

Executive Summary

Introduction

Government advertising or information campaigns are an accepted means by which governments inform the public about new initiatives, policies or programs. They help to advise people on how they might benefit or be affected by or what they need to do to comply with new requirements. The Commonwealth government is one of the largest national advertisers in Australia, spending in excess of \$100 million per year.

The problem with government advertising arises when the distinction between legitimate government advertising for public policy purposes and political advertising for partisan advantage is blurred. In other words, the problem arises when governments use taxpayer funds to gain political advantage through partisan promotion of their views or themselves, rather than to meet the genuine information needs of citizens.

Concern has been expressed at various times by members and Senators on all sides of politics that incumbent governments have misused taxpayer funds in this way. A number of inquiries in the last ten years have recommended reforms to the guidelines on government advertising, in order to address these concerns. None of the recommended reforms have been adopted by the government.

Commonwealth government advertising since 1996

This inquiry arose out of concern about the escalating costs of Commonwealth government advertising since 1996, and about the political nature of particular advertising campaigns.

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.¹

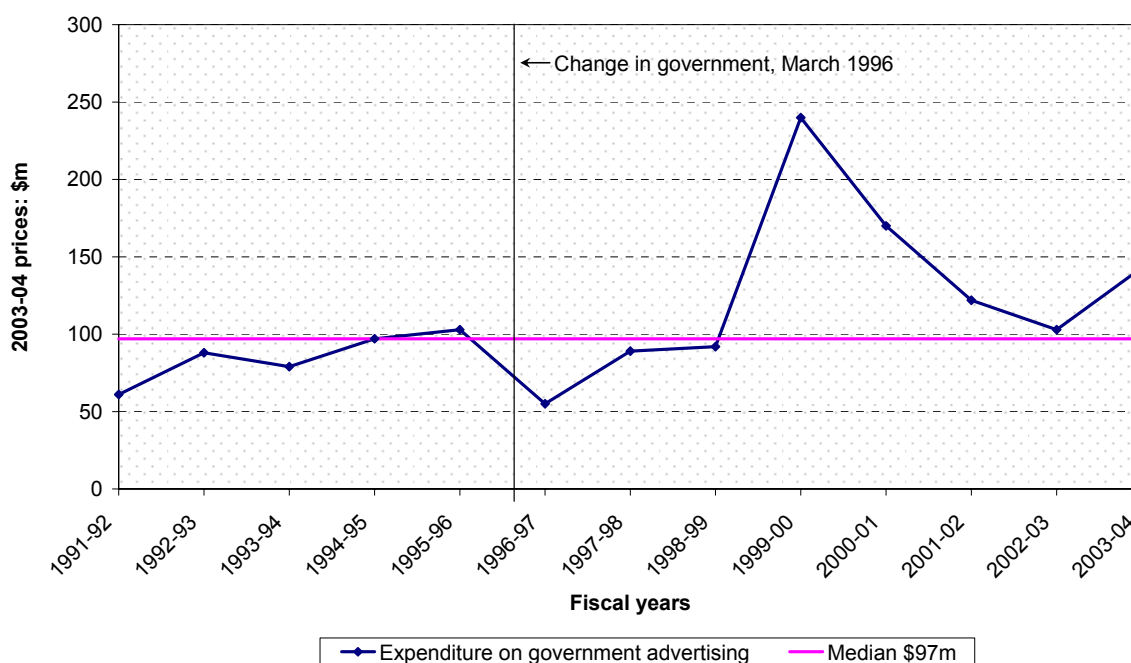
The median expenditure over the whole period from 1991-92 to 2003-04 was \$97 million. Expenditure by the Howard government since 1996-97 thus averages \$29.75 million more than the median; expenditure by the Keating Labor government prior to 1996-97 averaged \$11.4 million less than the median. Excluding 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.

1 The figures are in 2003-04 prices. They reflect only the cost of 'media placement' over this period, and do not include the cost of the design and production of the advertisements, public relations, market research and evaluation costs, or publication and distribution costs.

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.

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.

The year 2005-06 has seen another major government advertising campaign, namely the WorkChoices campaign for the government's proposed workplace relations reforms. This single campaign is estimated to cost as much as the total government advertising expenditure for 1996-97, with the advertising costs estimated to be

between \$38.3 million and \$44.3 million, and the total cost of the campaign estimated to be \$55 million.²

In evidence to the Committee, the Special Minister of State, Senator the Hon. Eric Abetz, claimed that the Howard government's spending on advertising since 1996 was comparable to, if not restrained, by the standards of state and previous federal governments. He claimed further that all the advertising campaigns conducted could be justified with reference to legitimate public policy goals.

The Committee, however, considers that the expenditure figures clearly show that current Commonwealth government spending on advertising is excessive and that the costs to taxpayers of such expenditure are steadily increasing.

The recent advertising campaign on the government's proposed workplace relations reforms, the WorkChoices campaign, provides a clear example of this government's wasteful expenditure and politically partisan advertising.

WorkChoices campaign

Two major tranches of advertising trumpeting the supposed benefits of WorkChoices 'reforms' were conducted before the legislation was even introduced into the parliament.

Advertisements were published and broadcast in July 2005 and from 9 October to 30 October 2005. The relevant legislation was not introduced into Parliament until 2 November 2005.

The advertisements state opinion as facts, with whole pages of newspaper advertisements being taken up with the slogan 'Australia can't afford to stand still'. In place of providing information about new entitlements or specific obligations, the WorkChoices advertisements concentrate on communicating sentiments such as:

- 'Countries have the choices of either going forwards or backwards. Marking time is not an option'; and
- '[WorkChoices] will improve productivity, encourage more investment, provide a real boost to the economy and lead to more jobs and higher wages'.

The advertisements provide no evidence which supports their assertions and no information about when the legislation will be introduced or what effects it will have on individuals.

2 The figure of \$55 million expended in 1996-97 is only the amount spent on media placement, whereas the \$55 million on the WorkChoices campaign includes the cost of a call centre and information booklets, as well as advertising costs.

The real purpose of the campaign seems to be to persuade the public, in advance of any scrutiny or debate on the substance of the reforms, that whatever the legislation contains it must be supported. Such a campaign is properly called propaganda.

The wastefulness of the WorkChoices campaign is demonstrated not only by the total amount spent, but also by the saturation coverage at which the campaign aimed.

For example, the intended 'reach and frequency' of the television components of the campaign aimed at 95 per cent of the viewing audience seeing a commercial at least once during the campaign and 82 per cent of the viewing audience seeing the commercials three or more times over the three-week period. The average viewer saw the television advertisement 29 times.

In addition to the television advertisements, six million information booklets were printed for distribution. At 3 November 2005, 157,500 of the six million booklets had been ordered and just over 178,000 had been dispatched. This meant that about 5.8 million booklets were left in the warehouse.

A further 458,000 booklets were pulped at a cost of \$152,944. The pulping of the booklets occurred as a result of a government decision, so that the word 'fairer' could be inserted into the title, 'A simpler, fairer, national Workplace Relations System for Australia'.

The Committee is outraged at the wastefulness evident in this campaign. Did the government seriously think that six million households would seek an information booklet about legislation yet to be introduced to the Parliament? Did the government seriously think that it was necessary to expose the average viewer to 29 television advertisements in order to convey the information that reforms were proposed?

The extravagance of the advertising campaign, and the refusal to implement any of the reforms proposed in previous reports, demonstrates that the current government has developed a disregard for the principles of accountability and stewardship in its expenditure of taxpayer funds. This in turn suggests that there is an urgent need to review the accountability framework for government advertising.

High Court challenge and appropriations process

During the course of the Committee's inquiry, the ACTU and the Australian Labor Party (ALP) brought proceedings against the Commonwealth Government in the High Court. They challenged the lawfulness of the government's use of public money to fund its WorkChoices advertising campaign on the grounds that the expenditure was not specifically authorised by the *Appropriation Act (No.1) 2005-2006*.

The High Court found by majority judgement that because the government is not required by the Appropriation Act to specify in advance the specific purposes for which money will be used, the expenditure was lawful. Two of the High Court judges, Justices Kirby and McHugh dissented from the majority judgement, finding in favour of the plaintiffs.

The implications of the judgement by the High Court are twofold.

First, the judgement makes plain that under the financial management framework erected since 1997, the Parliament has limited ability to determine how much money is available for particular purposes or the purposes for which money is to be spent.

The second, and consequent, implication of the High Court's judgement is that because of the government's freedom in relation to the expenditure of its appropriations, there is almost nothing in the appropriations process itself that will provide any restraint on government expenditure on politically contentious advertising activities.

The judgement raises questions that go much wider than expenditure on government advertising. They concern the whole financial accountability framework and Parliament's role in monitoring and approving government expenditure.

The Committee considers that this is a significant issue that should concern the whole Parliament. Accordingly, it recommends that the question of the impact of outcome budgeting for appropriations on the accountability of, and Parliamentary control over, government expenditure should be referred to a Senate Committee for inquiry and report. The inquiry should consider ways in which Parliamentary scrutiny of government expenditure can be enhanced before and after such expenditure has occurred

Accountability framework

The Committee considers that there are two main reasons for holding governments accountable for their expenditure on government advertising.

The first is the need to ensure that public monies are not spent wastefully or without adequate justification, acknowledging that every million dollars that is spent on an advertising campaign is a million dollars that is not spent on education, health, national security or the environment.

The second is the need to ensure that the democratic process is not gradually undermined through the use by incumbent governments of publicly funded 'spin' or propaganda to manipulate public opinion.

In the Committee's view, there are two major mechanisms required to deal with both these concerns about government advertising. The first is an adequate system for disclosing the quantum of advertising expenditure and, equally importantly, for disclosing the public policy justification of major advertising campaigns. The second is the scrutiny of that justification and of the government's proposed campaign material against agreed guidelines.

The Committee makes recommendations in relation to both these mechanisms.

Disclosure

The current disclosure arrangements make it virtually impossible to calculate the total expenditure on government advertising over any one financial year.

Each year the Department of the Prime Minister and Cabinet discloses the total amount spent through the Central Advertising System (CAS) in its annual report. The expenditure reported through the CAS, however, relates *only* to the cost of buying media time and space to place the advertisements.

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. When these amounts are included in a total advertising expenditure figure, the overall amount rises considerably.

Currently, however, the only way to calculate that total figure is to read each departmental annual report individually, and add up the reported amounts. Even this process is made very difficult, because advertising costs may be reported under different appendices in the reports. There is no requirement for annual reports to provide a consolidated figure for all advertising expenditure by the department in the financial year.

Other information about government advertising campaigns is equally difficult to glean. For example, annual reports do not routinely disclose the public policy justification for running particular campaigns. They do not provide information about the target audience or about the effectiveness of the campaign in meeting its stated objectives. Senator Abetz claimed that all this information is available to the Parliament through mechanisms such as Senate Estimates processes and questions on notice.

The Committee notes, however, that the *timeliness* of the provision of information is almost as important for accountability purposes as the *availability* of information. In May 2004, for example, Senator Murray lodged questions on notice to all departments and agencies requesting information about their major advertising activities. The complete set of answers to those questions still had not been provided a year later. The Committee records that the minister and departments had still not provided answers to questions on notice, despite a number of requests, at the time of finalising the report. Frequently encountered government delays in providing information on campaigns mean that it may be impossible for the Parliament to react in a timely way to the misuse of public funds on politically motivated government advertising campaigns.

The Committee considers that this unwillingness on the part of the government to disclose information that should be routinely available to the Parliament and the public should not be tolerated.

Accordingly, the Committee recommends a series of measures to substantially increase the disclosure of information about government advertising activities and expenditure. In particular, the Committee considers that the Australian government should take as a model the new Canadian system of disclosure of information about government advertising.

The Canadian system includes the publication of a whole-of-government annual report on government advertising, which consolidates and provides information about all government advertising activities for the financial year. The Committee recommends that the Government Communications Unit within the Department of the Prime Minister and Cabinet publish an annual report on government advertising from 2005-06.

In addition to a detailed breakdown of expenditure, the report should provide information about major campaigns. This should include a statement of the objectives of the campaign, the target audience, a detailed breakdown of media placement, evaluation of the campaign including information about the methodology used and the measurable results, and a breakdown of the costs into 'production', 'media placement' and 'evaluative research'.

Guidelines

The *Guidelines for Australian Government Information Activities: Principles and Procedures* (the guidelines) used by the Commonwealth government were first promulgated in February 1995 by the Keating Labor Government. In evidence to this inquiry, Senator Abetz consistently maintained that the guidelines needed no revision.

The Committee rejects that claim for three reasons. First, the current guidelines are ten years old and were written in a very different context. Second, the guidelines as they stand are not currently being met by the government. The third reason is that the guidelines were not designed to address the major question before this inquiry. That is, they do not address the potential for the misuse of government advertising for political advantage.

In the report, the Committee discusses suggested revisions to the guidelines made in recent reports by the Auditor-General, the Joint Committee of Public Accounts and Audit (JCPAA), and the Senate Finance and Public Administration Legislation Committee.

The Committee considers that the guidelines proposed by the JCPAA, which combine both the Auditor-General's guidelines and the essential elements of the 1995 guidelines, provide a comprehensive set of principles and guidelines for government advertising. In particular, the Committee endorses the statement of principle in these guidelines that 'government information programs shall not be conducted for party political purposes'.

The Committee considers, however, that two sets of additional remarks made by members of the JCPAA, Mr David Cox MP and Mr Petrou Georgiou MP, raise points that should also be taken account of in implementing the guidelines.

Accordingly, the Committee recommends that the Government update the current guidelines as a matter of urgency and adopt the guidelines proposed by the Joint Committee on Public Accounts and Audit, with two amendments as specified in the report.

Auditor-General scrutiny

The Committee recognises that general guidelines on government advertising have, on their own, limited power to direct the activities of the government. This means that, even if the government adopted the guidelines proposed by the Committee, the 'problem' of government advertising being used or having the potential to be used for partisan political purpose will not be automatically solved. Guidelines will only be effective in the context of a broader accountability framework.

Part of that framework will involve disclosure. Disclosure of expenditure, however, occurs necessarily after the fact. Disclosure on its own cannot prevent misleading advertising campaigns from having a propaganda impact, even if the expenditure is subsequently found to be unjustified.

For this reason, the Committee considers that there needs to be some form of independent scrutiny of the government's compliance with the guidelines. This scrutiny needs to assess the content of the campaigns and not simply their overall cost.

A number of suggestions for independent scrutiny of government advertising activity have been made. The Committee discusses several such suggestions in the report. These include the following proposals:

- that compliance with the guidelines be enforced through the criminal law;
- that an independent Government Publicity Committee be established comprising the Commonwealth Ombudsman, the Auditor-General and one other member;
- that an independent commission be established, appointed by a parliamentary committee;
- that proposed campaigns be assessed and approved or disallowed by the Public Service Commissioner; or
- that proposed campaigns be assessed and approved or disallowed by a Joint Parliamentary Committee.

The Committee notes that the merit of all these proposals is that they attempt to address the potential impact of government advertising campaigns in propaganda as well as fiscal terms.

The very fact, however, that they attempt to address this issue means that any body charged with approving or withholding approval of proposed advertising campaigns may be vulnerable to being caught in political cross-fire.

The Committee seeks to draw on the strengths of a number of the proposals outlined above, whilst being realistic about the fact that ultimately the development and approval of advertising campaigns is in the hands of the government.

Accordingly, the Committee recommends a measure that is designed to ensure independent scrutiny of advertising campaign content, but which does not give an independent body the role of approving or disallowing campaigns.

The Committee recommends that once the creative content of an advertising campaign valued at \$250,000 or more has been finalised, the advertisements must be submitted to the Auditor-General for assessment. The Auditor-General must report back to the department incurring the advertising expenditure and the relevant portfolio minister whether the campaign complies with the guidelines on government advertising, and the extent of any non-compliance.

It is open to the department and the Minister to make the changes necessary to bring the campaign into compliance, or to reject the Auditor-General's report.

Every six months, the Auditor-General must table a report in the Parliament which details his or her assessment against the guidelines of the advertising campaigns that have been implemented during that six-month period.

The Committee notes that this proposal does **not** require that government advertising campaigns are approved by the Auditor-General before they can be run, nor that the Auditor-General may direct the withdrawal of an advertising campaign. Rather, government advertising campaigns are simply certified as complying with the guidelines or not, and a report on the extent of any non-compliance made available to the Parliament and the public.

The consequences of any non-compliant government advertising being implemented remain a matter for the Parliament to pursue and are still political.

