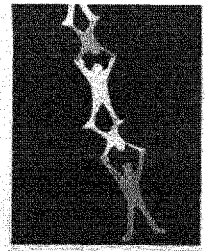


# The Agency Register

SEARCH REVIEW AND SELECTION SERVICES

2 September 2005



Senator John Forshaw  
Chair  
Finance and Public Administration References Committee  
The Senate  
Parliament House  
Canberra ACT 2600

Dear Senator Forshaw

The Agency Register is grateful for the opportunity provided by your Committee's inquiry into Government advertising to make a contribution to the debate on this important issue.

This submission draws on our long experience in assisting organisations appoint advertising and other agencies (The Agency Register has been operating since 1987), and focuses primarily on Terms of Reference (b) *"the processes involved in decision-making on Commonwealth government advertising, including the role of the Government Communications Unit and the Ministerial Committee on Government Communications"*.

Our submission does not canvass issues of what campaigns should or should not be run. Rather, it offers a template for an agency appointment process which integrates with the existing practices of the Ministerial Committee on Government Communications (MCGC) and the Government Communications Unit (GCU) while also offering greater transparency and enhanced cost-efficiency benefits.

We have no issues with the full content of this submission being made public and would be pleased to appear before the Committee to expand upon the points we have made, should the Committee consider this worthwhile.

Yours sincerely,

  
Peter McDonald  
Managing Director, FAICD, AFAIM

Cc Mr Ross Geddes, Chairman, The Agency Register

*Creating High Value and  
Sustainable Commercial  
Relationships*

117 Union Street  
McMabons Point  
Sydney NSW 2060  
Australia

P: (02) 9957 2220  
F: (02) 9453 3787  
M: 0414 452 231

Email: [peter@agencyreg.com.au](mailto:peter@agencyreg.com.au)  
Worldwide Web: [www.agencyreg.com.au](http://www.agencyreg.com.au)

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**Submission to the Australian Senate,  
Finance and Public Administration  
References Committee**

**Inquiry into  
Government Advertising  
and Accountability**

**2 September 2005**

### **Brief Overview**

The Agency Register is Australian owned and the 'pace setter' in delivery of agency search, review, selection & relationship management services. Clients engage us because of our independence, high ethical standards, strict confidentiality, local yet global know-how, contemporary industry knowledge and well proven processes. We are an apolitical business, not beholden to any advertising industry association nor encumbered by any existing government relationships.

By way of specific support for our specialist expertise and 'best practice' leadership in this niche area, we have attached some recent client testimonials and also refer you to our website [www.agencyreg.com.au](http://www.agencyreg.com.au)

### **Streamlining the GCU's register of agencies –**

The existing GCU Register of Agencies is a long list of agencies of varying capabilities and experience.

While it is admirable to give all comers the chance to be considered, the harsh reality is hundreds of agencies don't (and won't) 'get' what it takes to create, and just as importantly deliver on time and on budget, effective government advertising. Just as many agencies also don't get other advertiser categories such as retail, pharmaceuticals, and IT.

Given the open-ended nature of the information required to be listed in the GCU's privately held register, we would suspect that it contains the details of hundreds of creative content agencies. (Note: IBISWorld reported on 17/1/05 that there were 915 advertising agencies operating in Australia).

However, since the beginning of 2001 the number of individual creative content agencies handling major (\$5.0m+ expenditure level) federal government departmental campaigns would only be in the twenties.

This leads to the core of our proposal.

We believe that from its Register, the GCU should develop a much shorter roster of agencies which will be the ones the government will turn to for proposals for a set period, say, three years. The roster of agencies would be made public so that those on the Register, but not on the roster, will know they are unlikely to get government work. This is transparent and, by not raising hopes, is fair.

It is worth noting at this stage that, despite our name, we no longer use a register of agencies, as our clients prefer to spend more of their valuable time deeply evaluating a shorter line-up of 'like for like' genuine options rather than skimming over a wider range of diverse, unequal options.

How would the roster be selected? It is reasonable to believe that after many years of facilitating the selection process, GCU has identified what it takes for an agency to succeed at government work, in terms of:

- culture, ways of working, personnel, skills sets, scale, infrastructure & support systems, proven performance, and so forth.

Such 'success factors' could be legitimately used to re-qualify currently registered (and pre-qualify new) agencies to slim down to a more credible and manageable number of real contenders – of the various agency types. These criteria should be made public.

It would then be worthwhile for GCU (and nominated departmental) personnel to further qualify this reduced number of agencies via on site, face-to-face, tightly focused and evaluated two-way agency presentations.

The agencies that pass this final 'due diligence' hurdle would subsequently be held accountable for updating GCU on the scope and health of their current offer, each six months. Failure to automatically provide a 'self-audit' would raise concerns about and put at risk an agency's eligibility for future campaign consideration.

'Too frequent and too harsh' you might say. We believe not, when you consider the seismic shifts in quality agency talent being caused by the wave of agency consolidation that rolls steadily through the industry.

Of course, it would be prudent and astute risk management to ensure that this much reduced number of registered agencies still provided:

1. all government departments with real choice;
2. genuine competition between the various contenders for a campaign; and
3. enough readily available agencies to cope with the concurrent demands of different government departments.

It is envisaged that CGU would handle ongoing agency monitoring, on-site liaison, and conduct an annual two-way evaluation of each agency's 'pitch' participation, overall campaign and relationship performance.

In summary, by operating a 'tighter' register of 'match-ready' agencies whose chances of winning government campaigns are much better, you motivate them to invest time in getting to know more about whole-of-Government decision-making.

And just as importantly, instead of being left to wither on the bench, more agencies would get a real chance to take the field, become 'match fit', and thereby lift the overall standard of each game.

Overall, a greater certainty of more high quality campaigns being delivered through better whole-of-Government understanding and enhanced working relationships for better, more effective campaign outcomes – with full accountability for departmental funding maintained and less time wasted along the way.

**Transparency of agency selection processes** –

We see tangible governance, administrative, goodwill and reputation benefits accruing to the government in going public with the agency names at each stage of the selection process - campaign by campaign.

We recommend that within the revised decision-making processes outlined above, the selection of an agency for a particular campaign also include:

- disclosure of the 'short-list' of agency contenders,
- notification of the 'finalist' agencies, and
- an official announcement of the selected creative content agency

This has a number of benefits:

- it will firmly lock the gate and curtail the handling of needless enquiries from 'would be' contenders and the naturally inquisitive media;
- as announcements are made it will very quickly and openly identify to the whole of government, to the advertising industry and to the community that there are certain agencies that are better equipped to meet the needs of government advertising;
- it will challenge uninvited agencies to decide whether they can or cannot really be serious contenders for providing government advertising.

We have experience in working this way.

For recent commercial clients, such as Australian Pensioners' Insurance Agency, 7-Eleven Stores, The Institute of Chartered Accountants in Australia and NRMA Motoring & Services Group, we suggested an orchestrated regular dialogue with the media.

For example, at key moments in NRMA's six month multiple agency selection and campaign development process, the media was pro-actively advised of the key decisions. As a side benefit, the media was first encouraged to check any rumour with NRMA and then prepared to trust the response they were given.

In marked contrast to NRMA's chequered history of controversy, mischief-making from various stakeholders and intense media speculation about this member-owned organisation, none of this occurred this time. In parallel, a program of regularly briefing internal stakeholder management (Board, CEO, Senior Managers) was put in place and remained a priority throughout the six

month period, freeing up much of the executive time previously lost to damage control and reputation clean-up.

While acknowledging the general basis for decisions made along the way, including the selected agency, for reasons of commercial sensitivity NRMA did not publicly explain in detail why it had decided the way it did, nor were (or would) they feel pressured to do so.

There may be a view that public announcements during a selection process will deter agencies from wishing to take part. Our experience does not bear this out, in particular we don't embrace the sentimental view that 'losing' agencies don't wish to be identified.

On the contrary, we know that the stature and visibility of being publicly short-listed for highly prized clients – commercial or government - is more valuable and convincing to prospective clients and peers than an agency privately saying they were one of the few agencies under consideration.

In summary, we contend that it is less burdensome and more productive for the government of the day to be as transparent as possible about these whole-of-Government decisions on an 'as it happens' basis. It also removes the need to 'fire-fight' the needless conjecture and time-consuming counter measures that inevitably come from with-holding such information.

**Consolidation of data on advertising (+ related) expenditure –**

This section of our submission relates to the Committee's inquiry under Terms of Reference (e)

*“the order of the Senate of 29 October 2003 relating to advertising projects, and whether the order is an effective mechanism for parliamentary accountability in relation to government advertising.”*

Why is advertising expenditure and campaign detail of more interest to the community than other expenditure – which over a year may be considerably greater - such as, for example, the cost of office accommodation?

There are three reasons:

1. advertising campaigns are high profile and pervasive;
2. there is always sensitivity to any appearance of big spending;
3. many campaigns provoke commentary from interest groups, political parties and the media.

For these reasons we believe there is an obligation on the government to provide accurate and complete information in a convenient, user-friendly fashion.

As it stands, the Order allows for information to be provided in a drip feed and fragmented manner which is not conducive to ready access by the community.

Our view is that advice to parliament – and thus to the community – would be enhanced if it were managed through a centralised system, reporting regularly, rather than campaign by campaign.

Because of its position as secretariat to the MCGC, the GCU is already in the centre of government advertising and we suggest that the GCU become the coordination and consolidation point for the required information.

It is our view that the information required under the Order is appropriate but we would like to see it made explicit that the expenditure information provided should cover not only media expenditure, but also agency fees, media production and related costs.

To illustrate what we are driving at, we have compared the media/ advertising expenditure reported for central governments in the United States and the UK with that of Australia (refer attached spreadsheet).

On an AUD equivalent basis, average per capita media expenditure over the most recent 8 year period was \$4.62 in the USA, over the most recent 5 year period was \$6.09 in the UK, while over the most recent 8 year period reported advertising expenditure per capita in Australia was \$5.78.

So long-term, Australian government advertising expenditure looks to be well in line with the two Western markets with whom we have very close ties and who have similar government policy communication needs to ours. However, while it is quite clear that we are seeing media expenditure \$'s for both the USA and UK markets it is not entirely clear what is contained within the Australian advertising expenditure figure.

Is it media only or does it include all or some of the other expenditure items reported by COI in the UK (refer spreadsheet again), such as Direct and Relationship Marketing, Research, Media Production and so forth? For these advertising expenditure related items the UK spent, on average, an additional \$4.86 per capita (+80%), taking their per capita ad spend to a total of \$10.95.

While on an Australia-wide advertising (and direct marketing) industry expenditure level, IBISWorld reported on 26/4/05 that related items such as Direct Mail and Catalogues contributed another +34% to main media (newspapers, magazines, TV, radio, internet, outdoor, cinema) expenditure.

Which leads us to suggest that perhaps the total spent on Government advertising in Australia is quite naively be under-stated as similar related (non media expenditure) items are being reported elsewhere.

In summary, a properly-tasked central reporting system would increase the level of public accountability, detail all major components of government communications expenditure, and identify across department opportunities for further efficiencies and cost savings.

**Conclusion** – The Agency Register makes this submission for no other purpose than to contribute some thoughts to the debate.

We would be pleased to appear before the Committee to expand upon the points we have made, should the Committee consider this worthwhile.



## Multi-Year Media/Advertising Expenditure Comparison - USA/UK/Australia - AUDs.

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>		<u>8 Yr Ave.</u>
<b><u>US Government</u></b>										
Media Expenditure (\$m's)	845.8	1058.1	1350.7	1664.6	1425.5	1446.9	1499.8	1641.3		\$1366.6m
Population (millions)										295.7m
<u>\$ Expenditure/Capita</u>										<b>\$4.62</b>
Note: "measured" media <u>only</u> represented 55% to 58% of total media expenditure.										
Source: AdAge, 100 Leading Advertiser Annual Reports, June 1998 to June 2005.										
	<u>96/97</u>	<u>97/98</u>	<u>98/99</u>	<u>99/00</u>	<u>00/01</u>	<u>01/02</u>	<u>02/03</u>	<u>03/04</u>		<u>5 Yr Ave.</u>
<b><u>UK Government</u></b>										
Media Expenditure (\$m's)	n/a	n/a	n/a	386.1	337.8	321.4	400.2	394.4		\$368.0m
Population (millions)										60.4m
<u>\$ Expenditure/Capita</u>										<b>\$6.09</b>
<u>\$ Expenditure/Capita on other marketing communications related items such as</u> -										
Direct and Relationship Marketing, Events; Publications; PR and Sponsorship; Research;										
Strategic Consultancy; Media Production and other.										
[ +80% ]										
Source: COI, UK, Annual Report, June 2005.										
	<u>96/97</u>	<u>97/98</u>	<u>98/99</u>	<u>99/00</u>	<u>00/01</u>	<u>01/02</u>	<u>02/03</u>	<u>03/04</u>		<u>8 Yr Ave.</u>
<b><u>Australian Government</u></b>										
Advertising Expenditure (\$m's)	>	>	>	929.0	<	<	<	<		\$116.1m
Population (millions)										20.1m
<u>\$ Expenditure/Capita</u>										<b>\$5.78</b>
Source: Senator the Hon Eric Abetz's Submission - 23 August 2004.										
Exchange Rates used: 1.00USD = 1.33599AUD; 1.00GBP = 2.38451AUD.										