

AANA

A RESPONSIBLE APPROACH

Submission to the Inquiry into the Alcohol Toll Reduction Bill 2007

Australian Association of National Advertisers

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A submission to the Senate Community Affairs Committee's considerations of the Alcohol Toll Reduction Bill 2007 on behalf of Australia's advertising & marketing community.

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Introduction

The Australian Association of National Advertisers appreciates the opportunity afforded by the Senate Community Affairs Committee to make a submission to its considerations in relation to the Alcohol Toll Reduction Bill 2007.

As the peak body of the Australian advertising & marketing communications industry, representing the interests and obligations of responsible advertisers across all business sectors for the past 80 years, the AANA further appreciates the concerns of some individuals and groups within the community related to advertising generally, and in this instance alcohol advertising particularly.

Indeed, the AANA believes it has played and can continue to play an important role in relation to such advertising, and supports this submission with an offer to make its resources available to the Senate Community Affairs Committee and otherwise provide access to experience and expertise that may assist the considerations of that Committee.

KEY POINTS

- **Alcohol-related products and services are already highly regulated in Australia**
 - **Additional regulation could have unforeseen negative consequences**
- **Recent research supports positive use of advertising & marketing communication**
 - **The global view favours reliance on industry self-regulation**
- **AANA can provide access to domestic and international advertising expertise**

RIGHTS AND RESPONSIBILITIES

Having represented responsible access to freedom of commercial speech in Australia for 80 years, the Australian Association of National Advertisers believes that all regulation of advertising & marketing communication should be properly considered against an evidentiary base.

While acknowledging the rights and responsibilities of governments to enact legislation and regulation in the best interests of the communities they serve, the AANA is a long-time advocate of free and fair marketplace competition as a key driver of social as well as economic growth.

Applying such an approach to its design and delivery of advertising industry self-regulation, the AANA believes it shares a right as well as responsibility to respond on behalf of responsible advertisers and marketers to any threat of unnecessary, unreasonable and/or unwarranted regulation.

COMMUNITY INTERESTS

The advertising industry self-regulatory system devised by the AANA and now delivered through the industry funded and independently managed Advertising Standards Bureau and Board, is an internationally-recognised world's best practice mechanism for ensuring advertising & marketing communications properly reflect prevailing community standards.

In particular reference to alcohol, the ASB considers complaints about advertising under AANA Codes, independently of their consideration under the separately-administered Alcoholic Beverages Advertising Code.

The Committee will receive submissions particular to these perspectives, making duplication of detailed representations unnecessary to this submission. But the AANA takes this opportunity of drawing the particular attention of the Committee to the fact that by way of separate adjudication under ABAC and AANA Codes, alcoholic product and services advertising is unique in being subject to 'double jeopardy' in needing to meet two sets of standards designed to protect the broadest community interests.

REGULATORY RESEARCH

In specific regard to the Alcohol Toll Reduction Bill (2007), the AANA submits that there is already proper and sufficient regulation of product and service advertising and marketing, and cautions against unnecessary, unreasonable, and/or unwarranted extension.

This view is supported by a recent high-level research review¹ suggesting that *"in a wide range of studies ... notably on alcohol ads ... (advertising bans) are ineffective in reducing harmful consumption and may even have perverse effects."*

The Frontier Economics study is particularly notable by the Senate Community Affairs Committee for pointing out that *“... a seemingly obvious conclusion is not borne out by the evidence.”*

Investigating the effectiveness of food & beverages and alcohol advertising bans, Frontier Economics undertook a wide-ranging review of the academic literature, both empirical and qualitative, including previous reviews commissioned by the UK Office of Communications (Ofcom) in relation to foods & beverages and the National Institute on Alcohol Abuse & Alcoholism (NIAAA) in relation to alcohol.

In specific relation to alcohol, the study established *“...little evidence of a significant link between advertising and total sales of alcoholic drinks or consumption per head ... research into the impact of advertising bans tends to indicate that they either have no effect on consumption or are associated with an increase.”*

In its published findings, Frontier Economics explains: *“In general, it appears that in mature markets such as those for alcohol and HFSS foods, advertising affects the share of the market enjoyed by different brands rather than increasing the total size of the market.*

“This explains the apparent paradox that companies continue to spend a lot on advertising products without materially increasing the total number that we buy ...

“...In markets such as those for HFSS foods and alcohol, where advertising helps to secure market share and underpin price premia, a ban on advertising forces companies to depend more on price competition. And price-cutting is likely to increase consumption.”

On Frontier Economics reckoning, while an advertising ban might at first glance look like a fail-safe political option – *“even if it is not supported by the evidence”*—the potential for unintended and even perverse consequences needs to be examined.

If, for instance, the effect of a ban is to drive advertising on to less regulated media, the benefit of current restrictions may be lost.

In its conclusions, Frontier Economics states: *“Serious policy analysis must start by identifying the key drivers of obesity and binge drinking, and examine the levers that have greatest impact ... our work clearly suggested a number of key factors, notably price, information and education, and promotional role that can be played on television and other media.”*

At the request of the AANA, the researcher responsible for the Frontier Economics study, Mr Damien O’Flaherty, has offered to make himself available to the Senate’s Community Affairs Committeeⁱⁱ.

WORLD VIEW

The Senate Community Affairs Committee may further care to avail itself of experience and expertise the AANA can make available through The World Federation of Advertisers.

Based in Brussels and regularly consulting to the European Commission, the WFA has come to the view that that alcohol abuse and alcohol-related harm are public policy challenges which cannot be solved by governments alone.

“Although alcohol advertising is already heavily regulated, concerns remain about the ability of current statutory and self-regulatory rules to help prevent abuse.

“Advertisers take their role seriously in promoting responsible alcohol consumption and are constantly reviewing their practices as a result. Yet, alcohol advertising does not cause alcohol related harm and further restrictions to marketing communications are not a solution. WFA helps alcohol marketers meaningfully engage and better navigate this challenging environment while advocating policies that take full account of the important contribution advertisers can make.”

At the request of the AANA, the Managing Director of the World Federation of Advertisersⁱⁱⁱ will make himself available to the Senate Community Affairs Committee.

ECONOMIC PERSPECTIVE

The AANA further supports this submission with reference to *Advertising & Economic Growth*^{iv}, a groundbreaking research document based on the Doctorate Thesis of Maximilian Nayaradou, University of Paris-Dauphine.

Using a combination of macroeconomics, industrial economics, statistical analysis and econometrics, the author has established:

- **Consumption:** The sectors in which advertising investments are highest contribute most to economic growth;
- **Innovation:** The sectors in which investment in advertising as well as research & development are above average are also those in which the growth of added value is highest;
- **Competition:** Those sectors in which the advertising investment rate is highest are also those in which the market shares of companies are least rigid and in which competition is liveliest as a recognised driver of growth;
- **Economic Value:** As an economic sector in its own right, advertising is a multiplier of economic growth.

In a conclusion to a new English language reprint of the thesis, the World Federation of Advertisers notes:

“Certainly, national economic growth does depend on a number of variables other than media advertising space.

“However, the results of this research demonstrate that similarly to other determining factors (for example research & development expenditure), access to adequate advertising space, allowing for an increase the rate of media advertising investment, is a necessary condition for the economy to achieve high and sustainable performance levels.

“Such a policy presents the additional advantage of being rapid to implement and low in cost.”

CONCLUSIONS

The Australian Association of National Advertisers respectfully submits to the Senate Community Affairs Committee's considerations in relation to the Alcohol Toll Reduction Bill 2007, that:

- 1: Further regulation of advertising & marketing communications is neither a necessary, reasonable, nor warranted response to current concerns within the community motivating the Alcohol Toll Reduction Bill 2007;
- 2: Over regulation of advertising & marketing communication of alcohol-related products and services could have unforeseen 'perverse' effects;
- 3: Advertising & marketing communication based around awareness and healthy image promotion have the potential to contribute to a positive response to current community concerns in relation to over-consumption of alcohol by groups within a more understanding and responsible broader community.

The Australian Association of National Advertisers commends consideration of this Submission to the Senate Community Affairs Committee.



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ⁱ *Food for Thought – The Impact of Advertising Bans*, Frontier Economics, 2008
<http://www.frontier-economics.com/europe/en/publications/182/>

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ⁱⁱⁱ Contact: Mr Stephan Loerke, World Federation of Advertisers: s.loerke@wfanet.org

^{iv} Advertising and Economic Growth, Maximilien Nayaradou, University of Paris-Dauphine
http://www.wfanet.org/documents/3/WFA-UDA_Advertising&Economic_Growth.pdf