

# **Inquiry into the funding arrangements for tax reform advertising**

## **Background to the inquiry**

1.1 On 16 June 2010, the Senate referred to the Finance and Public Administration References Committee (the committee) for inquiry and report by 30 June 2010:

- (a) whether the Rudd Government's tax reform advertising campaign is an outrageous abuse of taxpayers' dollars;
- (b) whether the Rudd Government should be allowed to spend millions of dollars in advertising a new tax that has not been approved by Parliament;
- (c) whether the Special Minister of State and Cabinet Secretary (Senator Ludwig) acted appropriately in exempting the tax reform advertising campaign from the *Guidelines on Information and Advertising Campaigns by Australian Government Departments and Agencies*; and
- (d) what further provisions are necessary to strengthen the controls on government advertising to prevent taxpayers' dollars being used for electioneering purposes in the future.

## **Conduct of the inquiry**

1.2 The inquiry was advertised through the Internet and the committee invited submission from interested organisations and individuals. No submissions were received.

## **Recent inquiries and reports on government advertising**

1.3 The tax reform advertising campaign and the exemption granted to it by the Cabinet Secretary and Special Minister of State from the *Guidelines on Information and Advertising Campaigns by Australian Government Departments and Agencies* (the guidelines) have been considered in a number of parliamentary inquiries and reports including:

- Finance and Public Administration Legislation Budget Estimates 2010–11 hearings of 25 and 27 May 2010<sup>1</sup> and recall of the Department of Finance and

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1 Finance and Public Administration Legislation Committee, *Budget Estimates 2010–11*, Prime Minister and Cabinet Portfolio and Finance and Deregulation Portfolio, [http://www.aph.gov.au/senate/committee/fapa\\_ctte/estimates/bud\\_1011/index.htm](http://www.aph.gov.au/senate/committee/fapa_ctte/estimates/bud_1011/index.htm) (accessed 25.6.10).

Deregulation on 17 May 2010 before the committee to consider matters relating to government advertising;<sup>2</sup>

- Finance and Public Administration Legislation Committee, *Budget estimates 2010–11* report of June 2010;<sup>3</sup>
- Finance and Public Administration Legislation Committee, *Preventing the Misuse of Government Advertising Bill 2010* report of June 2010;<sup>4</sup> and
- the ongoing Joint Committee of Public Accounts and Audit inquiry into the role of the Auditor-General in scrutinising government advertising campaigns.<sup>5</sup>

1.4 This matter was also the subject of extensive debate in the Senate during the sitting fortnight following the Estimates hearings.

### **Tax reform advertising campaign exemption timeline of events**

1.5 On 10 May 2010, the Treasurer wrote to the Cabinet Secretary to inform him that the Strategic Priorities and Budget Committee (SPBC) had allocated \$38.5 million to Treasury for an advertising campaign to 'ensure community awareness and understanding of the Government's planned tax reform package'.<sup>6</sup> The Treasurer requested the Cabinet Secretary to exempt this advertising campaign from the guidelines.<sup>7</sup>

1.6 On 24 May 2010, Senator the Hon Joe Ludwig, Cabinet Secretary and Special Minister of State, responded to the Treasurer and granted the exemption on basis of 'urgency and compelling grounds'. In the correspondence, the Cabinet Secretary wrote:

Given that co-ordinated misinformation about the changes is being promulgated in paid advertising as I write, I accept the need for extremely urgent action to ensure Australians receive accurate advice about the nature

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2 Finance and Public Administration Legislation Committee, *Budget Estimates 2010–11*, Finance and Deregulation, Outcome 2, Program 1.2, Government Business and ICT, Procurement framework (*matters relating to government advertising only*), <http://www.aph.gov.au/hansard/senate/commtee/S13205.pdf> (accessed 24.6.10).

3 Finance and Public Administration Legislation Committee, *Budget estimates 2010–11*, June 2010, [http://www.aph.gov.au/senate/committee/fapa\\_ctte/estimates/bud\\_1011/report/report.pdf](http://www.aph.gov.au/senate/committee/fapa_ctte/estimates/bud_1011/report/report.pdf) (accessed 24.6.10).

4 Finance and Public Administration Legislation Committee, *Preventing the Misuse of Government Advertising Bill 2010*, June 2010, [http://www.aph.gov.au/senate/committee/fapa\\_ctte/govt\\_advert\\_leg/report/index.htm](http://www.aph.gov.au/senate/committee/fapa_ctte/govt_advert_leg/report/index.htm) (accessed 24.6.10).

5 Joint Standing Committee of Public Accounts and Audit, *Role of the Auditor-General in scrutinising government advertising campaigns*, <http://www.aph.gov.au/house/committee/jpaa/govtad/index.htm> (accessed 24.6.10).

6 The Hon Wayne Swan MP, Treasurer letter to Cabinet Secretary dated 10 May 2010.

7 The Hon Wayne Swan MP, Treasurer letter to Cabinet Secretary dated 10 May 2010.

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and effect of the changes. However, as the changes also affect the value of capital assets and impact on financial markets, I am also satisfied that a compelling reason for an exemption exists, particularly given the nature and extent of misinformation against a backdrop of continuing market volatility.<sup>8</sup>

1.7 On 25 May, during the second day of the Finance and Public Administration Legislation Committee's (legislation committee) Budget estimates hearing, the committee considered matters relating to government advertising in questions to the Cabinet Secretary and officers of the Department of the Prime Minister and Cabinet and the Australian National Audit Office. However, the exemption from the guidelines in relation to the tax reform advertising campaign was not raised during the hearing.<sup>9</sup>

1.8 On 27 May, the legislation committee continuing its examination of Budget estimates examined officers of the Department of Finance and Deregulation (DoFD) specifically on Outcome 2, Program 2.1 relating to government advertising. The Cabinet Secretary was also in attendance. However, the exemption from the guidelines in relation to the tax reform advertising campaign was not raised during the hearing.<sup>10</sup>

1.9 The legislation committee recommenced on 17 June to further consider DoFD, Outcome 2, Program 2.1 in relation to government advertising. DoFD officials stated that they were 'advised' on 27 May that the Cabinet Secretary had written to the Treasurer granting an exemption in relation to the tax reform.<sup>11</sup>

1.10 On 28 May, the Cabinet Secretary presented out of session to the President (subsequently tabled in the Senate), a statement and related documents to inform Parliament of the exemption. He then put out a press release.<sup>12</sup> According to DoFD officials, the Independent Communications Commission (ICC) received the Cabinet Secretary's correspondence to the Treasurer granting the exemption the same day.<sup>13</sup>

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8 The Hon Joe Ludwig, Cabinet Secretary letter to Treasurer dated 24 May 2010.

9 Finance and Public Administration Legislation Committee, *Estimates Hansard*, 25.5.10.

10 Finance and Public Administration Legislation Committee, *Estimates Hansard*, 27.5.10, pp F&PA 2–31.

11 Finance and Public Administration Legislation Committee, *Estimates Hansard*, 17.6.10, p. F&PA 5.

12 Senator the Hon Joe Ludwig, Cabinet Secretary, 'Approval of exemption from Guidelines on Information and Advertising campaigns by Australian Government Departments and Agencies', Press Release, 28 May 2010, 29/2010, [http://www.smos.gov.au/media/2010/mr\\_292010.html](http://www.smos.gov.au/media/2010/mr_292010.html) (accessed 24.6.10).

13 Mr J Grant, Department of Finance and Deregulation, Finance and Public Administration Legislation Committee, *Estimates Hansard*, 17.6.10, p. F&PA 5.

1.11 At the JCPAA hearing on 17 June, the ICC Chair, Dr Hawke agreed that he had received advice regarding the exemption on 24 May.<sup>14</sup> However, later he indicated that he would need to 'check' the timeline in relation to both the oral and written notification.<sup>15</sup>

1.12 At the legislation committee hearing later that day, DoFD First Assistant Secretary Mr John Grant stated:

In my discussions with Dr Hawke after his appearance this morning he had believed that he had said he had received a letter dated 24 May. He agreed that he received a copy of the signed letter on 28 May, and I think he had mentioned that he had been advised by a departmental official day or two before. That was me giving him a call on the Thursday advising that we had received the letter of exemption.<sup>16</sup>

1.13 A reply from the Treasurer to the Cabinet Secretary on 28 May 2010 assured the Cabinet Secretary that Treasury has and will meet the conditions of the exemption. The campaign was launched on 29 May 2010 with 7 August 2010 the concluding date.<sup>17</sup>

### **The announcement to cancel the advertising campaign**

1.14 In a press conference on 24 June 2010, incoming Prime Minister, the Hon Julia Gillard MP, stated that the Government would suspend the tax reform advertising campaign.<sup>18</sup>

### **Committee view**

1.15 As indicated above, the committee received no submissions for this inquiry. Furthermore, the issues have been substantially covered in other fora and activities of this committee.

1.16 The committee has nothing further to report to the Senate regarding this inquiry.

### **Senator Scott Ryan Chair**

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14 Dr A Hawke, Joint Standing Committee of Public Accounts and Audit, *Committee Hansard*, 17.6.10, p. PA 35.

15 Dr A Hawke, Joint Standing Committee of Public Accounts and Audit, *Committee Hansard*, 17.6.10, p. PA 35.

16 Mr J Grant, Department of Finance and Deregulation, Finance and Public Administration Legislation Committee, *Estimates Hansard*, 17.6.10, p. F&PA 5.

17 The Hon Wayne Swan MP, Treasurer letter to Cabinet Secretary dated 28 May 2010.

18 Chris Zappone, 'Gillard vows to scrap mining tax ads', *Sydney Morning Herald*, 24 June 2010, <http://www.smh.com.au/business/gillard-vows-to-scrap-mining-tax-ads-20100624-z14a.html> (accessed 24.6.10).