.

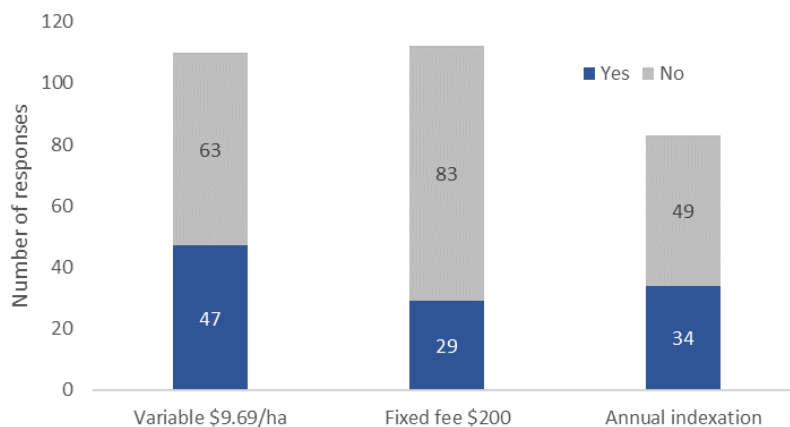


Figure 6. Breakdown of feedback received from 120 vineyard owners on whether they support (‘yes’) or object (‘no’) to each of the three elements of the funding proposal.

Further analysis of feedback on the proposed fixed fee of \$200, showed that:

- Of the 83 responses categorised as ‘no’, one third (26) offered an alternative funding solution (to the \$200 fee) to increase funding (Figure 7), such as:
 - Fixed fee of between \$72.84 to \$150
 - Tiered fixed fee based on hectare size
 - Staggered increase over 2 years
 - Redirection of funds from other organisations
- The alternative solution of a fixed fee in the order of \$72.84 - \$150 was suggested by 15 out of the 26 responses that suggested an alternative solution to a \$200 fixed fee.
- Therefore, in combination with the 29 ‘yes’ responses received for this element, 55 out of the 112 responses (49%) acknowledged the need to increase funding for Vinehealth. This was either through the current proposal of a fixed fee of \$200, or by offering an alternative solution to the proposed \$200 that still increases funding.

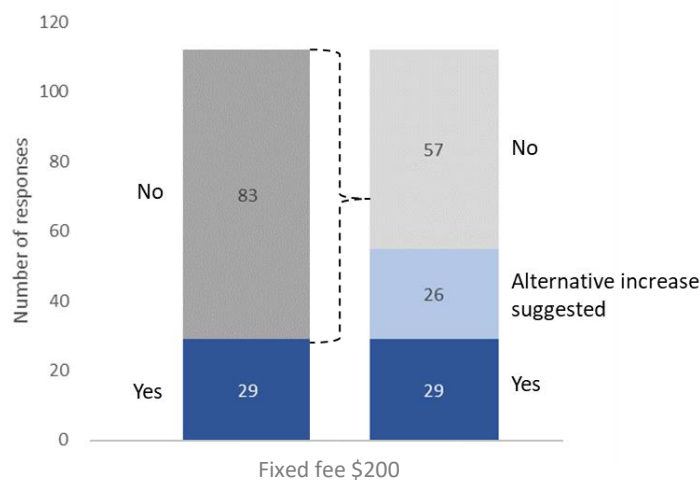


Figure 7. Deep dive into the 83 ‘no’ responses to the fixed fee of \$200.

In summary of the 120 responses, there was:

- 42% support for the indexation of the variable rate to \$9.69/hectare in 2022-23
- 49% support for either a fixed fee of \$200 or offered an alternative solution to the proposed \$200 that still increases funding
- 41% support for annual indexation of the variable rate and fixed fee from 2023-2024

Figures 8 and 9 show the breakdown of feedback by vineyard owner size category and region. Across the three elements of the funding proposal, a greater proportion of ‘no’ responses were received from vineyard owners in the smallest vineyard size category. In addition, most responses received from Riverland vineyard owners indicated opposition to the increase proposed. These responses are indicative of the large number of Riverland growers impacted by current industry challenges.

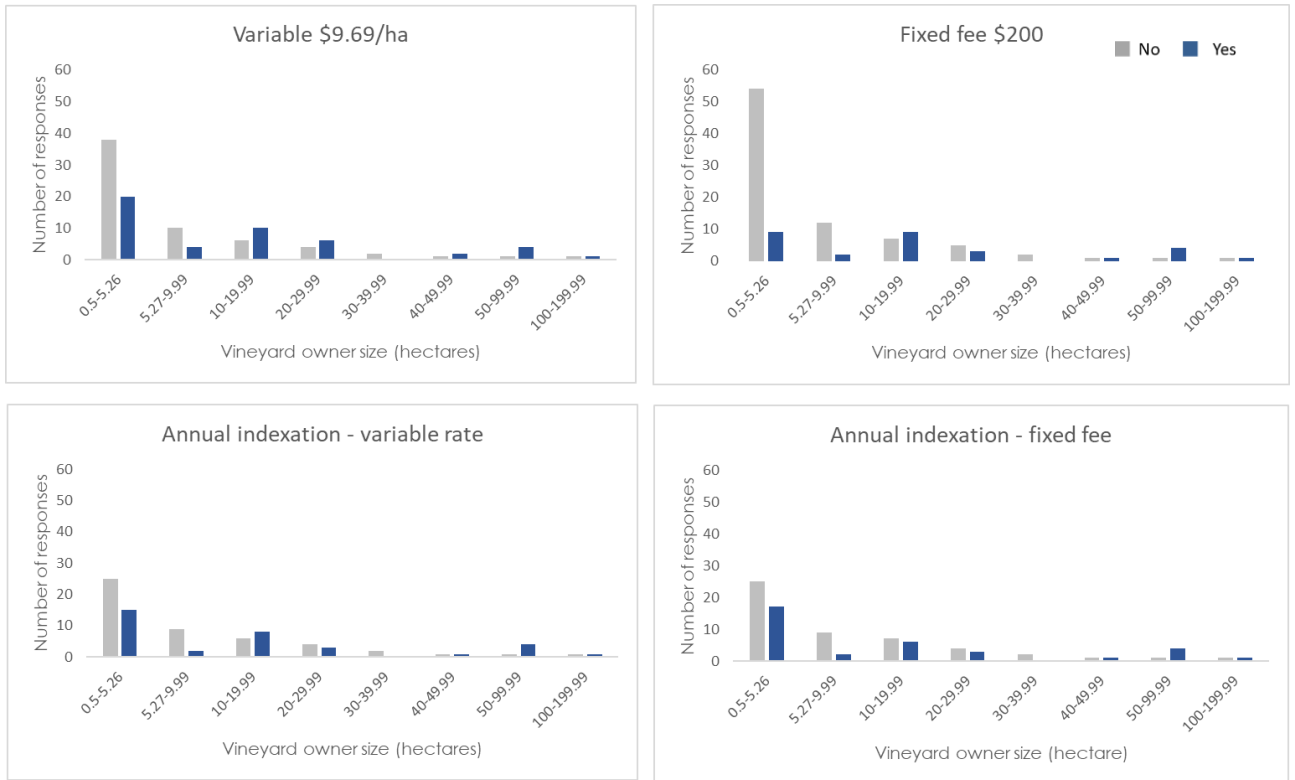


Figure 8. Breakdown of support (yes) and objection (no) by vineyard owner size category to each element of the proposed funding solution.

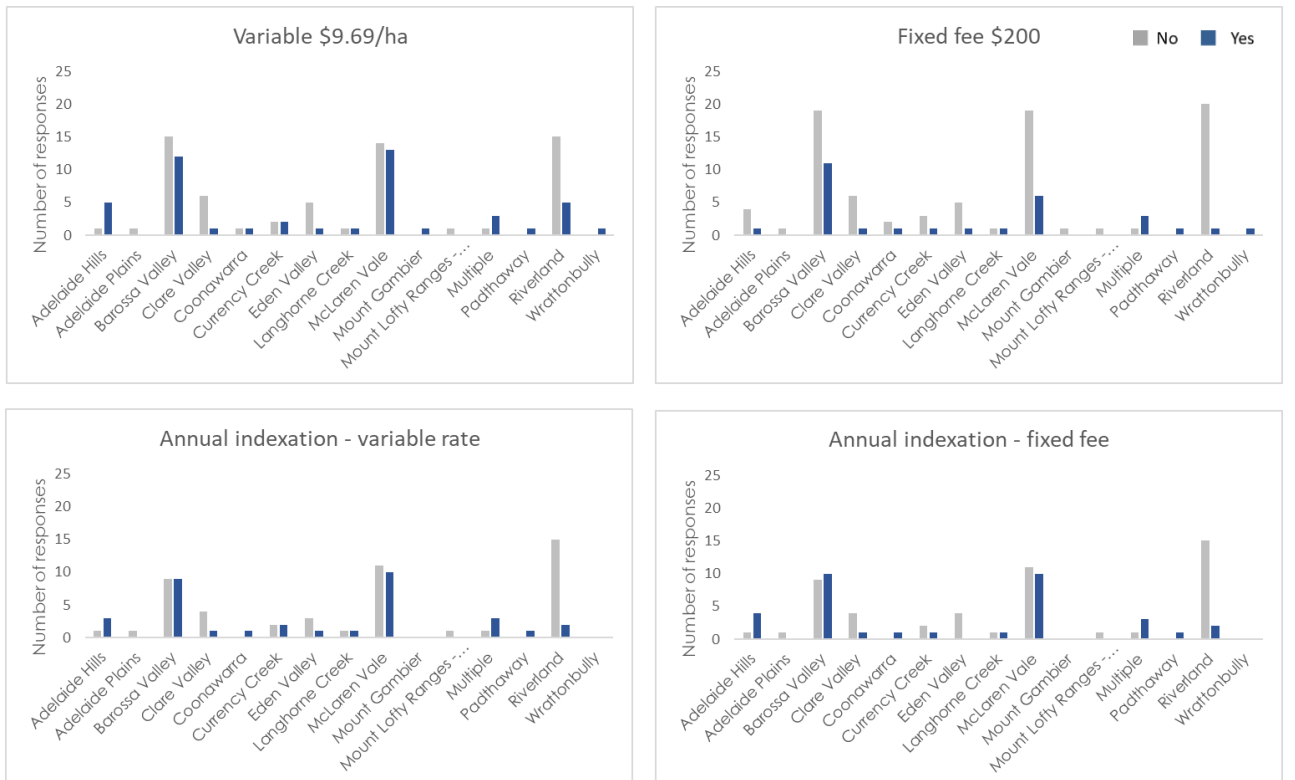


Figure 9. Breakdown of support (yes) and opposition (no) by region to each element of the proposed funding solution.

Qualitative feedback from vineyard owners is summarised into the following key areas:

1. Difficult industry conditions and timing of the proposed funding solution
 - Oversupply
 - Inflationary pressures on vineyard inputs – fertiliser, sprays, labour, contractors, etc
 - No contract for some or all of their grapes
 - Low grape prices
 - Flood impacts
 - Seasonal disease pressure
2. A greater proportional increase of the proposed funding solution on small vineyard owners compared to large vineyard owners
3. The importance of Vinehealth’s activities
 - Success of the SA grape and wine industry is in no small part due to the activities of the Phylloxera Board (Vinehealth) over a long period of time
 - A vital body supporting the grape growing industry across SA that must be funded accordingly
 - Essential to keep industry free of pests and diseases which would threaten the viability of grape growing in SA
4. Government should provide funding given Vinehealth is a statutory authority
5. Other
 - Levies paid by vineyard owners at national, state and regional levels
 - Cost of Sustainable Winegrowing Australia
 - Pensioner concessions

Analysis of the 120 responses received across the 3,221 vineyard owners in SA (Figure 10) shows that:

1. Between 0.9% and 1.5% of vineyard owners in SA voiced support for each of the three elements of the proposed funding solution.
2. Between 1.6% and 2.6% of vineyards owners in SA voiced opposition to the proposed three elements of the funding solution. However, a third of vineyard owners who opposed the \$200 fixed fee, voiced alternative solutions to raise funds.
3. More than 96% of vineyard owners did not voice an opinion on the proposed funding solution.

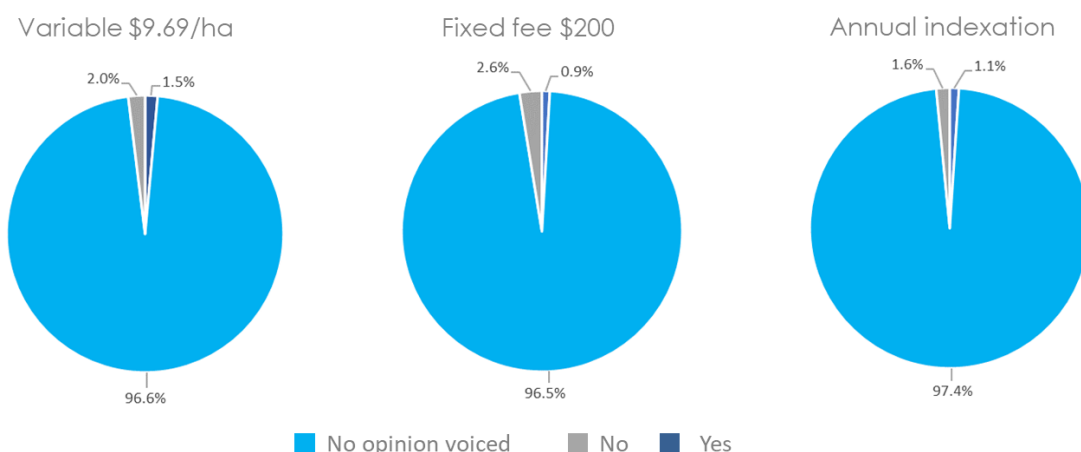


Figure 10. Overall feedback for proposed funding solution across all 3,221 SA vineyard owners.

General feedback

Feedback provided directly to the Minister

Vinehealth is aware of, and notes:

- A letter of support from Australian Commercial Wine Producers
- A letter of support from a small vineyard owner

Meeting with SAWIA, WGCSA and SAVIA

As indicated in Table 1, Vinehealth met with SAWIA, WGCSA and SAVIA in late October 2022 to provide a brief on the funding proposal and planned industry consultation. At this time support was provided by the three organisations to proceed with industry consultation. Vinehealth also committed to bringing these organisations together after industry consultation to review feedback received.

On the 17 February 2023, a meeting was convened with SAWIA, SAVIA and WGCSA to:

1. Review feedback received from industry during the consultation period
2. Review recommendations regarding rules and rates for contributions payable to be made to Minister

Following this meeting, support for Vinehealth and calls for government co-investment to allow a staggered increase, was received from SAWIA and SAVIA. In addition, SAWIA attached to their letter correspondence demonstrating similar support from:

- Adelaide Hills Wine Region
- Barossa Australia
- Langhorne Creek Grape and Wine
- Coonawarra Vignerons
- McLaren Vale Grape Wine and Tourism Association
- Riverland Wine

Support for Vinehealth and government co-investment was also received from:

- Riverland Vine Improvement Committee
- Clare Valley Wine and Grape Association

These letters clearly support:

- The continuation and strengthening of Vinehealth's highly valued functions and services that enable the future prosperity of the SA grape and wine industry
- The need to increase funding
- The need for temporary government co-investment to support a staggered increase

Vinehealth understands that WGCSA may have sent a letter to PIRSA on the funding review. The contents of this letter are unknown.

6. Next steps

The Board of Vinehealth thanks all vineyard owners who provided feedback – the insights provided are appreciated.

This Report, copies of all letters received from State and regional grape and wine associations, and recommendations on rules and rate for contributions payable, were sent to the Minister for consideration on 9 March 2023.