

## Chapter 2

### Expenditure on Commonwealth government advertising since 1996

#### Expenditure and trends

2.1 It is difficult to give a precise answer to the question of the level of expenditure on Commonwealth government advertising since 1996.

2.2 According to the Department of the Prime Minister and Cabinet (PM&C), 'since financial year 1996-97 expenditure through CAS [Central Advertising System] has totalled \$929 million'.<sup>1</sup>

2.3 In evidence given to the Committee in August 2005, the Special Minister of State, Senator the Hon. Eric Abetz, also stated that \$929 million had been spent by the government 'between 1996 and 2004'.<sup>2</sup>

2.4 The figure of \$929 million refers to the nominal government expenditure on advertising over the period 1996-97 to 2003-04, as presented in table 2.1. The table derived from a Parliamentary Library research note published in June 2004,<sup>3</sup> and the Department of the Prime Minister and Cabinet *Annual Report 2003-04*, provides the breakdown of that expenditure.<sup>4</sup> It also shows the conversion of that nominal expenditure into 2003-04 prices.

2.5 In 2003-04 prices, the total expenditure on government advertising through the Central Advertising System for the period 1996-97 to 2003-04 was \$1.014 billion.

2.6 For the period 1995-96 to 2004-05, table 2.2 provides a breakdown of advertising expenditure by media type. This table presents expenditure disaggregated by newspapers (press) into national, metropolitan, suburban and regional and rural categories, and by radio and television. It represents the most comprehensive set of data currently available on government advertising, but it is inadequate for reasons outlined in later sections of this chapter.

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1 Department of the Prime Minister and Cabinet, *Submission 5*, p. 4. The department has confirmed that \$929 million was expended in the period 1996-97 to 2003-04.

2 Senator the Hon. Eric Abetz, *Committee Hansard*, 19 August 2005, p. 77.

3 Dr Richard Grant, *Research Note No.62*, Parliamentary Library, 21 June 2004, p. 2.

4 The Committee notes that there is a variation of \$5 million in the figures arrived at by adding the amounts from these sources, and the total provided in evidence by the GCU and the Minister.

**Table 2.1: Government advertising expenditure 1996-2004**

	Nominal \$million	2003-04 prices \$million
1996-97	46	55
1997-98	76	89
1998-99	79	92
1999-00	211	240
2000-01	156	170
2001-02	114	122
2002-03	99	103
2003-04	143	143
<b>TOTAL</b>	<b>924</b>	<b>1,014</b>

Source: *Research Note No.62*, Parliamentary Library, 21 June 2004, p. 2 and the Department of the Prime Minister and Cabinet, *Annual Report 2003-04*, Appendix 3.

**Table 2.2: Government advertising expenditure by type 1995-2005**

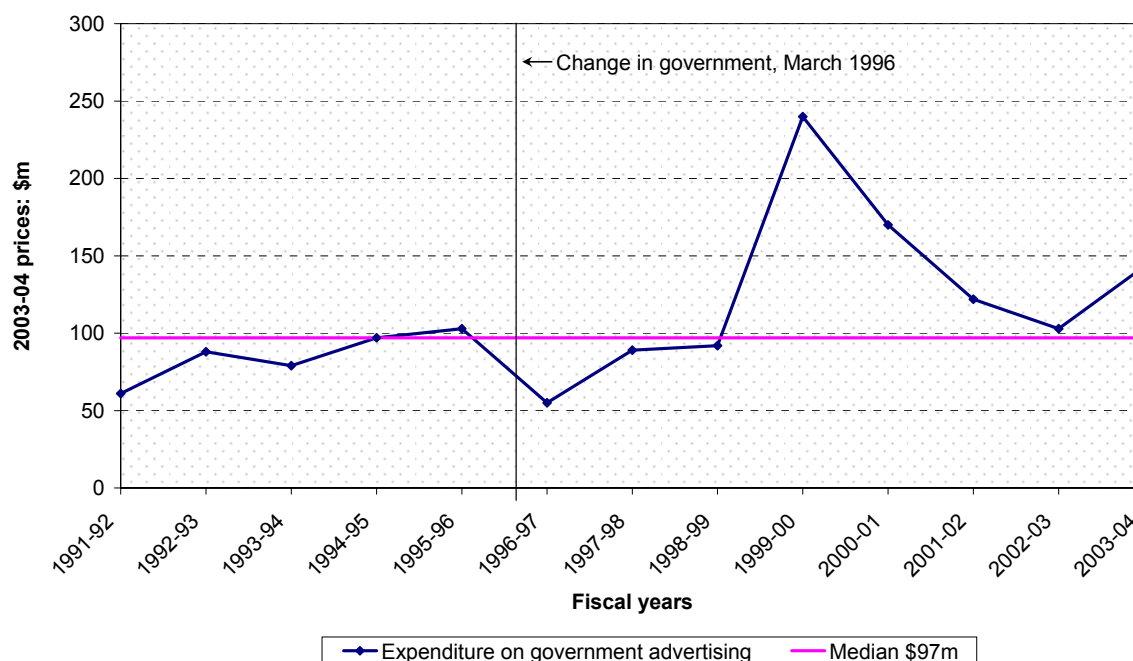
Year	National Press	Metropolitan Press	Suburban Press	Regional & Rural Press	Total Press	Total Radio	Total Television
1995-1996	\$1,122,316	\$6,561,126	\$329,298	\$4,942,399	\$17,174,937	\$4,797,445	\$22,117,907
1996-1997	\$902,459	\$4,957,851	\$104,276	\$3,414,330	\$11,115,501	\$4,886,653	\$11,095,737
1997-1998	\$1,530,630	\$10,252,328	\$376,127	\$7,836,491	\$22,765,408	\$6,824,281	\$24,987,883
1998-1999	\$1,166,511	\$10,815,985	\$610,498	\$2,718,053	\$21,640,157	\$6,383,727	\$23,712,917
1999-2000	\$2,173,474	\$22,683,598	\$5,504,866	\$29,969,099	\$64,282,310	\$15,649,763	\$100,602,852
2000-2001	\$1,822,583	\$15,075,546	\$2,658,917	\$14,054,503	\$35,288,521	\$15,306,422	\$74,720,627
2001-2002	\$1,139,841	\$10,182,982	\$1,316,917	\$7,654,513	\$21,292,508	\$7,579,774	\$46,450,199
2002-2003	\$407,028	\$6,335,529	\$521,008	\$4,186,833	\$12,192,161	\$5,243,663	\$27,357,719
2003-2004	\$954,692	\$9,961,453	\$512,392	\$9,182,579	\$21,909,997	\$6,196,448	\$59,077,350
2004-2005	\$1,477,246	\$9,933,890	\$706,514	\$7,089,397	\$21,149,718	\$7,454,772	\$43,199,533

Note: As it is too difficult to separate out campaigns less than \$100,000, all campaigns placed through the Central Advertising System have been included. Total Press at column (a) above also includes expenditure for NESB, Indigenous, Overseas, Street press, Kids media and Trade press. 1995-1998 expenditure also includes magazines.

Source: Department of Prime Minister and Cabinet, answers to questions on notice, original dated 13 September 2005 and revised 29 November 2005. See also Appendix 8 of this report.

2.7 The following figure illustrates the pattern of Commonwealth government advertising expenditure through the Central Advertising System between financial years 1991-92 and 2003-04.

**Figure 1—Government advertising expenditure 1991 to 2004**



Source: *Research Note No.62*, Parliamentary Library, 21 June 2004, p. 2 and the Department of the Prime Minister and Cabinet, *Annual Report 2003-04*, p. 94.

2.8 The figure shows that expenditure on Commonwealth government advertising has climbed steadily since 1991-92. Between 1991-92 and 1995-96, the average yearly advertising expenditure through the Central Advertising System was \$85.6 million. Between 1996-97 and 2003-04, the average yearly expenditure on advertising was \$126.75 million.

2.9 The median expenditure over the whole period from 1991-92 to 2003-04 was \$97 million. Expenditure by the Howard government since 1996-97 thus averages \$29.75 million more than the median; expenditure by the Keating Labor government prior to 1996-97 averaged \$11.4 million less than the median. Excluding the bi-partisan advertising campaigns for Defence Force Recruitment, the next nine most expensive advertising campaigns since 1991 have been conducted by the Howard government.

2.10 The overall cost of Commonwealth government advertising is also tending to escalate each year. For example, advertising expenditure in the three years from 1996-97 to 1998-99 was \$55 million, \$89 million and \$92 million respectively. In 1999-00, there was a very large jump in expenditure to \$240 million, which is accounted for by the GST advertising campaign. Expenditure since that time, however, has never

dropped below \$100 million per year. In the four years from 2000-01 to 2003-04, yearly expenditure was \$170 million, \$122 million, \$103 million and \$143 million respectively.

2.11 In considering the figures above, it is important to understand exactly what proportion of the government's expenditure on advertising they include. In the next section, the Committee outlines some of the methodological issues involved in drawing an accurate picture of the total expenditure on government advertising.

### **Methodological issues in reporting**

2.12 The submission from the Department of the Prime Minister and Cabinet states that the amount of \$929 million is the expenditure on government advertising that has come through the Central Advertising System (CAS).<sup>5</sup> Similarly, advertising expenditure reported in the annual reports of PM&C is expenditure which is placed through CAS.<sup>6</sup>

2.13 All Australian Government departments and agencies subject to the *Financial Management and Accountability Act 1997* are required to place their advertising through the Central Advertising System. The purpose of this system is to consolidate government advertising expenditure and to secure the best possible media discounts and benefits, as well as to ensure that government departments do not compete against each other for media time and space.<sup>7</sup>

2.14 It is important to note, however, that the money expended through CAS is not necessarily the total expenditure on any particular advertising campaign. It is only what Mr Greg Williams, First Assistant Secretary, People, Resources and Communications Division, PM&C, has called the 'media spend' on the campaign.<sup>8</sup>

2.15 In evidence to the Finance and Public Administration Legislation Committee at Senate Estimates in May 2004, Mr Williams, was asked to provide the 'global budget' for then current government advertising campaign activity. He said:

I cannot run through the global budget, because that is not information the GCU has, but I can run through the proposed media spend ... The other elements of the campaign are contract arrangements between the

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5 Department of the Prime Minister and Cabinet, *Submission 5*, p. 4.

6 See, for example, Department of the Prime Minister and Cabinet, *Annual Report 2002-03*, p.77; and, Department of the Prime Minister and Cabinet, *Annual Report 2003-04*, p. 94.

7 Department of the Prime Minister and Cabinet, *Annual Report 2003-04*, p. 147; *Submission 5*, p. 1.

8 Mr Greg Williams, *Estimates Hansard*, Senate Finance and Public Administration Legislation Committee, 25 May 2004, p. 132.

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departments running the campaigns and the various suppliers. We do not hold details of those contractual amounts.<sup>9</sup>

2.16 When asked to specify the elements of advertising campaigns that were not included in the budget for the 'media spend', Mr Williams said that with an advertising campaign there will be costs for the advertising agency and for producing the material, market research involving qualitative and quantitative focus group testing, and in some cases public relations consultants.<sup>10</sup>

2.17 In other words, as the Committee confirmed at a subsequent public hearing, the expenditure reported through the Central Advertising System relates *only* to the cost of buying media time and space to place the advertisements.<sup>11</sup> The costs of market research, creating and producing the advertisements themselves, producing and distributing other advertising material such as booklets, posters, and mail-outs, testing the material, and evaluating the effectiveness of the campaign are all separately managed and recorded through the budgets of individual departments.

2.18 When these amounts are included in a total advertising expenditure figure, the overall amount will rise considerably. The Committee examined the annual reports of a number of departments to gather an indication of the difference that might be made by reporting the 'global budget' of government advertising.

2.19 In relation even to an individual campaign, the difference can be significant. For example, Mr Williams gave evidence at Senate Estimates, saying that the proposed 'media spend' for the campaign called *Strengthening Medicare* was \$15.7 million.<sup>12</sup> This amount referred only to the cost of buying media space for the advertisements. The Department of Health and Ageing, in response to a question on notice from Senator Murray, indicated that the estimated or contract cost of the campaign was \$19.2 million. In that answer, the department stated that the two advertising agencies to carry out the campaign were Universal McCann, who would provide the media slots, and Whybin/TBWA, who would actually create the advertisements.<sup>13</sup>

2.20 The department's *Annual Report 2003-04* indicates that the total cost of the campaign was actually \$21.5 million. This cost is comprised of the following elements:

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9 *Estimates Hansard*, Senate Finance and Public Administration Legislation Committee, 25 May 2004, p. 132.

10 *Estimates Hansard*, Senate Finance and Public Administration Legislation Committee, 25 May 2004, p. 133.

11 Mr Greg Williams, *Committee Hansard*, 7 October 2005, p. 14.

12 *Estimates Hansard*, Senate Finance and Public Administration Legislation Committee, 25 May 2004, p. 133.

13 Department of Health and Ageing, answer to question on notice, 18 May 2004 (received 30 May 2005).

**Table 2.3: Total expenditure on *Strengthening Medicare* campaign**

<b>Organisation</b>	<b>Service Provided</b>	<b>Paid \$ (GST incl.)</b>
Universal McCann	Media placement and advertising	16, 930, 383
Whybin/TBWA & partners	Advertising services	2, 824, 742
Worthington di Marzio	Concept research and development	210, 320
Worthington di Marzio	Benchmark, tracking and evaluation	90, 200
Australia Post	Distribution and postage of Strengthening Medicare booklet	1, 449, 708
	<b>Total</b>	21, 505, 353

Source: Department of Health and Ageing, *Annual Report 2003-04*, pp 452-461.

2.21 In addition to this expenditure, the Department of Health and Ageing spent another \$3 million on Medicare 'non-campaign' advertising.<sup>14</sup>

2.22 While it is clear from this example that by far the most expensive part of an advertising campaign is the purchase of media placement, it is also clear that the creation of advertising material and extensive direct mailing as part of a campaign adds millions of dollars to the total cost. These costs are not reflected in the expenditure reported under the CAS, and thus belie the claim made by Senator Abetz in evidence to the Committee that the \$929 million figure represents what 'the Australian government spent ... on government information programs'.<sup>15</sup>

2.23 The Committee notes that it should be possible to compile a complete account of expenditure on government advertising by working through each department and agency's annual report, and adding the reported costs of different elements of each campaign.

2.24 There are, however, methodological difficulties here as well. In particular, it is difficult readily to distinguish which market research and consultancy costs pertain to advertising or information campaign expenditure, and which do not; and, departments do not report their expenditure in a way that facilitates effective comparison of spending between departments.

### **Distinguishing market research and consultancy costs**

2.25 Departmental annual reports contain an appendix titled 'Advertising and Market Research', and another appendix titled 'Consultancies'.

14 Department of Health and Ageing, *Annual Report 2003-04*, p. 458.

15 Senator the Hon. Eric Abetz, *Committee Hansard*, 19 August 2005, p. 77.

2.26 From the information contained in the Department of Health and Ageing's *Annual Report 2003-04* in appendix 6, Advertising and Market Research, it appears that the department's total 'media spend' in that year through the CAS was approximately \$34 million. If one adds all the other expenditure reported in that appendix, thus assuming that all the reported market research pertains to advertising costs, then the department's total advertising expenditure for the year was approximately \$44 million.

2.27 However, it is not clear from the report that in fact all the market research costs were related to advertising campaigns. For example, market research described as 'National Illicit Drugs Youth Campaign – Concept Testing Research' (\$237,699) and 'Annual Evaluation of the National Tobacco Campaign' (\$176,000) appears to be advertising expenditure. On the other hand, market research titled 'Consultation with NHMRC stakeholders on the impact of privacy regulations and the preparation of detailed analysis' (\$258,331) or 'Qualitative research evaluating the bowel cancer screening pilot with consumers and general practitioners in the Pilot sites' (\$53,760) appears not to pertain to advertising activity.

2.28 Conversely, at least some of the consultancies listed in appendix 7 were for evaluations of advertising campaigns and would not be captured by an approach which merely added up the total expenditure reported in appendix 6.<sup>16</sup> There seems no point at which a total figure for the department's advertising expenditure is provided.

2.29 It is likewise difficult to track the reporting of advertising expenditure in the Department of the Prime Minister and Cabinet's annual report. The *Annual Report 2003-04* states that appendix 3, Advertising and Market Research, will include an itemised listing of payments of \$1,500 and above made to external consultants engaged by the department to provide advertising and market research services.<sup>17</sup>

2.30 However, the figures provided in that appendix do not include a raft of payments to external consultants who were engaged to provide research and other advertising services relating to the National Campaign for the Elimination of Violence Against Women.<sup>18</sup> These are listed separately under consultancies.

2.31 The Committee attempted to ascertain the basis upon which some external consultants who provide market research related to advertising are listed under the appendix on 'advertising and market research' and others are listed under the appendix on 'consultancies'.

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16 See, for example, 'Evaluation of the Regional Health Strategy Communication Strategy' and 'Evaluation of the "Informing Consumers of the Real Cost of PBS Medicines" Initiative', Department of Health and Ageing, *Annual Report 2003-04*, p. 467.

17 Department of the Prime Minister and Cabinet, *Annual Report 2003-04*, p. 147.

18 Department of the Prime Minister and Cabinet, *Annual Report 2003-04*, pp 150ff.

2.32 The Department of the Prime Minister and Cabinet's *Requirements for Annual Reports for Departments, Executive Agencies and FMA Act Bodies* (the Requirements) state that 'a consultant is an individual, a partnership or a corporation engaged to provide professional, independent and expert advice or services'.<sup>19</sup> In deciding whether a particular contractor should be categorised as a consultant for annual reporting purposes, the Requirements advise that agencies must ask whether 'the services involve the development of an intellectual output that assists with agency decision-making' and whether the output reflects 'the independent views of the service provider'. If the answer to those questions is 'yes', the arrangement must be categorised as a consultancy for annual report purposes.<sup>20</sup>

2.33 The requirements covering the reporting of advertising and market research derive from the *Commonwealth Electoral Act 1918*, section 311A. The Act states that departments must attach to their annual reports a statement 'setting out particulars of all amounts paid by, or on behalf of, the Commonwealth Department during the financial year' to advertising agencies, market research organisations, polling organisations, direct mail organisations and media advertising organisations.<sup>21</sup>

2.34 The Committee notes that in some cases it will be clear that an organisation, such as a master media placement agency, is providing an advertising service but no distinctive intellectual 'output'. Payments to these organisations is thus reported under 'advertising and market research' and not under 'consultancies'.

2.35 However, in other cases, it may well be possible for individuals or organisations to fall into both these categories. For example, in PM&C's *Annual Report 2003-04* a payment of \$990,000 is reported as having been made to the company Grey Worldwide Pty Ltd for 'the advertising component of the National Campaign for the Elimination of Violence Against Women'.

2.36 Presumably Grey Worldwide Pty Ltd provided distinct intellectual 'output' for the campaign, because its payment is listed in the appendix on consultancies. However, it is also an advertising agency providing advertising services,<sup>22</sup> and is not listed under the appendix on Advertising and Market Research despite the introductory statement to that appendix saying that it 'covers payments (of \$1,500 and above) to external consultants engaged by the department to provide advertising and market research services'.

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19 Department of the Prime Minister and Cabinet's *Requirements for Annual Reports for Departments, Executive Agencies and FMA Act Bodies*, June 2005, p. 11.

20 Department of the Prime Minister and Cabinet's *Requirements for Annual Reports for Departments, Executive Agencies and FMA Act Bodies*, June 2005, p. 12.

21 *Commonwealth Electoral Act 1918*, ss 311A (1).

22 See Grey Worldwide Pty Ltd website, <http://www.greyworldwide.com.au/canberra/home.htm> (accessed 11 October 2005).



2.37 The Committee questioned PM&C about the reporting of expenditure on advertising services being split between the two separate appendices, and whether this practice facilitated effective disclosure of government expenditure on advertising services.<sup>23</sup>

2.38 Mr Williams subsequently advised the Committee that 'it appears that an error was made in the preparation of this department's 2003-04 annual report'.<sup>24</sup> This is because PM&C's guidelines on the preparation of annual reports require that 'where information is reportable as both advertising and market research and expenditure on consultancies, it should be reported under both headings but flagged as such'.<sup>25</sup> In the case of the payment to Grey Worldwide Pty Ltd, this did not occur.

2.39 The Committee notes that additional payments of approximately \$6 million were made to a range of other external consultants for aspects of the advertising campaign. These were also reported as consultancies, but not as advertising and market research. The Committee asked PM&C whether these additional payments were also wrongly reported in the department's 2003-04 annual report. An answer to the question had not been received by the time the report was finalised.<sup>26</sup>

2.40 Even without this mistake, the Committee notes that the practice of separating the reporting of payments made to advertising agencies into two different appendices makes it difficult to derive a total figure for the amount expended on advertising activities by this, and other, departments.<sup>27</sup>

### **Reporting under different criteria**

2.41 As noted earlier, the *Commonwealth Electoral Act 1918*, s 311A requires that Commonwealth departments attach a statement to their annual reports setting out particulars of all amounts paid by, or on behalf of, the department during the financial year to advertising agencies, market research organisations, polling organisations, direct mail organisations and media advertising organisations.

2.42 Under this section, departments are not required to report details of payments made where the total paid is less than \$1500, but they appear to have adopted different practices in relation to that requirement.<sup>28</sup>

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23 *Committee Hansard*, 7 October 2005, pp 15-16.

24 Mr Greg Williams, *Correspondence to Committee*, 20 October 2005.

25 Mr Greg Williams, *Correspondence to Committee*, 20 October 2005.

26 Late answers to some questions on notice, including this matter, are included in Appendix 9.

27 See also, for example, Department of Agriculture, Fisheries and Forestry, *Annual Report 2003-04*, pp 253-255, 266-270; and the Department of Education, Science and Training, *Annual Report 2003-04*, pp 208-236.

28 *Commonwealth Electoral Act 1918*, ss 311A (2).

2.43 For example, the Department of Education, Science and Training (DEST) does not report payments of this size;<sup>29</sup> PM&C has provided an aggregate figure of these payments together with its non-campaign advertising payments;<sup>30</sup> the Department of Health and Ageing does not specify what its practice is, but appears not to report amounts less than \$1,500.

2.44 Departments also vary in the categories under which they report their expenditure in the appendices titled 'Advertising and Market Research'. Some departments report the expenditure under program outputs, while others group it on a whole of department basis according to the types of organisation to which payments are made.

2.45 For example, while PM&C and the Department of Agriculture, Fisheries and Forestry list the different types of advertising and market research expenditure under Output Groups, DEST and the Department of Health and Ageing list them under headings such as 'Advertising Agencies', 'Market Research Organisations', 'Direct Mail Organisations', 'Media Advertising Organisations'. Again, these differences in reporting practices make it difficult to compare like with like, especially given the additional confusion engendered by the different classification of consultancies.

## Conclusion

2.46 The Government has claimed that 'detailed information about the cost of government advertising campaigns' is made publicly available through mechanisms such as Senate estimates hearings and questions on notice, the Senate order on departmental and agency contracts, agency and departmental annual reporting arrangements and gazettal of contracts on the internet.<sup>31</sup>

2.47 The Committee disputes that assertion. While it may be correct to claim that all costs are disclosed somewhere in annual reports and other documents, it is not possible for an external reader of these documents to form a clear picture of the total sum of money expended in any one financial year.

2.48 The Committee has conducted a detailed analysis of the information provided by these mechanisms but has been unable to quantify what the government's total expenditure on advertising has been in the past year, let alone over the past eight years. The Committee asked GCU to provide that figure and received no reply. It is clear, however, that the figure of \$1 billion expended through CAS since 1996-97 must be a very significant *under-estimate* of the total costs of researching, developing, creating, producing, placing, direct mailing and evaluating government advertising campaigns in that period.

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29 Department of Education, Science and Training, *Annual Report 2003-04*, p. 208.

30 Department of the Prime Minister and Cabinet, *Annual Report 2003-04*, p. 147.

31 Senator the Hon. Robert Hill, *Response to Return to Order of 29 October 2003*, 12 February 2004, cited in *Submissions 5 and 9*.

2.49 The Committee considers that an essential building block for accountability in government is the capacity to establish the basic facts concerning what money is spent on what activities. The reporting systems in place in relation to expenditure on government information campaigns are manifestly unable to provide that information.

