

The Agency Register

SEARCH REVIEW AND SELECTION SERVICES

14 October 2005

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

Dear Senator Forshaw

Attached for the information of the Committee is a Supplementary Submission Which Complements The Agency Register's earlier submission.

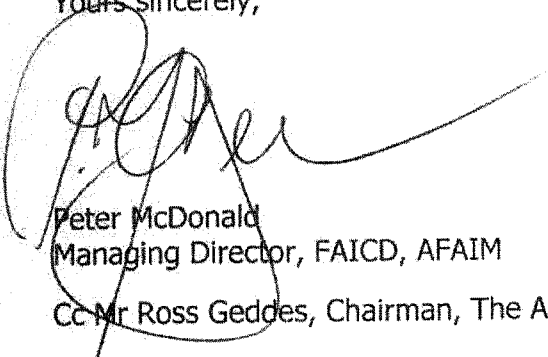
I note with interest that in the Annual Report of the Department of the Prime Minister and Cabinet, tabled this week, there is at Page 69 only a one sentence reference to advertising expenditure:

"In 2004-2005 approximately \$137.7 million in advertising expenditure was placed through the CAS, which included advertising by eligible organisations including Australia Post, numerous statutory authorities and the Australian Capital Territory and Northern Territory governments".

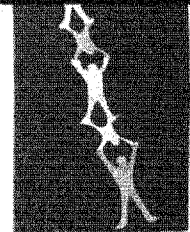
Such broad brush consolidation is, we believe, a further indication of the need for a more transparent and detailed accounting of advertising expenditure.

We have no issues with the full content of this supplementary submission being made public. We also renew our offer to appear before the Committee, should the Committee consider this worthwhile.

Yours sincerely,


Peter McDonald
Managing Director, FAICD, AFAIM

Cc Mr Ross Geddes, Chairman, The Agency Register



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ADVERTISING

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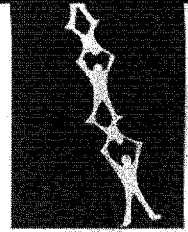
INTERACTIVE/ONLINE

MARKET RESEARCH

MEDIA

PUBLIC RELATIONS

SALES PROMOTION



**Supplementary Submission to the
Australian Senate, Finance and Public
Administration References Committee
(Document No. 2)**

**Inquiry into
Government Advertising
and Accountability**

14 October 2005

Introduction

This document provides further material to supplement The Agency Register's original submission to the Senate Finance and Public Administration References Committee, dated 2 September 2005.

It focuses on the issue of Accountability and urges the central consolidation of fully detailed expenditure on all areas of advertising and related items by all government departments/agencies.

Consolidation of data on advertising (+ related) expenditure -

Extending our earlier view that 'a properly-tasks 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', we have compared available government and non-government advertising expenditure data.

a) Government v's Government Sources

The following tables (1 and 2) have been extracted directly from RFT98/OGIA /MAC issued on 24th July 1998. As shown in the first, Table 1, it was reported that twenty government departments/agencies spent a total of \$64.8 million on campaign (only) advertising expenditure in the 1997/1998 fiscal year.

**Table 1
Value by Department/Agency Fiscal year 1997/1998**

Department/Agency	Actual \$ Expenditure
Defence	11,760,367
Employment, Education, Training and Youth Affairs	7,113,937
Finance and Administration	12,956,259
Foreign Affairs and Trade	219,086
Communication and the Arts	7,184
Health and Family Services	16,332,066
Health Insurance Commission	27,740
Workplace Relations and Small Business	29,196
Prime Minister and Cabinet	722,273
Primary Industries and Energy	155,001
Social Security	5,939,211
Australian Electoral Commission	3,709,287
Environment	6,558
Australian National Maritime Museum	478,542
Industry, Science and Tourism	521,957
Transport and Regional Development	123,816
Treasury	2,227,390
Australian Taxation Office	1,569,536
Attorney-General	937,775
Australian Securities Commission	6,782
Total Campaign Advertising Expenditure	\$64,843,963

The other RFT98 table, Table 2 overleaf, reveals that \$55.1 million (of the \$64.8 million) was spent across various mainstream media types, at least explaining 85.0% of the total 1997/1998 campaign advertising expenditure. While in a note below this Table, OGIA acknowledges that no (advertising) production costs are included in these media expenditure figures; which is what we would normally expect to be the case with such figures.

Hence, without any further explanation, is it correct to assume that the difference between these two figures - \$9.3 million was solely spent on advertising production costs or were some other related expenditure items also included?

Table 2
\$ Value by Media type

Media type	1997/1998	1996/1997
Press	22,765,408	11,115,501
Television	24,987,883	11,095,737
Radio	6,824,281	4,886,653
Outdoor	450,684	681,968
Other	109,804	1,641,864
Total	\$55,139,959	\$29,423,816

If we then refer to Research Note 62. issued on June 21st, 2004 by the Department of Parliamentary Services, for fiscal year 1997/1998, \$76.0 million is given as the aggregate expenditure on government advertising – campaign and non-campaign – registered through the Central Advertising System (CAS).

Also on the first page of this same Parliamentary Note, we are reminded that "CAS delivers a reliable and cost-effective media placement service for departments and agencies".

So if we now deduct the OGIA campaign media expenditure of \$55.1 million from this CAS figure of \$76.0 million, it would suggest that \$20.9 million, or 27.5% of the total, was spent on non-campaign media expenditure.

This non-campaign media % of 1997/1998 total media expenditure is very much in line with the 25.4% (\$236.1m/929.0m) reported as being spent over the eight years from fiscal year 1996/1997 to fiscal year 2003/2004.

If we then add back the unexplained, production and perhaps other advertising related costs, of \$9.3 million it increases 1997/1998 advertising expenditure from \$76.0 million to a possible total of \$85.3 million.

b) Government v's Non-Government/External Sources

The picture remains just as incomplete and opaque if we use non-government /external sources to help us unbundle and attempt to explain the components of government advertising expenditure, as the following comparison will demonstrate.

In the following table we compare CAS advertising expenditure figures, as per Research Note 62, with published Nielsen Media Research (NMR) media expenditure figures for the most recent five fiscal years - 2001/2002 to 2004/2005.

Table 3
Media Expenditure Comparison – CAS Actuals v's NMR Estimates

<u>Fiscal Year</u>	<u>CAS</u>	<u>NMR</u>	<u>NMR</u>	<u>% Explained</u>	<u>% Explained</u>
	<u>Actual</u>	<u>Lower Est.</u>	<u>Upper Est.</u>	<u>Lower Est.</u>	<u>Upper Est.</u>
2000/2001	\$156.0m	\$140.0m	\$145.0m	89.7%	92.9%
2001/2002	\$114.0m	\$155.0m	\$160.0m	?	?
2002/2003	\$99.0m	\$70.0m	\$75.0m	70.7%	75.7%
2003/2004	\$148.0m	\$75.0m	\$80.0m	50.7%	54.1%
2004/2005	\$137.7m	\$95.0m	\$100.0m	68.9%	72.6%
Average	\$130.9m	\$107.0m	\$112.0m	81.7%	85.6%

Note: actual CAS expenditure for 2003/2004 figure derived from Senator the Hon Eric Abetz's 23/8/04 submission - refer Appendix for explanation/calculation.

Before commenting on these actual to estimated expenditure figures, it is only fair to provide the caveat that NMR made when it went public on September 9th with their 2004/2005 media estimates – “These expenditure figures are all estimates. Nielsen Media Research continues to place great emphasis on approximating actual expenditure but, by definition, the Australian media scene is a dynamic one and estimating advertising spend continues to be an onerous task”.

As the table reveals, whether we are comparing NMR's lower or upper end media estimates with the CAS media expenditure actuals the % explained pattern is highly erratic and somewhat of a nonsense in the 2001/2002 fiscal year.

This variability could be due to some timing differences but is most likely due to differences in the range of media types measured v's those actually used.

For instance it is only since January 2005 that Nielsen extended tracking of metropolitan newspaper classified sections to include all 20cm or larger sized display ads. Online/internet media is still not included in their estimates, neither is Pay TV, nor regional radio – a number of these media types being increasingly used as ideal media for placing non-campaign (especially recruitment) advertising which we have seen historically accounts for at least 25% of total media advertising expenditure.

In summary, we don't really know the full extent of the many millions of dollars spent each year by government departments on advertising or how it breaks down, and under the current incomplete and opaque system will be forever guessing and speculating.

However, if all of the various elements of advertising expenditure (campaign and non-campaign; media and non-media) by all government departments/agencies were centrally consolidated, fully detailed, and regularly reported, the level of public accountability would be immeasurably increased.

Appendix

Calculation of the CAS 2003/2004 Advertising Expenditure figure:

- a) Total government advertising (ie; campaign and non-campaign media) expenditure for the eight fiscal years from 1996/1997 to 2003/2004 as reported in the Department of Parliamentary Services Research Note 62, 21st June 2004, totalled \$890.0 million, of which fiscal year 2003/2004 was then estimated as \$109.0 million;
- b) Senator the Hon Eric Abetz in his 23rd August 2004 Senate submission uses a total figure of \$929.0 million to cover the same eight fiscal year period;
- c) Accepting that Senator the Hon Eric Abetz's Senate submission was submitted well after fiscal year 2003/2004 had finished, while the Parliamentary Services' Note was prepared beforehand, we would expect his to include the actual 2003/2004 expenditure figure;
- d) Hence, the actual CAS figure of \$148.0 million (used in Table 3) comprises the June 21st 2004 estimate of \$109.0 million + an extra \$39.0 million - the difference between the \$929.0 million and \$890.0 million totals.

Key Sources Used:

1. Parliamentary Library, Department of Parliamentary Services, Research Note 62, 21st June 2004;
2. Submission to the Australian Senate, Finance and Public Administration References' Committee, Senator the Hon Eric Abetz, Special Minister of State, 23rd August 2004;
3. Nielsen Media Research AdEx media expenditure estimates – from 2000/2001 to 2004/2005, as openly published in BRW and B&T weekly magazines each August/September;
4. Annual Report of the Department of the Prime Minister and Cabinet, as tabled, w/c 10 October 2005.