

1969

DEPARTMENT OF THE SENATE
PAPER NO. 1124
DATE 23 SEP 1959
PRESENTED <i>J.R. Odgers</i>
<i> Clerk of the Senate</i>

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS

ONE HUNDRED AND TWELFTH REPORT

COMMONWEALTH ADVERTISING

JOINT COMMITTEE OF PUBLIC ACCOUNTS

SEVENTH COMMITTEE

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	D.S. Jessop, Esquire, M.P. (4)
	E.W. Peters, Esquire, M.P.
	I.L. Robinson, Esquire, M.P.

The Senate and the House of Representatives appointed their
Members on 22nd February, 1967.

- (1) Appointed 23rd August, 1967.
- (2) Deceased 2nd August, 1967.
- (3) Resigned 26th February, 1969.
- (4) Appointed 26th February, 1969.

DUTIES OF THE COMMITTEE

Section 8 of the Public Accounts Committee Act 1951-1966 reads as follows :-

8. The duties of the Committee are -

- (a) to examine the accounts of the receipts and expenditure of the Commonwealth and each statement and report transmitted to the Houses of Parliament by the Auditor-General in pursuance of sub-section (1.) of section fifty-three of the Audit Act 1901-1950;
- (b) to report to both Houses of the Parliament, with such comment as it thinks fit, any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Parliament should be directed;
- (c) to report to both Houses of the Parliament any alteration which the Committee thinks desirable in the form of the public accounts or in the method of keeping them, or in the mode of receipt, control, issue or payment of public moneys; and
- (d) to inquire into any question in connexion with the public accounts which is referred to it by either House of the Parliament, and to report to that House upon that question,

and include such other duties as are assigned to the Committee by Joint Standing Orders approved by both Houses of the Parliament.

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JOINT COMMITTEE OF PUBLIC ACCOUNTS

ONE HUNDRED AND TWELFTH REPORT

Commonwealth Advertising

Chapter 1

Introduction

In pursuance of section 8 of the Public Accounts Committee Act 1951-1966, your Committee resolved on 6 March 1969 to inquire into the Commonwealth Advertising Division of the Department of the Treasury. As that Division is concerned with the advertising arrangements in Australia of all Commonwealth Departments, your Committee felt that it should include in its inquiry an examination of the advertising requirements and procedures of a range of Departments. Accordingly submissions were obtained from the Department of Air, Department of the Army, Postmaster-General's Department and the Department of Trade and Industry.

2. In accordance with normal practice, we obtained a number of statements as Exhibits from the five departments involved in the Inquiry, as shown in Appendix No.1 to this Report.

3. The statements referred to were made the subject of a public inquiry held at Parliament House, Canberra on:
Monday 14 April, 1969
Monday 19 May, 1969
Thursday 22 May, 1969.

4. The following witnesses were sworn and examined by your Committee in the Public Inquiry:

Department of Air

Mr. N.C.D. Allen - Chief Executive Officer,
Budget and Costing.
Mr. G.T. Stuart - Director of Budgets (A).

Department of the Army

Mr. H.F. Walker - Assistant Secretary,
Finance.

Postmaster-General's Department

Mr. B.G. Luscombe - Director of Public Relations
Mr. A.F. Spratt - First Assistant Director-
General, Management Services.

Department of Trade and Industry

Mr. F.G. Atkins - Acting First Assistant
Secretary, Exports Promotion
Division.
Mr. G. B. Caylock - Acting Assistant Secretary,
Trade Publicity.
Mr. T. Watson - Acting Director, Trade
Publicity.

Department of the Treasury

Mr. G.S. Davidson - Assistant Secretary, Budget
and Accounting.
Mr. W.H.H. Greenfield - Director, Commonwealth
Advertising Division.
Mr. D.J. Hill - First Assistant Secretary
Budget and Accounting.

5. During our inquiry we were assisted by the
following observers:

Mr. A.K. Ragless - Auditor General's Office
Mr. G.N. Vanthoff - Public Service Board
Mr. C.T. Monaghan - Department of the Treasury

6. Evidence submitted to your Committee as at
22 May, 1969 and additional material prepared at our request
subsequent to that date, constitutes the basis of this
Report.

PART 1

The Commonwealth Advertising Division
(Department of the Treasury)

Chapter 2

History of the Division

7. It appears from the evidence that prior to 1941, 4.7
Commonwealth Government advertising was arranged by
individual departments through direct negotiation with the
various advertising media.

8. The Commonwealth Advertising Division was established as a Section of the Department of Information in 1941 to control and co-ordinate Commonwealth Government advertising throughout Australia. It appears from the records that this decision was related to the wish of the then Government to launch a national publicity campaign to stimulate public morale and the war effort and to combat subversive propogande. The objects of this campaign were: Exhibit 111/1,
qs. 8 to 10 and
Committee File
1969/1

- to make the worker particularly, and the public generally, more war conscious, thereby stimulating production, morale, and public interest in the war effort;
- to combat subversive propogande, idle gossip, rumours etc., calculated to interfere with the industrial effort;
- to stimulate national service, particularly in regard to the organisation of man power, and to publicise national service activities, such as salvage, waste, national fitness, war charities, etc..

9. On 12 February, 1941 the Department of Information for- 4.8
warded a Memorandum to the Department of the Treasury stating
that at a meeting of Cabinet held during the previous week,
it was decided that the Department of Information should
form an Advertising Division to handle all monies spent
on national publicity campaigns, other than routine
advertising by any Commonwealth Department.

10. In 1942 the Advertising Division was transferred to the Department of the Treasury. We were informed that as a prelude to this transfer there had been some dissatisfaction on the part of the then Controller of the Division. In a letter to the then Prime Minister, The Rt. Hon. John Curtin, the Controller, Mr. J.B. Hutcheson, stated -

"One of the difficulties I now find myself up against is an unwillingness on the part of some departments to defray the comparatively small costs involved in preparing and broadcasting attractive and effective matter for use in these valuable time channels. This, I feel, is stultifying the endeavours being made.

It was intended originally that the Division would both co-ordinate and control the advertising of the various government departments with, of course, close contact and collaboration with the Department concerned as to details and objectives. This, however, has not come about because officers in many Departments, with considerably less experience than the officers of the Advertising Division and the Service Agents' Board with its facilities, have overridden or disapproved of recommended plans whether they be connected with the appeal and means recommended or the allocation of the expenditure recommended. In other words, some of the Departments exercised the right of veto for no other reason than that they provide the appropriations.

Another difficulty we have been faced with is that the Advertising Division is unable to spend any monies at all, even on small items, without the authority of the Department concerned. There have been many instances of activities which really should have been undertaken and which even should be today, but no more can be made as we cannot authorise the expenditure."

In a letter to the Department of the Treasury dated 19 January 1942, the then Prime Minister, the Rt. Hon. John Curtin, said -

"The question of Mr. Hutcheson's future activities in the light of this memorandum was discussed by the Attorney-General, the Minister for Supply and the Minister for Information at a conference in Canberra yesterday when it was recommended that the Advertising Division of the Department of Information should be taken over by the Treasury. It does appear to me a little wrong that government departments should be competing against each other in the advertising market and that a co-ordinated government advertising section is justified. However, I should be glad if you would look into the matter and deal with Mr. Hutcheson direct".

We were informed that apart from these comments by the Controller of Advertising and by the Prime Minister, no other information is available relating to the transfer of the Advertising Division from the Department of Information to the Department of the Treasury.

11. The matter of transfer was placed on a formal basis by administrative action in respect of administrative salaries and expenses of the Divisions being charged to relevant items of the Treasury appropriation. It was suggested that this expenditure was to be regarded as a charge to the cost of the war as the Minute indicated that transfers should be made to war services. The cost of advertising activities as such, the actual payments to advertising media, were to be charged to the Advance to the Treasurer and recovered from the departments concerned. We were told that apart from this administrative arrangement, there is a dearth of information as to the policies which were developed by the Advertising Division at that time.

Qs. 13 and
14

12. It was stated that when the Advertising Division was established, the Department of Information invited the Australian Association of Advertising Agents (Federal) to set up an advertising advisory and placing organisation

Exhibit
111/1
and 14

to assist the Commonwealth with its wartime advertising requirements. A council was formed at that time by the advertising industry but we were informed that there are no formal documents available to support this arrangement. The council was formed from a body known as the War Effort Publicity Board. It later evolved into a small group representing some of the major advertising agencies operating in Australia.

13. On 2nd November 1945 a Treasury Circular was issued which stated:

Q.33

"Attention is invited to a Circular dated 12th February 1941 from the Department of Information advising that Cabinet had set up an Advertising Division to handle matters relating to national publicity. Since then, the control of advertising has been transferred to the Treasury and has been administered by this Department.

The Treasurer has now decided that the activities of the Advertising Division are to be continued and that all government advertising including Press, Radio and Miscellaneous is to be arranged by the Division.

It would be appreciated, therefore, if you would kindly instruct the officers in your Department and its Branches that all advertising required by your Department is to be arranged through the Advertising Division.

The headquarters of the Division are in Sydney at 66 King Sydney, and there is a branch in Melbourne at the Manchester Unity Building, 105 Swanson Street."

It was suggested that this circular marked the transition period from a wartime to a permanent peace time basis for the Advertising Division. These arrangements have continued to operate unchanged up to the present time.

Q.33

14. We were informed that when a decision was taken in the early 1950s to revise and reissue the Treasury Manual

it was also decided that, as the Manual was to be given wider distribution, it would be appropriate to incorporate in it instructions issued previously by Treasury Circular. The wording of the instruction relating to advertising required appropriate revision for this purpose and the opportunity was also taken to clarify the operation of the instruction by specifying the full range of advertising media embraced by it. Treasury Instruction 13/12 as drafted on that basis then read:

Q.33 and
Committee
File

"The Commonwealth Advertising Division of the Treasury shall arrange all forms of advertising on behalf of the Commonwealth, including press, radio, television, posters, screen slides and printed matter. The Director of the Commonwealth Advertising Division shall determine the procedures from time to time to be observed. (see also Instruction 19/10 in regard to Publications)."

Instruction 19/10 dealt with the certification of accounts for the printing of publications and the details to be furnished in submitting publications for the approval of the Publications Committee, Department of the Treasury.

15. Treasury Instruction 13/12 as above was amended on 27 April 1962, when the words occurring in parenthesis - "see also Instruction 19/10 in regard to Publications" - were omitted because that part of Instruction 19/10 relating to the submission of publications to the Publications Committee was transferred to section 13 and appeared immediately after Instruction 13/12 as a new Instruction 13/12A. When the Treasury Manual was re-issued in 1965, Treasury Instruction 13/12 was changed to Treasury Direction 31/41 but the wording remained unchanged.

Q.33 and
Committee
File

16. We were informed by the Department of the Treasury that, for the purpose of Treasury Direction 31/41, advertising means the purchase of space or time from newspapers, periodicals, radio stations, television stations,

Exhibit
111/6

cinema operators, persons selling poster space and any other operators of communication media; and, where it is part of an advertising campaign in which space or time is being purchased, the production of printed material for dissemination in other ways. Advertising is to be contrasted with free publicity, where, for example, a newspaper may refer in its news or editorial columns to matter which appears in advertisements. Publications which are prepared without the use of advertising agents would not be regarded as advertising for the purpose of the Treasury Directions.

Chapter 3

Commonwealth Advertising Council

17. As indicated in Chapter 2, the Australian Association of Advertising Agents(Federal), was invited by the Department of Information to set up an Advertising advisory and placing organisation to assist the Commonwealth with its wartime advertising requirements, as soon as the Commonwealth Advertising Division was created. We were informed that this proposal met with enthusiastic co-operation on the part of certain executives of the advertising industry at that time. Qs.8 to 22

18. When the Australian Advertising Council was established in response to the invitation by the Department of Information it was proposed that the Council would comprise four groups of approximately eight agencies located in Sydney and three groups of approximately eight agencies located in Melbourne. At that time a large part of what is known as routine advertising, such as tenders called and positions vacant, was not included in the work of the Commonwealth Advertising Division which was largely concerned with campaign type activities involving creative advertising. The agencies of the Australian Advertising Council were to provide creative type assistance, some being responsible for contact work with publicity media. Q. 23

19. Although the Council operated effectively from 1941 to 1965 without the need for a written constitution, we were informed that following the death of Mr. Hugh Berry, O.B.E. the original spokesman for the industry, newer members of the Council had expressed a preference for a written constitution on which more formalised procedures could be based. Accordingly a draft constitution was drawn up by the Council and submitted to the Department of the Treasury which suggested some alterations. The draft constitution, as amended, was approved by the Treasurer on 20 September 1965. Qs.42 to 44 and 65

Under the terms of this constitution the nomenclature of the Council was changed to that of the Commonwealth Advertising Council.

• **Objects of the Council**

20. Paragraph 2 of the Constitution states the objects of the Council to be:

- (a) To provide facilities for advice to the Commonwealth, through its Advertising Division, on such aspects of advertising as it may from time to time require.
- (b) To provide machinery for the utilization by the Commonwealth (through its Advertising Division) of the Australian advertising agency industry.
- (c) To enter into agreements with the Commonwealth with a view to arranging the conditions under which advertising agencies perform advertising work entrusted to such agencies by the Commonwealth.
- (d) To provide an equitable basis of remuneration to each of the agencies concerned.

• 21. The Council is concerned with placing of Commonwealth advertising, but not with the choice of creative advertising agencies. It is used as a central organisation to consolidate commonwealth wide advertising and to present the accounts for the Commonwealth as a whole through the Advertising Division of the Department of the Treasury for payment.

Qs. 55 &
56

• 22. It was said that the objects of the Council as expressed in (a) and (b) above are inter-related in the sense that the Council provides the secretarial structure and the basis on which agencies may be remunerated for consultative or material servicing facilities without making any service charge for such consultative or management work to the Commonwealth. The agencies are completely reimbursed from a trust fund which is made up of commission earnings of the Council derived from the handling and placing of advertising.

Qs. 56 &
57

• Composition of the Council

• 23. Paragraph 3 of the Council's constitution provides as follows: Exhibit
112 /1

"That the Commonwealth Advertising Council shall consist of not more than sixteen members each of whom shall be a principal (or alternate member) of an advertising agency engaged regularly or intermittently in the placing and/or preparation of Commonwealth advertising".

• 24. Paragraph 3 of the Constitution also made provision for the first members of the Council to be as follows:

W.S. Gilbert (Chairman) Condrey Gotham Associates Pty.Ltd.	N.S.W.
W. Currie (Deputy Chairman) Berry Currie Advertising (N.S.W.) Pty.Ltd.	N.S.W.
L. Abrahams, Jackson Wain (Tasmania) Pty.Ltd.	TAS.
W.J. Brooks, Goldberg Advertising (Aust) Pty.Ltd.	N.S.W.
W. Carter, Gordon and Gotch (Asia) Ltd.	N.S.W.
A. Collett, Arthur Collett Advertising.	W.A.
J. Le Grand, Le Grand Advertising Pty.Ltd.	QLD.
G.P. Hayes, Hayes Publicity Service Pty.Ltd.	VIC.
W.R. McFerran, M.B.E. Claude Hooney Advertising Pty.Ltd.	VIC.
W.R. Taylor, Clem Taylor Advertising Pty.Ltd.	S.A.
H.L. Cousins, Jackson Wain and Company Pty.Ltd.	N.S.W.
H.R. Wearing, George Patterson Pty.Ltd.	N.S.W.
Roger Welch Roger Welch Pty.Ltd.	N.S.W.

25. When the written constitution was under consideration it was proposed that membership should be increased from the thirteen members listed to sixteen, subject to the acceptance of the Constitution. Q.60

26. At the time of our Inquiry membership of the Council was fifteen. However, the Constitution of the Council provides for a membership of sixteen on the following basis: Qs.66 and 67

Each charging agency one member.	Maximum 5.	Exhibit 112/1
Each of the Main sub-placing agencies as follows:		
Melbourne, Vic. (two members)		
Brisbane, Q'ld; Adelaide, S.A.;		
Perth, W.A.; Hobart, Tas.;		
(one member each)	Maximum 6.	
Creative agency panel (Sydney)	4.	
Creative agency panel (Melbourne)	1.	
	<hr/>	
	16	

The council shall appoint annually from amongst its members a Chairman who shall preside at all meetings of the Council and a Deputy Chairman who shall preside in the absence of the Chairman. If at any meeting of the Council the Deputy Chairman be not present, the meeting shall appoint one of those members present to act as Chairman of the meeting.

27. Witnesses were questioned regarding the time at which a Council membership of sixteen became operative and the reason for the naming of the first thirteen members in the constitution. We were informed that the first thirteen members had been members of the previous body, the Australian Advertising Council and that membership of the Council had been increased to sixteen as speedily as possible, immediately on the issue of letters of agreement on 1 July 1966, in respect of the charging agents. An election of members was then held at the next annual meeting of members of the Council. In regard to the effective membership of fifteen at the time of our inquiry we were informed that one charging agent fulfils the dual function of placing for television and for radio Qs.66 to 71

and the council considers that only one representative from each company should hold office on the Council. Membership of the Council dates from 1 July 1966.

. Appointment of Members of Council

28. Paragraph 4 of the Council's constitution provides that the method of appointment of Members of the Council shall be as follows:

Charging Agencies and Main sub-placing agencies shall nominate their respective representatives who shall hold office as Council Members for the period over which the agency they represent retains its function in relation to Commonwealth Advertising.

Members representing Creative agency panels shall be subject to nomination and election. They shall hold office for two (2) years and are eligible for re-election at the expiration of that term.

A principal of any Australian advertising agency shall be eligible for nomination by his agency.

Nominations shall be valid only if on the prescribed form and lodged with the Secretary of the Council.

All nominations shall be subject to the approval of the Director of Commonwealth Advertising.

If there be more nominations than the number of vacancies to be filled, a ballot shall be held.

Each member of the Council other than those representing Creative Agency panels shall have one vote in such ballot.

The Secretary of the Council shall act as Returning Officer.

29. Witnesses were questioned in respect of the provisions 4.72 that all nominations for the Council shall be subject to the approval of the Director of Commonwealth Advertising and that a principal of any Australian advertising agency shall be eligible for nomination by his agency. We were informed that the approval of nominations by the Director of Commonwealth

Advertising does not limit the power of nomination. This provision was made because the object of the Council is to operate and advise the Commonwealth and it was desirable for members of the Council to be able to perform these functions ably.

- Alternate member of the Council

30. Paragraph 5 of the Council's constitution provides as follows:

A member of the Council being a principal of an agency shall have the right to nominate an executive of his agency to attend meetings of the Council and to vote on his behalf:

The name and particulars of such alternate member shall first be submitted to the Director of Commonwealth Advertising and to the Council for approval and any such nomination and appointment shall be subject to such approval.

- The Office of the Council.

31. Paragraph 6 of the Council's constitution provides as follows:

The principal office of the Council shall be in Sydney or such other city as the Council may determine after consultation with the Director of Commonwealth Advertising.

32. The staff of the office of the Council consists of a paid secretary and one assistant. The main duty of each is to provide forms, procedures, stationery etc. so that agencies may formalise their work on an orderly basis. It was said that the charge against the Council trust funds in respect of the office would be minute.

- Executive Committee of the Council

33. Paragraph 7 of the Council's Constitution provides as follows:

The administration of the Council's business and affairs including distribution of revenue to participating agencies shall be carried on by an Executive Committee in accordance with any directions of the Council.

Exhibit
112/1

Exhibit
112A

Q. 101

Exhibit
112/1

The executive committee shall consist of those members of the Council who are representatives of charging agencies together with representatives of creative agencies in the city in which the principal office of the Council is located. The executive committee shall meet at least once in each calendar month. The Executive shall cause proper minutes of its meetings to be prepared and circulated to all Council members.

34. Members of the Executive Council, located in Sydney, serve in an honorary capacity. We were informed that the Executive Committee meets fortnightly. pgs. 77 and 101

. Full Council Meetings

35. Paragraph 8 of the Council's Constitution provides: Exhibit 112/1
The Council shall meet no less than once in each calendar year and also at such other times as it may be called together by the Executive Committee. A quorum shall be nine (9) members present personally or by proxy.

36. At its annual meetings the Council gives its approval to the selection of the main sub-placing agencies. Q. 78

. Proxies

37. Paragraph 9 of the Council's constitution provides that:

A member of the Council may appoint any other member to attend a meeting of the Council and to vote thereon as his proxy. Notice in writing of the appointment of such proxy shall be given to the Secretary twenty-four hours prior to the time of the commencement of such meeting.

No meeting of the Council shall be valid if the number of proxies exceeds six (6).

. Votes of Members

38. Paragraph 10 of the Council's Constitution provides as follows:

Other than as hereinbefore provided at any meeting of the Council the Chairman shall have and shall exercise a casting vote in the event of equality of voting. Members shall have one vote each.

- Secretary of the Council

39. Paragraph 11 of the Constitution provides as follows:

The Council shall appoint a Secretary who shall be responsible to and under the direction of the Executive Committee.

- Appointment of Charging Agencies

40. Paragraph 12 of the Council's Constitution provides as follows:

A Charging Agency shall be appointed by the Commonwealth for each of the five media categories.

Press advertising. (display)
Press advertising. (classified)
Radio advertising.
Television advertising.
Miscellaneous advertising.

The Council may make to the Commonwealth Advertising Division recommendations as to the appointment of a charging agency.

41. A charging agency has been defined in the Constitution of the Council as an advertising agency whose responsibility is to render to the Commonwealth final consolidated accounts for advertising authorised to be prepared and/or placed in its relevant media category. Exhibit 112/1

42. We were informed that the War Effort Publicity Committee originally selected the agents who would function as placing-charging agents. During the period in office of the Australian Advertising Council, one additional charging agent was appointed. Q.105

43. When the Council's written constitution was submitted for approval by the Treasurer, a recommendation was made for the continuation of the then charging agents who had been appointed some twenty to twenty-five years earlier. The witness representing the Commonwealth Advertising Division stated that the criterion applied by the Division in regard to its recommendations concerning these nominations was that Q.105 to 107

the agencies concerned should be efficient. Due to the nature of the very strict controls on the operations of the charging-placing agents, however, the Division had no just cause on which it could base any complaint or dissent from the recommended nominations. This opinion, based on years of knowledge of the companies concerned, was expressed in a paper to the Department of the Treasury.

Qs.105 to
107

• Appointment of sub-Placing agencies

44. Paragraph 13 of the Council's Constitution provides as follows:

Exhibit
112/1

Each of the Charging Agencies shall appoint a sub-placing agency in each state capital city other than the one in which it is located. Such appointment shall be subject to prior approval by the Commonwealth through its Advertising Division. Appointment shall be for a similar period to and subject to the same provisions as agreed with the Commonwealth in respect of the appointment of Charging Agencies.

Nothing in this section shall preclude the appointment of the same agency to carry out the sub-placing function in more than one media category.

45. A sub-placing agency is defined in the Council's Constitution as an advertising agency authorized to represent a charging agency or agencies in the placing of advertising for the Commonwealth. It has no direct charging responsibilities.

Exhibit
112/1

46. Witnesses were questioned as to the reasons for the provision made in the Constitution for the appointment of sub-placing agencies to be subject to prior approval by the Commonwealth through the Advertising Division. We were informed that the basis of the provision was that while the Commonwealth would ultimately make the decision as to who shall be appointed as main charging-placing agent, the sub-placing agents would be appointed by the main charging-placing agents. However, the Commonwealth wished to satisfy

Q.109

itself that the nominations of the charging-placing agents were acceptable to it, the criteria for acceptance being the efficiency and reputation of an agency.

47. When the Council's written constitution was implemented, Q.110 the main charging agents nominated their existing sub-placing agents throughout the Commonwealth. The approval of these agents by the Advertising Division was said to have been facilitated by the fact that many if not all of those nominated had been appointed some years earlier and had been subject to various Commonwealth controls including audit control.

• Appointment of Creative Agencies.

48. Paragraph 14 of the Council's Constitution provides as follows:

Subject to the discretion of the Commonwealth Advertising Division, assignment of creative work to agencies shall be on a "specific task" basis rather than a fixed term appointment. Allocation of such work to agencies shall be at the sole discretion of the Commonwealth Advertising Division through its offices in Lydney and Melbourne or its representatives in other State capital cities.

49. A creative agency is defined in the Council's Constitution as being an advertising agency which is assigned by the Commonwealth Advertising Division a specific task or tasks of preparing material for Commonwealth Advertising. It was said that there is no security of tenure for agencies employed on creative material production service. Q.331

• Accounting

50. Paragraph 15 of the Council's Constitution provides as follows:

The Executive Committee shall cause proper accounting and other records to be kept by a firm of Chartered Accountants and shall from time to time determine at what places and under what conditions the accounting and other records of the Council shall be kept and maintained and open to inspection of members.

• Auditing

51. Paragraph 16 of the Council's Constitution provides as follows:

The accounts of the Council shall be audited annually by a firm of qualified auditors who shall be appointed by the Council and such auditors shall be appointed at the annual meeting for the ensuing twelve months.

• Commonwealth Advertising Division Representation.

52. Paragraph 17 of the Council's Constitution provides as follows:

A main sub-placing agency shall be prepared to act as the representative of the Commonwealth Advertising Division if so appointed by the Division.

53. The witness representing the Commonwealth Advertising Division informed us that the Division has divisional representatives in Brisbane, Adelaide and Perth whose sole function is to represent the Division and to provide an officer to whom a Commonwealth advertiser may refer in those cities to seek guidance as to how he can best utilise the Advertising Division and the Advertising Council structure. Q.146

• Alteration of Rules.

54. Paragraph 18 of the Council's Constitution provides as follows:

The provisions of this Constitution may be amended and/or repealed either in whole or in part at a meeting of the Council of which thirty days notice shall be given to each member thereof.

Such notice shall contain details of the amendment or repeal which it is proposed to move and no such motion for amendment or repeal shall be effective unless and until it is passed by a majority of two-thirds of the members of the Council for the time being.

Notwithstanding anything in the preceding two paragraphs no motion for amendment or repeal shall be valid without prior approval of the Commonwealth.

55. We were informed that no proposals have been made for the amendment of the 1966 written constitution. Q.145

- Resolution by writing

56. Paragraph 19 of the Council's constitution provides as follows:

A resolution may be determined otherwise than at a meeting of the council provided that such resolution is evidenced by the signature of each member of the Council. Whenever it is proposed to submit such a Resolution, the Secretary shall send by post to each member of the Council a copy of the Resolution with a request to each member to state his agreement therewith or dissent therefrom.

If carried, the Resolution shall be as valid and effectual as if passed at a meeting of the Council duly convened as provided by this Constitution.

Chapter 4

Functions of the Division

57. We were informed that all advertising requirements of Commonwealth departments in Australia are channelled through the Division which arranges the release of press, radio and television advertising material and the printing of posters and booklets required for advertising purposes. Exhibit 112/1
58. The Division, operating in association with the Commonwealth Advertising Council, provides Commonwealth departmental advertisers with specialised assistance in arranging the production of material for press and publication display advertisements and material for television and radio announcements. It was said that all Commonwealth advertising within Australia and payment for it is channelled through the Division. Urgent local advertising may be placed directly by departments but in such cases the Division must be advised immediately. Exhibit 112/1 and 155 to 158.
59. Drafts of suggested allocations, media plans and schedules are examined by officers of the Division who are trained in advertising techniques. Drafts of proposed material for the larger campaigns required by Commonwealth departments are, on many occasions, produced by Advertising Division officers and then made the subject of discussions with special sub-committees which are set up by the Commonwealth Advertising Council and on which a considerable number of leading professional advertising specialists serve periodically. Client departments, some of whom have staff with expertise in advertising, are entitled to be represented at these conferences. However, most departments approach the Commonwealth Advertising Division with little more than an outline of the message to be conveyed and an amount of money available for the purpose. It was stated that final submissions to client departments represent the joint recommendations of the Division and of leading accredited representatives of the Australian advertising agency industry. Exhibit 112/1, 112/3, 156 to 160 and 248

60. As sub-committees of the Commonwealth Advertising Council are not mentioned in the Constitution of the Council, witnesses were questioned regarding the authority on which they are established and the procedures adopted by them. We were informed that special sub-committees are suggested to the Director of the Commonwealth Advertising Division by the Chairman of the Commonwealth Advertising Council and are related to the magnitude of the requirement in a particular advertising area. Membership of a sub-committee may be the subject of consultation between the client Department, the Council and the Director of the Commonwealth Advertising Division.

Q. 161

61. The Commonwealth Advertising Division maintains close contact with all advertising agencies engaged on Commonwealth advertising work throughout Australia both directly and through the structure of the Commonwealth Advertising Council. It was said that because of the co-ordination of the requirements of all Commonwealth departments, the Commonwealth Advertising Division is one of the largest users of press and publication space in Australia. It was claimed that because of this it has been possible to negotiate favourable rates and conditions for press and publication advertising required by Commonwealth departments.

Exhibit
112/1

62. We were informed that advertising rates charged by the major newspapers are based on a sliding scale related to usage. The advertising orders made by the major placing agents are issued on a twelve monthly basis, and are subject to review by the Commonwealth Advertising Division at the end of each twelve month period. Charges are based on anticipated usage in the particular media. Should actual usage be greater than that anticipated, a lower rate is applied and a rebate made which is paid into the Consolidated Revenue Fund.

Qs. 171 to
177

63. Display advertising space is sold by metropolitan newspapers and many publications on a basis of a stated number of inches

Exhibit
112/1
and Q. 178

"at will". This means that orders made are not on the basis of a contract, but indicate anticipated future usage. Under this arrangement an order may be terminated should further advertising not be in the interests of the advertiser and a higher rate, applicable to the amount of advertising used up to that point is paid.

Exhibit
112/1
and Q. 178

64. The co-ordination of Commonwealth departmental advertising required within Australia by the Commonwealth Advertising Division has enabled the negotiation of bulk master space orders for metropolitan newspapers. These master space orders are at lower scale rates per inch than those which would apply if individual space orders were issued on behalf of separate Commonwealth Departments. Favourable rates have also been negotiated with the provincial press associations.

Exhibit
112/1

65. Some Australian metropolitan daily newspapers have no contract arrangements for advertising inserted in classified columns, the rates being fixed irrespective of the space used. In other cases, where special rates are available to commercial advertisers, the Commonwealth buys space at the low rates on a master space order basis. Witnesses were unaware of the reasons for these different practices which were said to be the result of policy decisions of the Boards of particular newspapers.

Exhibit
112/1
Qs. 179
and 180

66. When commercial television commenced in Australia, the Commonwealth Advertising Division negotiated with the Advertising Board of the Federation of Australian Commercial Television Stations regarding the determination of rates to apply to Commonwealth departmental advertising through that media. It was decided that the Commonwealth should be charged the lowest rate applied by an commercial television station's rate card irrespective of usage. We were assured that as the Commonwealth enjoys the lowest rate on the card, it has not been necessary to negotiate rate variations with the Federation.

Exhibit
112/1
Q. 31

67. Special agreements have also been entered into with the

proprietors of commercial radio stations, which, it was claimed resulted in appreciable savings to the Commonwealth. This arrangement is similar to that negotiated with the Federation of Australian Commercial Television stations in that the Commonwealth is charged the lowest rate irrespective of usage.

Exhibit
112/1
and 192¹⁹¹

68. Rates for Commonwealth advertising in miscellaneous publications and on hoardings, screen slides, etc., are not usually subject to special agreements but in all cases the policy of the Commonwealth Advertising Division is to negotiate the lowest ruling commercial rates applicable to the total volume of advertising required during twelve month periods by Commonwealth department advertisers. It was said that no problems have been encountered in the implementation of this policy.

Exhibit
112/1
and 193

69. The Placing/Charging agencies operating under the direction of the Commonwealth Advertising Division, prepare all press, radio and television schedules. They also check press and publications insertions and measure spaces, check records of television and radio broadcasts, and collate, check and submit to the Department of the Treasury, consolidated monthly accounts from the suppliers of press space, radio and television time, and the suppliers of all forms of advertising material

Exhibit
112/1
& 162
167

70. Subsequent to the appearance of advertised material the media operators submit charges to the nominated main charging agent in the area in respect of the service provided. While the main charging agent and not the client Commonwealth department receives these accounts, the accounts are rendered on a separate basis for each Department or Section of a Department as the case may require according to the instructions received by the media operator.

115

71. Accounts are then subject to check by sub-Treasury officers in Sydney against proof of service in a form acceptable to the Office of the Commonwealth Auditor-General and the charging agents. A re-check is made in the Sub-Treasury against written confirmation of placing instructions and to ensure that the account is in accordance

with certified base advertising rates applicable to Commonwealth advertising. For this purpose, the Commonwealth Advertising Division makes available to the Sub-Treasury in Sydney, details of operative rates for orders at the time of sub-placement.

Q. 115

72. On payment by the Sub-Treasury, Sydney, to a particular charging agent, the Commission earned is placed in a separate trust fund of the agency, and subsequently within twenty-four hours is transferred to the Trust Account of the Commonwealth Advertising Council. Within six to eight weeks of the lodgment of a credit the Council examines claims made, not only by Placing/Charging agencies but by creative agencies and agencies that may have been retained on a consultative special committee basis.

Qs. 89 to
96. Q. 116

73. It was claimed that as members of the Advertising Council participate in varying degrees in Commonwealth Advertising there is no danger of large-scale advertising agencies represented on the Council gaining the bulk of Commonwealth Advertising for their agencies. This view was based on the fact that an agency rendering service to the Commonwealth is not required to be a member of the Council and does not need to be represented on the Council. It was said that from time to time many agencies not represented on the Council render service to the Commonwealth, when there are requirements for such services.

Q. 122 and
123

74. In view of the functions of the Commonwealth Advertising Division and its relationship with the Commonwealth Advertising Council we sought information from the Department of the Treasury as to the advertising methods adopted by commercial enterprise in Australia. We were informed that when a commercial concern desires to conduct an advertising campaign it usually employs one advertising agent who would be selected by the board of directors of the organisation concerned probably on the basis of capacity, standing, and financial stability.

Exhibit
112/3
Qs. 242 &
243
Qs. 244 to
246

75. An agent appointed by a commercial concern prepares the

material (copy) and then arranges for its presentation to the public as 'placing' the advertisement. He were informed that the selection of the media to be used, of the dates for this use, and of the position within the newspaper or the time-slot in the radio or television programme, is frequently as important as the actual wording and presentation of the message it is sought to convey. The agent will usually discuss these matters with his client and reach agreement on them before actually placing an advertisement.

Exhibit
112/3

76. The agent is remunerated for this work by the commissions he receives from the media, which are supplemented by direct payments of service fees from the advertiser when full advertising agency service is provided. Very large commercial concerns with a range of products or services may employ more than one agent, but each agent will place the advertisements he prepares. Mass media operators are prepared to charge lower rates to large advertisers, depending on the amount of space or time used in a year. The estimate of space or time usage for a year, which determines the provisional rate charged, provides the basis for what is known as a 'master space or time order.' The master space or time order is issued by one of the agents appointed by the advertiser. The other agents, if any, retained by the advertiser can, by arrangement, operate on this same master order when placing their advertisements, but the number of agents who are able to do so must be limited, and would seldom be more than three or four. It was said that a newspaper or other medium would not be prepared to permit a very large number of agents to operate any one order as this would result in additional work and confusion.

Exhibit
112/3 and
Q.241

77. In addition to preparing and placing advertisements in newspapers, television programmes, etc., advertising agents may arrange the production of pamphlets, blocks or other articles which are used in or in conjunction with, advertising. The agents' remuneration for this service consists of commissions from the printer or other supplier, in addition to any payment they may receive from their client.

Exhibit
112/3

78. In comparing the arrangements operated by commercial enterprise with those operated by the Commonwealth Advertising Division, the witness claimed that the Commonwealth enjoys a particular benefit from its arrangement in respect of the personnel employed in placing agencies. Such personnel who handle charging and accounting matters are required to be highly experienced. It was claimed that an advertising agency employing staff wholly on Commonwealth tasks would need to have trained and experienced staff available to it. However, if the agency principals had no security of tenure they would be reluctant to involve themselves in the overhead cost of training and developing staff for future operations. Security of tenure assures those agencies who have undertaken work for the Commonwealth, of income from the disbursement of the Advertising Trust account maintained by the Commonwealth Advertising Council.

qs. 326 to
329 and
331

79. In view of the arrangement whereby the Commonwealth Advertising Division acquires the services of advertising media without inviting tenders, we raised the question of whether the procurement of advertising services is exempt from the provisions of Treasury Regulation 52 Sub-Regulation (1) of that Regulation provides as follows:-

qs. 83 to 85,
and 306 to
316.

"Subject to any Act making provision with respect to contracts for supplies and subject to the next succeeding sub-regulation, contracts shall not be entered into, and orders shall not be placed, for supplies the estimated cost of which exceeds One Thousand dollars unless tenders have first been publicly invited for those supplies."

Sub-Regulation (2) of the Regulation lists 18 exemptions from sub-regulation (1).

80. We were informed that legal advice previously obtained by the Department of the Treasury had indicated that the tendering provisions of Regulation 52 were not applicable to the services of advertising agents. That advice, however, related to professional services generally and did not relate specifically to advertising.

qs. 720 to 725
and Committee File
1969/1

The advice relied on had been obtained on 5 February, 1964 and had included a statement that Section 71 (1) (d) of the Audit Act, which provides the power to make Regulations, is not to be read as authorizing a Regulation imposing tendering requirements in circumstances which, as a matter of business practice, a system of tendering does not operate. Section 71 (1) (d) was therefore taken to exclude advertising agents generally. As the Department was requested to submit its advising of 5 February 1964 and as the Audit Observer, Mr. Ragless, expressed interest in the matter, the Department of the Treasury re-examined its advice of 5 February 1964 and decided to obtain advice specifically related to the services of advertising agents. In an opinion dated 20 August 1969, the Secretary, Attorney-General's Department expressed the view that the procurement of advertising services by the Commonwealth is covered by the requirements of Regulation 52. In his opinion he referred to the opinion of 5 February 1964 and to an earlier opinion of 20 December, 1962 which referred specifically to a hypothetical arrangement with an advertising agency for the supply of advertising material. In that opinion the view had been stated that Regulation 52 would apply in such a case but it had been added that it would be necessary to examine the contract to be made with the agency.

Qs. 720 to
725 and
Committee
File 1969/1

81. In his opinion of 20 August 1969 the Secretary, Attorney-General's Department stated, that, it would not be impossible or impracticable to apply tendering to the services in question. He added that the main element in the situation that suggests the contrary is the fact that the Commonwealth has been able, by virtue of the special arrangements to secure advertising services without paying to agents the fees that are payable in the case of commercial arrangements. This, he considered, suggests that it may be inexpedient to depart from the arrangements that have been made, but the fact that a particular non-tendering system appears to produce a more economic method of expenditure is not a legal reason for taking a case out of Regulation 52. At most it may suggest that the

Qs. 720 to
725 and
Committee
File 1969/1

Regulation should be amended to exclude the particular category of transaction.

82. In view of this legal opinion we were informed by the Department of the Treasury on 22 August, 1969 that consideration will be given to amending Treasury Regulation 52 in a suitable manner.

Chapter 5

Expenditure and Staffing of the Division

. Finance

83 Details of the administrative expenses of the Commonwealth Advertising Division for the years 1964-65 to 1968-69 are shown in Table No.1.

Table No. 1

Commonwealth Advertising Division

Administrative Expenses

(1964-65 to 1968-69)

Exhibit
112/1

<u>Item</u>	1964-65	1965-66	1966-67	1967-68
Salaries	46,899	43,985	59,788	67,071
Travelling Expenses	949	1,327	2,039	1,534
Office Requisites	1,286	1,413	1,115	905
Postage, Telephones, etc.	2,324	2,896	3,122	3,757
Office Services.	594	1,132	1,143	1,202
Freight	323	464	527	584
Incidentals	101	131	68	90
Rent (a)	9,612	11,449	11,580	11,648
Furniture & Fittings (b).	.769	4,093	.265	58
Total	62,857	66,890	79,647	86,849

(a) Paid by the Department of the Interior

(b) Paid by the Department of Works

Source: Department of the Treasury.

84 About 60 per cent of the administrative expenses of the Division over the years 1964-65 to 1968-69 was incurred in respect of the Division's Sydney office while the remainder was incurred in Melbourne.

85 As salaries comprise the predominant element in the Division's administrative expenses we examined the witnesses

in connection with the Division's staff structure and functions:

Staffing

36 A summary of the staff structure of the Commonwealth Advertising Division as at 30 June each year from 1962 to 1968 is set out in Table No.2.

Exhibit
112/5

Table No.2.
Commonwealth Advertising Division
Staff Structure
As at 30 June 1962 to 1968

Designation	Classification	1962	1963	1964	1965	1966	1967	1968
<u>Third Division</u>								
Director	Class 11	1	1	1	1	1	1	1
Deputy Director	Class 9	1	1	1	1	1	1	1
Assistant Director	Class 8	-	-	1	1	1	1	1
Senior Advertising Assistant(Creative)	Class 8	-	-	1	1	1	-	-
Senior Advertising Assistant	Class 7	-	-	-	-	-	3	3
Senior Advertising Assistant(Creative)	Class 7	-	-	-	-	-	-	-
Advertising Assistant(Creative)	Class 7	1	1	2	2	2	-	-
Senior Advertising Assistant(Media)	Class 7	-	-	-	-	-	-	-
Advertising Assistant(Media)	Class 7	1	1	1	1	1	-	-
Advertising Assistant	Class 6	-	-	-	-	1	2	2
Clerk	Class 5	-	-	-	-	-	1	1
Clerk	Class 4	1	1	1	1	1	-	-
Clerk	Class 3	-	-	1	1	1	1	1
Clerk	Class 2	-	-	-	-	-	1	1
<u>Fourth Division</u>								
Clerical Assistant	Grade 4	1	1	-	-	-	-	-
Clerical Assistant	Grade 3	1	1	1	1	1	1	1
Clerical Assistant	Grade 1	1	1	1	1	1	-	1
Stenographer	Grade 1	1	1	1	1	1	1	1
Typist		2	2	2	2	2	2	2
Total		11	11	14	14	15	15	16

Source: Department of the Treasury

87. In view of the increase in the Division's staff structure and the changes that occurred in that structure during the seven years shown in Table No.2, we sought specific evidence from the Department relating to the factors underlying these changes.

88. We were informed that in September 1963 the Department of the Treasury approached the Public Service Board seeking the creation of a new position of Assistant Director, Class 9, a temporary position of Advertising Assistant (Creative) Class 7 and the reclassification of the position of Clerical Assistant, Grade 4 to that of Advertising Assistant Class 4. The Department submitted that the position of Assistant Director was required in order to provide the Director with assistance in the policy and administrative fields while the temporary position of Advertising Assistant was required in order to provide assistance to the Director in handling television advertising, certain departmental advertising and sundry printed matter requirements. The reclassification was sought because the Clerical Assistant had been required for several years to undertake duties beyond those appropriate to his classification but made necessary because of the frequent and protracted absences of the Deputy Director from the Melbourne office mainly in connection with his work with the Director-General of Recruiting at Victoria Barracks, Melbourne. This situation had been noted as unsatisfactory as early as 1957 and during that year the Department had endeavoured to have the position of Clerical Assistant cancelled and a new position of Junior Advertising Assistant created to work full time on advertising.

Exhibit
112/5

Cs.339 to
344 and
Committee
File

89. In seeking the new positions in September, 1963 the Department of the Treasury had noted that the total value of advertising placed through the Advertising Division had increased from \$1,800,000 in 1956-57 to \$2,300,000 in 1959-60 and \$3,000,000 in 1962-63 and that further increases were

expected as a result of increased loan and recruiting advertising campaigns. In addition, the increasing complexity of departmental advertising requirements had resulted in a need for more detailed guidance to executives of the creative agencies with a consequent increase in the demands made for the services of Division officers. In elaborating on this aspect, witnesses informed us that about 1962 there had begun to emerge the development of requirements by the larger Commonwealth advertisers who were advertising under an increasing number of headings with consequent technical advertising problems, the development of policy and a general increase in the variety of media used. At that time a number of departments had introduced several new target objectives and new types of advertising were required within the area of their departmental advertising operations.

Exhibit
112/5
and Qs. 345
to 347

90 In December 1963 the Public Service Board responded and created the position of Assistant Director Class 8 in lieu of the proposed position of Class 9, a position of Advertising Assistant Class 7 subject to review after 12 months and the reclassification of the Clerical Assistant position to that of Clerk Class 3 in lieu of the proposed Class 4. In regard to the classification of the position of Assistant Director, the Public Service Board Observer, Mr. Vanthoff, informed us that while the Board was satisfied that the position of Assistant Director was warranted, based on the working requirements that existed at the time, it was unable to agree to the classification requested. In the Board's view, having regard mainly to the other positions within the Advertising Division and particularly having regard to the position of deputy director in Melbourne, which was a Class 9 position, the Board did not think that parity in classification was warranted. It considered that the appropriate classification for this second position in the Sydney office was at the Class 8 level. In regard to the retention of

Exhibit
112/5
and Qs. 355

the Clerk Class 3 level in lieu of a position of Clerk Class 4 the Board's judgment took into account the broad responsibilities exercised at the Class 4 level throughout the clerical/administrative structure and the fact that the duties required of the position were more responsible than a somewhat similar position of Clerk Class 2 existing in another department.

91 In April 1964, the Department of the Treasury advised the Public Service Board that applicants for the newly created position of Assistant Director had been interviewed but none had possessed the qualities and qualifications appropriate to the position, notwithstanding that the position had been advertised outside the Commonwealth Public Service. It was felt therefore that there would be no point in re-advertising the position at the salary offered and that a preferable course might be to create a temporary position of the same classification but designated Senior Advertising Assistant (Creative). The duty statement of the proposed temporary position would not include any implication of succession to positions of Deputy Director or Director and, accordingly, could be occupied by one applicant who was presently employed within the Division and who otherwise was well suited to the duties. The Public Service Board was also advised that, of the applicants, two had been selected, one to fill the newly created position of Advertising Assistant and, subject to the Board's approval, the other to fill the position that was to be vacated by the promoted employee.

Exhibit
112/5
and Qs. 356
to 361

92 In June 1964 the Public Service Board replied that the proposal had been approved. However the position of Advertising Assistant (Creative), Class 7 was reduced slightly in salary within the Class to bring two positions to equal status and at the same time the Board stipulated that the position of Assistant Director should remain unfilled.

Exhibit
112/5

93 In January 1965, the Department of the Treasury sought from the Public Service Board a reclassification of the

temporary position of Advertising Assistant (Media). This request was prompted by the continuing growth in the volume and complexity of advertising for such bodies as the Directorate of Recruiting and the Loans Branch of the Department of the Treasury. It was claimed that the growth referred to would require the officer occupying the position to prepare recommendations of a highly responsible nature and to exercise control over other officers both in Sydney and Melbourne. In its submission the Department also noted that the value of advertising processed through the Advertising Division had increased to \$3,320,000 a year compared with \$3,000,000 in 1962-63. The Public Service Board agreed to the Treasury proposal.

Exhibit
112/5
and Q.363.

94 We were informed that in June 1965 a staffing difficulty arose when, due to illness of the Senior Advertising Assistant, it became necessary for the Advertising Assistant (Croatia) to assume duties beyond those reasonably expected of an officer of his classification. As the likely absence of the Senior Advertising Assistant was not known, the Public Service Board was requested to adjust the classifications. However, before these arrangements could be effected the Senior Advertising Assistant resigned on 20 June 1965 due to his continued illness.

Exhibit
112/5
and Qs.364
and 365.

95 It was stated that expenditure through the Advertising Division reached \$4,500,000 in 1964-65, an increase of 34 per cent over the 1963-64 level and the difficulties created by the increasing work load were aggravated by the retirements of the experienced Assistant Director of Recruiting and a number of senior directors of advertising agencies which, for many years, had produced a large amount of loan campaign advertising material. In addition, the decimal currency conversion programme campaign in the area of mass media was one of the largest yet released on behalf of any single Commonwealth advertiser. The campaign was concentrated

Exhibit
112/5
and Qs.366
to 368.

over a period of about six months and imposed a very great workload strain on the Advertising Division. Coincident with and as a part of that campaign an increasing use was made of the television medium by a number of large Commonwealth advertisers who had funds available to make use of it. It was claimed that television is a highly technical medium and in terms of material production is most time consuming. It was also said that the supervision of the agencies retained to work not only on the decimal currency campaign but also in the broader area of the increasing use of television also imposed a considerable strain on the Advertising Division.

96 Arising from these pressures further staffing proposals were made by the Department of the Treasury to the Public Service Board in September 1965. In the case of the Division's Sydney office, these proposals sought the reclassification of the position of Assistant Director from Class 8 to Class 9; the cancellation of the positions of Senior Advertising Assistant (Creative), Class 8 and Advertising Assistant (Media) Class 7; the creation of two positions of Senior Advertising Assistant, Class 8; the reclassification of the position of Advertising Assistant (Creative) from Class 7 to Class 6 and the reclassification of the position of Clerk Class 4 to Class 6. In the case of the Melbourne office the proposals envisaged the reclassification of the position of Deputy Director, Class 9 to that of Class 10 and the reclassification of the position of Clerk, Class 3 to Advertising Assistant, Class 6.

Exhibit
112/5

97 We were informed by the Public Service Board Observer, Mr. Vanthoff, that in December 1965 the Public Service Board responded to the proposals put forward by the Department of the Treasury and approved certain staffing adjustments after considering the proposals on their merits. While there was no disagreement between the Board and the Department as to the number of positions required at that time, the Board did

not approve some of the classification levels that had been sought. Mr. Vanthoff added that, to a large extent, the Department was seeking to justify some of its classification levels by having regard to the salaries then being paid to account executives in private industry. The Board noted this point and stated that while it was not prepared to place the officers of the Advertising Division at a higher place in the clerical/administrative structure than they would have warranted, it accepted the existence of the "outside" market and felt that this would provide a better test to establish the classifications of the advertising division professional positions than would be achieved by grouping them in the clerical/administrative structure. The Board therefore informed the Department that it proposed to examine the Advertising Division positions of Assistant Director, Deputy Director, Senior Advertising Assistant and Advertising Assistant in their own right.

Q.393

98 The Department of the Treasury responded immediately by drawing attention to the difficulties being experienced in the Melbourne office of the Advertising Division and requesting that re-consideration be given to its proposal that the Clerk, Class 3 should be reclassified to Advertising Assistant, Class 6 in lieu of the Board's offer of a Clerk Class 4. The Department also requested that, in addition to its earlier proposal, a position of Clerk, Class 2 should also be created in the Melbourne office. Exhibit 112/5

99 We were informed that in February 1966 the Public Service Board approved the Department's proposals relating to the Advertising Assistant, Class 6 and the creation of the position of Clerk Class 2. In April 1966 the Board indicated to the Department that action was being deferred on some of its proposals pending the outcome of a salary determination. It had stated that application of Determination No.17 rates of pay would cause an anomaly between certain decisions that had been made.

Pending the comprehensive review of the positions in their own right, the Board felt that it would not be desirable to make a permanent adjustment to classifications. It suggested therefore that pending a decision on the outcome of negotiations relating to **Determination No.17** the Department might consider the problem so that a quick decision could be taken if the classifications were to be adjusted to the determination rates.

Qs.400 to
403

100 In June 1966 the Department of the Treasury replied to the Public Service Board. It stated that having regard to the staffing requirements of the Advertising Division and the fact that the new classification would cause an anomaly in the salary ranges offered by the Board by **other decisions that had been made the Treasury recommended that approval be given** for the creation and reclassification of positions in the Advertising Division at the levels already sought by the Treasury.

Exhibit
112/5
and Q.403

101 It was stated that, in November 1966, the Treasury submission was still under consideration by the Public Service Board and, since the workload, evidenced by the increase in advertising expenditure, was such that the Division officers were unable to take recreation leave without causing a breakdown in the work programme, the Department of the Treasury requested that urgent consideration should be given to its proposals. In February 1967, however, the Public Service Board replied that it did not agree with the Treasury reclassification proposals since the then current actual salary levels were in excess of the rates sought by the Department in September 1965. The Board suggested that all positions should be placed on a permanent basis and that all vacancies should be advertised. If, after such action, it was found that the organisation was deficient, consideration would be given to any further representations Treasury might **care** to make. To give effect to its suggestion the Board

Exhibit
112/5

provided a tabulation of the various positions which should be respectively cancelled, reclassified and created.

102 As a consequence of the Board's proposal, one position of Clerk Class 2 was raised to a position of Clerk Class 3. However, as it had been the Treasury view that additional competent staff could not be attracted at available salary rates and since the Board had indicated that it would re-examine the position if it proved unsatisfactory, the Department agreed to accept the Board's suggestion, believing that it would, in fact, prove to be unsatisfactory and that the best way to demonstrate this would be to attempt to implement it.

Exhibit
112/5
and Q.405

103 On 21 April 1967 the Public Service Board advised that the position of Assistant Director Class 8 could be filled and created three positions of Senior Advertising Assistant, Class 7; one position of Advertising Assistant, Class 6; and one position of Clerk, Class 3. It also cancelled one position of Senior Advertising Assistant, Class 8; two positions of Advertising Assistant (Creative) Class 7; and one position of Advertising Assistant (Media) Class 7 and reclassified a position of Clerk Class 4 to Class 5.

Exhibit
112/5

104 The Department of the Treasury informed us that, following the adjustments agreed to by the Board in April 1967, one minor amendment has been effected in that the temporary position of Clerical Assistant Grade 1 was created on a permanent basis. We were informed that, at the time of our inquiry, the Director of the Division was not fully satisfied with the staffing establishment and was reviewing work load statistics with a view to submitting a further organisation proposal.

Exhibit
112/5
and Q.406.

105 In his final comment on this matter, the Public Service Board Observer, Mr. Vanthoff, drew attention to the possibility that there may be merit in determining the salaries of

advertising specialists separately from the clerical/
administrative structure but that there are both pro and con
arguments in connection with such a proposition. He added that Q.407
the Board would not examine that proposition in detail unless
it has the support of the Permanent Head of the Department of
the Treasury. At the time of our inquiry the Board had no
outstanding proposals from the Department in relation to the
Advertising Division.

PART 2

ADVERTISING ARRANGEMENTS - COMMONWEALTH DEPARTMENTS

Chapter 6.

Departmental Expenditure on Advertising.

106. As part of our inquiry we sought specific information from the Department of the Treasury relating to expenditure by Commonwealth Departments on advertising. This information was obtained by the Department of the Treasury from the departments and from the Sydney Sub-Treasury.

107. In submitting the expenditure data, the Department of the Treasury informed us that because no department records advertising expenditure through the Commonwealth Advertising Division under a specific appropriation item, departments had found it necessary to analyse sub-items of expenditure which, in many instances, were included in their Incidental votes. As a result few departments were able to reconcile precisely their expenditures with figures also extracted for checking purposes by the Sub-Treasury after a lengthy analysis of its records. So far as the costs of advertising are concerned, provision in the annual estimates is made by client Departments and although the Advertising Division enquires before commencing a project as to whether a Department has funds available, the estimate itself is a departmental responsibility.

Committee
File
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108. Table No. 3 sets out a summary of expenditure by Commonwealth Departments through the Commonwealth Advertising Division for the years 1963/64 to 1967/68.

Table No. 3

Commonwealth Advertising Division.

Advertising Expenditure by Commonwealth Departments

(1963/64 to 1967/68)

DEPARTMENT	1963/64	1964/65	1965/66	1966/67	1967/68
	\$	\$	\$	\$	\$
Civil Aviation	33,227	39,623	42,515	43,801	45,169
Defence	1,202,488	1,503,800	1,409,280	1,305,275	1,305,816
External Territories	61,585	47,125	68,144	87,388	87,566
Health	26,712	36,587	51,361	50,092	73,976
Interior	39,799	35,581	36,188	79,364	65,062
Labour and National Service	12,742	61,870	112,780	138,459	137,578
Navy	16,915	33,191	41,471	61,700	52,510
Postmaster-General's	164,247	266,450	407,104	484,230	765,921
Prime Minister's	41,106	45,545	65,380	72,416	82,718
Shipping and Transport	169,279	186,348	169,427	202,321	217,065
Supply	167,191	183,834	208,097	190,052	231,386
Trade and Industry	53,236	70,571	79,079	77,882	98,351
Treasury	622,133	1,060,840	1,217,434	909,550	948,515
works	77,025	96,707	106,014	101,022	100,786
Other	135,214	165,727	224,992	231,826	279,632
TOTAL	2,822,899	3,833,799	4,239,266	4,035,378	4,492,051

Source: Department of the Treasury.

109. In addition to the expenditure shown in Table No. 3 the Commonwealth Advertising Division also processed the following advertising expenditure on behalf of Commonwealth Statutory Authorities:

	\$
1963/64	504,799
1964/65	635,779
1965/66	808,675
1966/67	661,894
1967/68	494,269

Chapter 7

Department of Air

110. We were informed that the Department of Air undertakes advertising under two broad categories, one relating to formal advertising of a routine nature such as the notification in newspapers of vacancies in the Commonwealth Service and the other relating to advertisements and publicity in connection with recruiting for the RAAF. The range of advertising under the recruiting campaign provides for handbills, posters and career pamphlets used in conjunction with career caravan tours, static displays, career nights and career visits to schools; advertising in press and by radio and television of the impending visit by the caravan tours; publicity material in the form of RAAF crest decals and aircraft card for free distribution to the public; photographic displays; and recruiting films.

Exhibit
112 / 11

111. It was stated that all civilian vacancies within the Department, with a few minor exceptions, are prepared by the department's civilian personnel section and are forwarded to the Public Service Board for its approval. That approval having been obtained, they are then forwarded to the Commonwealth advertising Division for advertising as requested.

Exhibit
112/11 and
Q.662

112. The Directorate of Recruiting, which is administered by the Department of Defence, is responsible for implementing in Australia all forms of paid advertising including press, radio, television, screen slides, pamphlets, posters and renting of poster sites designed to attract recruits to the RAAF.

Exhibit
112/11

113. It was stated that details of RAAF requirements are formulated by the Department of Air early each year and submitted to the Director-General of Recruiting. The RAAF component of the total programme is based on decisions made by the Director of Recruiting in the Headquarters Support Command of the Department of Air in Melbourne in relation to recruiting tours which it is proposed should be carried out during the year in order to stimulate interest and obtain recruits.

Exhibit
112/11 and
Q.664 and
Q.665

114. The RAAF requirements are included by the Director-General of Recruiting in the planned advertising programme. Should there be any items of publicity which cannot be met by the Directorate, the Department of Air is advised and these are then implemented by the Department under the normal procedure laid down for the negotiation of contracts. An example of the work implemented by the Department is the production of recruiting films arranged by contract through the Department of Supply. Exhibit 112/11
115. The aircraft cards issued free to the public and referred to earlier, were produced by the RAAF printing and publications unit. This unit was established during World War II to meet RAAF and similar printing requirements particularly in relation to classified material. The unit is presently located at Laverton in Victoria and employs fifty-five servicemen qualified as tradesmen in the printing function. In addition there are twenty-four service personnel and seven civilians engaged in functions related to the receipt, storage and distribution of publications. Exhibit 112/11 and Qs. 673 to 683
116. We were informed that at the time of our Inquiry plans were in hand to amalgamate the RAAF, Army and Department of Supply printing establishments into a Defence Printery controlled by the Department of Supply. The combined printery will be located at Brunswick in Victoria in premises to be vacated by a clothing factory operated by the Department of Supply. That department will operate the unit on a single manager basis, the Department of Defence being responsible for policy involved. Q.683 and Committee File 1969/1
117. It was claimed that the amalgamation of the printing equipment will result in considerable capital equipment savings as re-equipment of the Army and RAAF establishments would be necessary if they were to continue to operate as separate printing units. Some new equipment however will be required for the integrated unit but this will be considerably less than the estimated cost of re-equipping the Army and RAAF printing units. It was claimed that rationalisation of these activities is also expected to achieve greater production and increased efficiency. Some extension and renovation to the building Exhibit 112/11 Q.673 to Q.683 Committee File 1969/1

at Brunswick was said to be necessary and transfer of machinery and staff is not expected to be completed until 1970.

118. In respect of the work undertaken for the Department of Air by the Director-General of Recruiting, the Department suggests the design of copy and contents to the Director-General of Recruiting but then consults with the Commonwealth Advertising Division and obtains from that Division a sample of the work that will be produced. The Director-General of Recruiting then remits the sample to the Department of Air for approval after which the material is forwarded to the Commonwealth Advertising Division.

Exhibit
112/11
Q.702

119. It was stated that the Department of Air advertises forthcoming performances of the RAAF band. Inserts in newspapers for this purpose are arranged with the Commonwealth Advertising Division for publication.

Exhibit
112/11

120. We were informed that another small use of newspaper space occurs when the RAAF is about to carry out bombing or firing practice on a specific range. In these cases the Commanding Officer of the unit concerned places a notice in the local newspaper to warn residents and land owners of the proposed exercises. It was stated that this practice of notification has developed over the years and the department did not realise until our Inquiry commenced that this material should be placed through the Commonwealth Advertising Division. In the past that Division has not been informed of the placing of these press notices.

Exhibit
112/11
Q.706 to
Q.709

121. It was stated that some recruiting publicity and advertising is undertaken by the Department of Air in Britain. In this respect all of the advertising whether press, radio or television is arranged through selected agents either under a period contract or on an individual basis approved by the London Contracts Board which has been set up to arrange contracts for purchases and services for the Commonwealth in Britain. Agents provide copy-writing and other production services as well as arranging media. The text of advertisements is at the discretion of RAAF representatives and in these cases the material is usually inserted into media in which an immigration feature article is prominent.

Exhibit
112/11
Q.711

Chapter 8

Department of the Army

122. It was stated that the range of advertising handled by the Department of the Army covers five separate heads, viz. press notification of Army range firings and exercises; advertising of civilian staff vacancies; recruiting advertising in Britain; publicity posters and press notices of Military funerals. With the exception of recruiting advertising in Britain and publicity posters, advertisements concerning recruitment for the Army are not handled directly by the Department. Service recruiting advertising is the responsibility of the Director-General of Recruiting, Department of Defence. Exhibit
112/10

123. We were informed that advertising for the Army is distributed through three main sections. First the Director-General of Recruiting of the Department of Defence is responsible for general advertising. A small amount of recruiting advertising, however, is undertaken by the Director of Recruiting in the Personnel Branch at Army Headquarters. This is confined mainly to local advertising by small posters placed in shop windows and similar places around local Army units. Another section is advertising for civilian staff which is controlled by the Assistant Secretary (Establishments) in the civil personnel section. A certain amount of this advertising is also originated in Commands under delegation by civil personnel officers of the Command Headquarters. The third section is advertising that arises where the Army proposes to conduct field firing with live ammunition or exercises involving firing. This advertising is originated by the Command Headquarters concerned under instructions laid down by Army Headquarters. As most of these exercises are organised and controlled by the General Officers Commanding in the various States, the Commands concerned have the responsibility for originating the newspaper advertising which is designed to warn the public regarding the dangers of field firing and unexploded ammunition that may be found. In these circumstances advertising is spread through the whole Army organisation, there being no central control of advertising Exhibit
112/10
and Q.623

as such.

124. The Department informed us that when firing or other training activities are about to take place, advertisements warning the public are placed in newspapers circulating in the area concerned. This applies whether the firing or exercises are to be conducted on land owned by the Commonwealth or on State owned land or on private land. The press notices include warnings to the public of the dangers of handling unexploded projectiles and advise the finders of any such objects not to touch them but to inform the Police at the nearest Police Station. Notices are inserted in the press each time an activity takes place and in the case of continuous activity in the area, once a month. Press notices are sent to the Commonwealth Advertising Division in the State concerned which places the advertisement with the appropriate Agency. exhibit 112/10

125. We were informed that as a general rule applications for the filling of civilian vacancies are invited through the Commonwealth Gazette. However, where it is considered that suitable applicants will not be available within the Commonwealth Service, the practice is to advertise vacancies both in the Commonwealth Gazette and in the press indicating that they are open to persons within and outside the Commonwealth Service. In regard to these press notices the draft advertisement is submitted to the Public Service Board for approval. When approved, and if it is to be advertised in Australia only, the draft is forwarded to the Commonwealth Advertising Division to arrange for its insertion in Australian newspapers and in some cases, in periodicals. If the advertisement is to appear in Britain as has been the case on several occasions, a copy of the draft is forwarded to the Public Service Board representative in London who arranges for the advertisement to appear in appropriate newspapers and periodicals. In this regard the Public Service Board Observer, Mr. Vanthoff, informed us that the practice has existed for many years in London of working through an agent and, in the sense that the only advertising that the Public Service Board is concerned

with relates to recruiting, the general nature of the various advertisements is reasonably standard and there is a particular press agent in London who has co-operated with the Board's representative over a period of time. There has therefore developed a close understanding of the needs of the Commonwealth Service.

126. It was stated that the only departure from the practice referred to in relation to the advertising of civilian staff vacancies is that, in accordance with the arrangement approved by the Public Service Board for departments located in Canberra, advertisements for insertion in the "Canberra Times" are lodged direct with that newspaper and a copy of the advertisement is forwarded to the Commonwealth Advertising Division.

Exhibit
112/10 Q.624 to
Q.627

127. As a supplement to the press, radio and television advertising conducted by the Director-General of Recruiting, the Department of the Army produces posters for use within the service and for external recruiting publicity purposes. Posters have been placed in Public transport and on bill boards at Railway Stations, the estimated cost for the financial year 1968/69 being \$2,128, for the display of Army posters throughout the year on 1050 vehicles and five railway stations. In each instance the Commonwealth rate has been obtained from the State Transport Agency concerned. We were informed that, in the past the Commonwealth Advertising Division has not been consulted in regard to this publicity. However, following the commencement of our Inquiry into this matter the Department realised that poster publicity represents in fact the buying of space for advertising and that it should have been processed through that Division. The Department proposes to follow this procedure in the future.

Exhibit
112/10
and Q.638

128. It was stated that when a Military funeral is to be held for a deceased member of the military forces under the terms of Military Regulation 270, the cost of a press notice is met from Public Funds. The press notice is placed by the funeral director and the cost is included in the account for the funeral rendered to the Department of the Army. The witness felt that while possible an economy in rates for these notices might be achieved if the Commonwealth Advertising Division rates were used for this class of advertising, he doubted whether the co-ordination of these notices throughout Australia would really be worthwhile.

Exhibit
112/10
Q.640

129. In Britain, the Australian Army seeks ex-servicemen with experience and/or specialised skills unobtainable on the Australian market. Advertising is authorised in accordance with the following procedures, viz., classified advertisements are used, designed and prepared by the Department of the Army, Canberra. The Australian Army staff in London lodges the advertisements through the Purchasing branch of the Office of the High Commissioner which is the normal channel for procurement for any supplies and services. After consideration of such aspects as rates of charge and circulation the normal media used are service and/or professional journals. On the question of the use of the High Commissioner's office in London rather than the Public Service Board's representative, the Public Service Board's Observer, Mr. Vanthoff, informed us that the Board does not have the responsibility for service personnel and in that sense the Board's representative in London would not be fully aware of the conditions and the type of people sought by the Department of the Army. The Public Service Board would therefore not be able to exercise the necessary role of checking the accuracy and the broad reasonableness of the advertisements placed.

130. We were informed that due to the high charges that prevail, newspaper advertising, with one exception, is not used in Britain. The exception is that some advertisements are placed in special Australian supplements supported by other Commonwealth Departments and co-ordinated by the staff of Australia House.

131. We questioned the witness as to whether problems have arisen in the area of relationships between the Department of the Army and the Commonwealth Advertising Division. The witness indicated that no problems exist and that the Department of the Army derives from the Advertising Division an advantage in having available to it the expertise in the placing of advertisements throughout Australia with the agencies concerned.

Exhibit
112/10
Q. 645 to
Q. 646

Chapter 9

Postmaster-General's Department

132. We were informed that the Director of Public Relations is the central co-ordination point within the Post Office for departmental advertising. There is a very close relationship between the Director of Public Relations and the remainder of the Department on advertising matters through estimating and budgeting and through the processing of advertising work.

Qs. 431
and 432

133. It was stated that the Post Office advertises for the following four principal reasons:-

.Sales and Consumer Education

134. In this area, the Director of publicity, in association with the postal and telecommunications divisions produces campaigns and or printed material directed to improved and greater usage of the services provided by the Department. Allied closely to this is the Department's education programme which is carried out largely for the service advisory sections of the postal and telecommunications divisions. Printed material is produced which is supplied to various sectors of the Post Office market, either to the users of a particular service or to a particular locality so that the Department can educate or assist the public to make a better or greater use of its facilities.

Exhibit
112/ 7
and 4.413

.Recruitment

135. In this area major campaigns are undertaken for technicians in training, postal clerks in training, cadet and graduate engineers. Periodically recruitment advertising is also undertaken in relation to other groups such as postmen, employed by the Department in its State administrations.

.Preservation of Assets

136. This item arises from the problems experienced with the public such as contractors cutting telephone cables and from damage done by vandals to public telephones.

.General Promotion

137. This work is usually associated with newspaper supplements that are devoted to communications generally or to telecommunications specifically. General promotion work has been mainly in the form of paid advertising that stresses a facet or the range of Post Office activities.

138. We were informed that, to give effect to its advertising, the Post Office utilizes all media - press, magazines, trade journals, television, radio, special press supplements, telephone directories, outdoor advertising, direct mail, display posters and screen slides. In terms of expenditure, the Press is used to a greater extent than the other media although the choice of media depends on the individual campaign concerned and the audience to whom it is directed. Exhibit 112/7 and Qs. 419 and 420

139. It was stated that within the Department, advertising requests may be initiated by a Division or Branch or they may originate in the office of the Director of Public Relations. In either case, consideration is given to the justification of the request, the amount of money to be expended and the media plan proposed. In this context an examination is made of the possible effects that would flow from the proposed advertising and the effects that might be expected from a given level of expenditure. This is then examined against the amount of money that would be required to deal with the problem. After obtaining the consent of the Director-General to the plan, a decision is made as to whether the services available through the Commonwealth Advertising Division should be sought or whether an order for specific services should be placed with one of the following five sub-groups of the Drafting Section of the Post Office Engineering Division:

- * Publicity
- * Display
- * Technical Illustrations
- * Visual aids
- * Photographic services.

Exhibit
112/7 and
Q.434

In this regard the witness informed us that, for the larger campaigns which involve the creation of material for press, radio, television and printed material the Department prefers to use the services of an agency and in such cases the work is placed with the Commonwealth Advertising Division. In other cases the Department uses its own artists, illustrators and layout staff. The total internal cost to the Post Office associated with advertising and related publicity activity was said to be approximately \$100,000 per annum.

Qs. 416 to
418 and 436

140. The decision having been made as to whether advertising work should be handled by the Post Office or placed with the Commonwealth Advertising Division, normal production methods are followed and these are supervised in all their aspects by the Post Office. In particular, the Department claimed to exercise influence over quality control; data used in copy; reference material used as background to advertisements; photography; radio recording sessions; television filming, taste and consistency. The witness added that the only occasions when the Department itself does not exercise quality controls over production are when printed matter is produced on its behalf by an agency through the Commonwealth Advertising Division. In other printing work, where the Department arranges the printing itself it works closely with the printers.

Exhibit
112/7
and Q.448

141. It was also stated that the Post Office Headquarters supervises and controls all advertising undertaken by its State administrations. Parallel with the relationship that exists between the Headquarters of the Department and the Commonwealth Advertising Division a liaison is maintained between the state administrations of the Department and the state representatives of the Commonwealth Advertising Division.

Exhibit
112/7
and Q.457

142. We were assured that the actual placement of Post Office advertisements of any type is arranged through the services available to the Commonwealth Advertising Division.

Exhibit
112/7
and Q.458

143. During the Inquiry we sought the views of the Post Office witnesses as to whether they were satisfied with the functioning of the Commonwealth Advertising Division. While the witness expressed general satisfaction with the present system he informed us that there are about thirty-five agencies available in Melbourne through the Commonwealth Advertising Division of which the Post Office has been involved with about eighteen over the past five years. It was said that this arrangement has resulted in a lack of continuity which the Post Office regards as a serious impediment to an adequately planned and executed advertising-cum-publicity programme over a period of time. This matter, together with the Department's general public relations activity had been given recent consideration by the Post Office Headquarters Board. The view had been taken that the Post Office should be pursuing its advertising, publicity and public relations work on a commercial basis and the Director-General had decided, after consultation with the Headquarters Board, that the matter should be discussed with the Department of the Treasury.

Q.445

144. The witness expressed the view that the Post Office would prefer to deal directly with one or two selected agencies over a period of two or three years in order to achieve some continuity in planning and forward thinking. In this way it could avail itself of the full range of support services that are available in many competent agencies in research, marketing planning and packaging advice and with such an arrangement would achieve a competitive outlook from an agency seeking to retain a client on the basis of high quality performance. The witness agreed that such an arrangement would, of course, involve appropriate methods and procedures being devised and agreed for the selection of agencies including the basis of their remuneration.

Qs. 445 to 447

145. In elaborating on this proposal, the witness stated that in order to select the agencies required, the Post Office would invite quotations in the same way as it would if it were proposing to employ a management consultant. Under the arrangement the Post Office would arrange for the majority of printing work

Qs. 452 and
484

itself and, as necessary, invite tenders for this work. The creative work, however, would need to be placed with an agency, many of which are semi-self-sufficient in this field. The witness felt that as the Post Office is responsible for about 20 to 25 per cent of the value of Commonwealth Advertising, its account would be large enough to enable it to negotiate attractive rates under its proposed arrangement.

146. The witness made reference to two other features of the present arrangements. First, he expressed the view that the present non-selective media buying policy may be uneconomic in the sense that if an advertisement is required to be placed in one city newspaper it is also required to be placed in all newspapers in the same city. Secondly, he stated that in country areas a number of small advertisements is inserted by postmasters or divisional engineers. These officers deal directly with a country newspaper but the present system of accounting requires extra copies of advertisements to be made. The Post Office witness felt that the mechanics of this operation should be examined closely to see whether it would be preferable for this method to be replaced by one which relied on small petty cash reimbursements. Q,526

Chapter 10

Department of Trade and Industry.

147. We were informed that the Department of Trade and Industry carries out advertising in operational areas relating to promotional activity overseas; export action in Australia; overseas trade publicity committee (marketing boards); investments; staff recruiting and trade missions. Of these areas, those relating to the overseas trade publicity committee and promotional activity overseas are the most significant in terms of expenditure incurred. Exhibit 112/9

148. The media selected for advertising varies with the needs of the particular campaign and their availability within the countries concerned. In most countries newspapers and financial journals are the media selected although radio and television may also be used. Exhibit 112/9

149. It was stated that each year's annual publicity and promotion programme, including advertising expenditure, is approved by the Minister on the advice and recommendation of the Department. In formulating the budget for its activities the Department draws very heavily on the advice of its Trade Commissioner service and on the needs of Australian industry. Publicity is a complementary activity to the Department's promotional programme. Exhibit 112/9 and Qs. 537 to 540

150. A continuous budgetary control of advertising expenditure is exercised in the Trade Publicity Branch. In addition, a monthly statement of all promotional expenditure, including advertising campaigns, is prepared for the First Assistant Secretary, Export Promotions Division. Approval to proceed with the implementation of advertising projects included in the overall approved programme is given by the Assistant Secretary, Trade Promotion Branch or by the First Assistant Secretary, Exports Promotion Division. After approval, pro forma requisitions are submitted by the advertising section to the services section of the publicity branch requesting the raising of a requisition authorising funds and the issue of an official order. Exhibit 112/9 and Q. 538

151. Requisitions are approved by either the Assistant Director, Management Services Melbourne (up to \$5,000) for expenditure within Australia and overseas or by an authorised delegate of the Minister in the Management Services Branch, Canberra, for amounts exceeding \$5,000. On issue of the official order by the services section the work is implemented. Payments are made either in Australia or at the overseas location after the necessary certification of satisfactory supply of services has been made. In this regard we were informed that on receipt of invoices the Department's technical officers who have originated the operation are required to check the invoices against services received.

Exhibit
112/9 and
Q.542

152. It was stated that the Department has its own facilities for the planning and creation of advertisements within the advertising section of the Trade Publicity Branch. These facilities include technically qualified officers all of whom have previously been employed in commercial advertising. Onehalf of the technical officers of the section have had advertising experience overseas.

Exhibit
112/9 and
Q.543 to 546

153. The use of non-departmental technical resources, such as Advertising Agencies and artists is drawn upon for the larger part of the creative work load while the department's own staff is used to supplement and direct this effort. Process engravers appointed under contract to the Commonwealth Stores, Supply and Tender Board supply block making facilities. It was claimed that by using commercial artists and advertising agencies the Department is able to draw on additional and specialised skills as required. Commercial artists are used for specific assignments according to their particular skills in the fields of design and graphic art and are drawn from a list of about 120 names maintained by the Department as laid down in Treasury directions 31/18 and 19. We were informed that the Department allocates the work involved so that it is shared by the commercial artists whose names are maintained on its list. Efforts are made to ensure that one or a few artists does not obtain too little or too much departmental business. So far as the rates of payment to commercial artists are concerned, we were informed that the department takes into account not only its own experience

Exhibit
112/9 and Q.
559 to Q. 571

but also conditions in the market concerned. The Department, however, does not use rates applied by the Commonwealth Advertising Division as reference points in determining the rates of pay for commercial artists although the witness conceded that perhaps it should do so.

154. It was stated that for all creative requirements undertaken by commercial artists and advertising agencies, detailed briefs are prepared specifying the department's objective and the specific role of the particular advertising. The briefs are aimed at promoting the maximum creative latitude within the clearly defined guide lines set down by the department .

Exhibit
112/9

155. Advertisements for placement in the press and trade journals in Australia are prepared either by the Department or by an advertising agency under the direction of the Department. Payment for preparation of material to the design visual stage is made direct to the agency by the Department and payment for the completion of material to the block making stage is made to the agency by the Commonwealth Advertising Division. Media schedules are prepared in consultation with the advertising agency and space is booked by the Commonwealth Advertising Division on behalf of the Department. Advertising material is prepared either by the Department or by the advertising agency and is forwarded to the media concerned by the Commonwealth Advertising Division. Media are paid by the Commonwealth Advertising Division on behalf of the Department after the relevant accounts have been checked by the Department against the services provided.

Exhibit
112/9 and
Q.550

156. We were informed that advertising overseas may be placed in press, trade magazines or on radio or television. Advertisements for placement overseas are created in Australia or abroad according to the requirements of the market, the standard of facilities available there and the nature of the campaign or the media used. As part of its promotional advertising activities overseas the Department uses the service of two advertising agencies in Australia for preparation and placement of advertising

either direct with media or through advertising agencies. It was stated that one of the agencies concerned was appointed in November, 1968 while the other had been appointed about 1967. The witness considered that the two agencies concerned are the best available. Both agencies were appointed under the approval of the Executive Council and their remuneration is based on a formula used by the Commonwealth Advertising Division for agencies engaged in preparing and placing advertising in Australia.

Exhibit
112/9 and
4,588 to
591

157. We were informed that in overseas countries the services of highly skilled and reputable advertising agencies are used according to the Department's requirements. The work performed by these agencies may consist of media recommendations, creation, production and placement of advertisements; translation, production and placement of advertisements in foreign language media; and placement of finished material supplied by the Department.

Exhibit
112/9

158. It was stated that the selection of advertising agencies in overseas countries is made by the Trade Publicity Branch in consultation with the appropriate Trade Commissioner. In view of the importance of the overseas promotional programme the Department claimed that it employs only top level agencies with the necessary high standards of skill and technical resources required to achieve its objectives in the competitive market situation of the countries concerned. In this regard it stated that the experience, knowledge and skills of overseas agencies are essential to both the planning and implementation of its advertising in overseas markets.

159. In the selection of agencies in overseas countries the Trade Commissioner concerned seeks appropriate information from an appropriate authority in his area. This authority may be an association of advertising agencies or a list of advertising agencies. If there is no such association in the country concerned an approach is made to the Chamber of Commerce or Chamber of Manufacturers in order to obtain a list of advertising agencies.

From this list the Trade Commissioner seeks submissions from a number of agencies. From this submission the Trade Commissioner is able to obtain the names of the clients of the agencies, as indication of the personnel they employ and the qualities of those personnel. From this information the Department determines the agency best suited to operate on its behalf. In choosing the overseas agencies, consideration is given to the fact that if it were discovered that an agency also represented a client acting on behalf of a competitor nation the agency would not be employed by the Australian Department.

Exhibit
112/9 and
Q.593 to
Q.598

160. We were informed that in accordance with standard practice throughout the world the terms of employment and payment of advertising agencies does not normally involve the Department of Trade and Industry in firm contractual arrangements. The major source of revenue to agencies is usually that paid to them by commission from media. This is often supplemented by a service charge to the client and laid down by the trade association to which most reputable agencies belong.

161. We questioned the witness as to whether the Department obtains any real advantage from the need to place advertising in Australia through the Commonwealth Advertising Division. We were informed that the Department obtains a clear advantage from the use of the Division arising from the fact that it purchases space on behalf of Government Departments at very economical rates. The witness reported having experienced no difficulties in the Department's relationships with the Commonwealth Advertising Division.

Exhibit
112/9 and
Q.607 to
Q.612

Part 3

ADVERTISING ARRANGEMENTS - OTHER GOVERNMENTS.

Chapter 11

State Governments.

162. During our inquiry we asked the Department of the Treasury to obtain for us information relating to the advertising arrangements and practices of the State Governments in Australia. We were informed that in each State there is an organisation which performs a co-ordinating role in the advertising field although not all in the same way. No case was found where tenders were called for any advertising service. The details relative to each State are set out below.

Exhibit
112/2 Qs.19/4
to 199 and
Committee
File 1969/1

New South Wales.

163. In New South Wales the Advertising Section of the Premier's Department co-ordinates the advertising for most State Departments and for some statutory authorities. However, the bulk of display advertising for the State is initiated by the Departments of Main Roads, Railways, Government Transport, the Board of Fire Commissioners, the Government Insurance Office, the Milk Board, the Rural Bank and the Metropolitan Water Sewerage and Drainage Board. All of these Departments and Authorities handle and pay for their own advertising.

164. Advertising effected through the Premier's Department is generally for the placement of classified or display type advertisements in suburban, country or interstate newspapers or other publications. Under an arrangement which has operated for more than thirty years a country newspaper chain places all advertising in country newspapers. A contract has been entered into recently with an accredited newsagency in Sydney for the placement of the rest of this advertising. In the few cases where the display advertising would require art work or other technical production skills an advertising agency would be engaged to do the work.

165. Some of the Departments and Authorities who arrange and pay for their own advertising use the services of particular agencies as a continuing arrangement.

.Victoria

166. In Victoria, with the exception of the Tourist Development Authority, Victorian departments and authorities place orders for newspaper advertising directly with newspapers. However, they forward a copy of the order to an Advertising Section of the Government Printing Office which pays all accounts and then recovers from departments and authorities. Yearly contracts are arranged with the leading newspapers at the usual rates according to the volume of space used. No contracts are arranged with the smaller newspapers with which advertisements are placed at casual rates. The Tourist Development Authority arranges its advertising through an agency which has a longstanding relationship with the Authority and which assists with advertising layout. Apart from the Tourist Development Authority, there is very little creative work required for the type of advertising placed by Victorian Government departments. In the few instances where creative work would be required each Department normally arranges for this to be done through an advertising agency.

Exhibit 112/2
Qs. 286 to 288
and Committee
File 1969/1

167. Radio and television advertising is used infrequently and advertisements are arranged directly with radio and television stations. No standing contracts are entered into and agencies are not normally used.

Exhibit 112/2

.Queensland

168. In Queensland, departments channel their classified advertising through the Public Relations Bureau of the Premier's Department which places it directly with the advertising media at

Exhibit 112/2

normal commercial rates.

169. Advertising other than classified is the individual responsibility of each department. While agencies may be used for creative work or promotional advertising, the criteria used in the selection of agents varies as between Departments. The criteria used appear to relate to the suitability of an agency to perform the required task and whether the agency is Queensland-based. Exhibit 112/2

.South Australia.

170. In South Australia each department submits its advertising to the Tourist Bureau which edits the advertisement and arranges for its placement. Advertisements to be placed within the Adelaide metropolitan area are lodged directly with the newspaper or publication concerned. Country and interstate advertising is placed with a South Australian newspaper chain with the exception that advertisements for inclusion in publications of one interstate newspaper group are placed direct with that group. The Industries Assistance Branch of the Premier's Office and the Supply and Tender Board are excluded from these arrangements and are authorised to place advertisements directly with any newspaper. The charges for advertisements are made direct to the Departments concerned and normal commercial rates are paid for all advertisements. Overseas advertising is arranged by the Agent-General for South Australia in London. Exhibit 112/2

.Western Australia.

171. In Western Australia all departments channel advertising through an advertising section in the State Treasury which places advertising directly with local newspapers at the normal rates applicable to the volume of space used. An agent in Sydney handles advertising to be placed in the other States and overseas advertising is arranged through the Agent-General for Western Australia in London. Exhibit 112/2

Tasmania

172. In Tasmania advertising is handled by the Premier's Department which arranges the advertising directly with the three main daily papers in Tasmania at the rates applicable to the volume of space used. Classified advertising in mainland newspapers is placed through an accredited newsagent in Sydney.

Exhibit
112/2

173. The Hydro-electric Commission and the Tourist Department arrange some prestige advertising through a Tasmanian advertising agency. The agency does some art work and preparation for printing for this advertising for which a special fee is payable in addition to a fixed percentage commission. No formal contract is arranged for this work.

Chapter 12

Britain.

174. Information (1) obtained for us during our inquiry showed that Government advertising in Britain is a responsibility of the Advertising Division of the Central Office of Information. That Office is a non-ministerial department. For administrative purposes it is responsible to Treasury ministers but the ministers whose departments it serves are responsible for the policy expressed in its work.

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175. In Britain, the Central Office of Information arranges press, television and poster advertising, produces booklets, leaflets, films, television material, exhibitions, photographs and other visual material and distributes departmental press notices. For the overseas departments it supplies British information posts overseas with press, radio and television material, booklets, magazines, reference services, films, exhibitions, photographs, display and reading-room material. It also manages schemes for promoting the overseas sale of British books, periodicals and newspapers and organises tours for numerous categories of visitors officially invited to Britain.

176. On behalf of the Board of Trade the Central Office of Information is responsible for the design and construction of exhibition stands at overseas trade fairs, and British Weeks. It also supplies material for use in British store promotions abroad.

177. The Advertising Division of the Central Office of Information handles government press, poster, cinema and television advertising campaigns for all departments except for the National and Scottish Savings Committees and the Post Office. The Division does not create its own press advertisements, posters, printed material or television advertising spots but is responsible for the planning of campaigns,

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briefing and supervision of the work of commercial advertising agents and the style and standard of the material produced.

178. Commercial advertising firms are appointed on the advice of an independent body, the Advisory Committee on the Appointment of Advertising Agents (ACAAA). The Advertising Division is also responsible for the co-ordination of sound radio announcements for government departments for broadcasting by the BBC during periods allocated for this purpose. The Division is divided into two sections - a Campaign Management Section and an Administration Section.

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179. The Campaign Management Section comprises three campaign groups, each group being responsible for the handling of campaigns for a number of departments and having the following main duties:-

- to advise on the planning and execution of campaigns in all media
- to brief the advertising agents appointed to carry out the campaigns
- to brief the poster agents appointed to hire sites and to examine agents' proposals for siting and their estimates of costs
- to co-ordinate campaign arrangements in co-operation with the sponsoring departments
- to prepare proposals for policy and financial approval
- to present "roughs", finished artwork and proof of posters and literature for consideration and approval by sponsoring departments to select media (in conjunction with agents)
- to place print orders
- to organise the distribution of posters and leaflets to free outlets, working in conjunction with the circulation section of Publications Division in the case of special distributions.

180. The Administration Section deals with staffing and finance matters, including the preparation of financial programmes; examination of proposals for expenditure; authorisation of expenditure, including the placing of contracts and commissions; maintenance of ledgers for press and poster advertising; checking of invoices and the authorising of all payments.

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181. In the overall planning of a campaign the Advertising Division may make use of the services of certain other Divisions of the Central Office of Information for the following purposes:

. Films and Television Division

For the actual production of advertising films for showing on independent television or (in colour) to cinema audiences. In these cases the storyboard of script is provided by the relevant advertising agents and requires approval by the Advertising Division and the sponsor department. Arrangements for the sharing of such films are made by the advertising agent on the instructions of the Advertising Division.

. Photographs Division

For the provision of photographs for use in press advertisements and other media.

. Publications Division

For the provision of the design and text matter of booklets and brochures required in connection with advertising campaigns.

. Tours and Production Services Division

For the designing of posters and certain other printed material and for the printing (via Her Majesty's Stationery Office) of advertising posters and literature.

182. Between 1946 and October 1968 the Advertising Division has been responsible for the planning of more than 1,000 campaigns concerned with more than 100 subjects. Many of these have been long-term campaigns, carried out without break over a period of several years while others have been short-term specific campaigns designed, for example, to explain new legislation.

PART 4
SUMMARY, CONCLUSIONS AND FINDINGS

Chapter 13

Summary and Conclusions.

183. The evidence shows that prior to 1941, Commonwealth advertising was arranged by individual departments through direct negotiations with the various advertising media.

184. It appears that early in 1941 the Government had been anxious to launch a national publicity campaign to stimulate public morale, combat subversive propaganda and promote the war effort. In this context, the Commonwealth Advertising Division was established within the Department of Information in February of that year. The Division was required to handle all moneys spent on national publicity campaigns, other than routine advertising, by all Commonwealth departments.

185. Arising from an evident unwillingness on the part of some departments to defray the costs involved in preparing and broadcasting attractive and effective advertising material and the fact that in many instances advertising activities that should have been undertaken had been impeded by the reluctance of departments to authorise the necessary expenditure, the Advertising Division was transferred to the administrative control of the Department of the Treasury early in 1942. At that stage it was recognised that a co-ordinated government advertising section was justified to ensure that government departments did not compete with each other in the advertising market.

186. The transition of the Advertising Division from a war to a peace-time basis was accomplished in November 1945 when a Treasury circular was issued indicating a decision taken by the Treasurer that the activities of the Advertising Division were to be continued and that all government advertising including press, radio and miscellaneous was to be arranged by the Division.

The Commonwealth Advertising Council.

187. At the inception of the Advertising Division in 1941 the Department of Information invited the Australian Association of Advertising Agents(Federal) to establish an advertising advisory and placing organisation to assist the Commonwealth with its wartime advertising requirements. A Council - The Australian Advertising Council - was formed for the purpose. That Council operated on an informal basis until 1965 when a written constitution was framed and approved by the Commonwealth Treasurer. Under that Constitution the objects of the Council, retitled the Commonwealth Advertising Council, are, generally, to provide facilities for advice to the Commonwealth through the Advertising Division; to provide machinery for the utilisation by the Commonwealth of the Advertising Industry; to enter into agreements with the Commonwealth with a view to arranging the conditions under which advertising agencies perform work entrusted to them by the Commonwealth and to provide an equitable basis of remuneration to each of the agencies concerned. Nominations for membership of the Council and alternate members are subject to the approval of the Director of the Commonwealth Advertising Division. The appointment of charging agencies is made by the Commonwealth while the appointment of sub-placing agencies is subject to prior approval of the Commonwealth. The assignment of creative work to agencies is required to be made on a specific task rather than a fixed term basis and is subject to the discretion of the Director of the Commonwealth Advertising Division.

The Commonwealth Advertising Division

188. Treasury Direction 31/41 provides the authority for the operations of the Advertising Division. It indicates that the Division shall arrange all forms of advertising on behalf of the Commonwealth, including press, radio, television, posters, screen slides and printed matter. The Director of the Division is required to determine the procedures from time to time to be observed.

189. The Advertising Division, operating in association with the Commonwealth Advertising Council, provides Commonwealth departmental advertisers with specialised assistance in arranging the production of material for press and publication display advertisements and material for television and radio announcements. Urgent local advertising may be placed directly by departments but in such cases the Division must be advised immediately.

190. Drafts of suggested allocations, media and schedules are examined by officers of the Division who are trained in advertising techniques. Drafts of material for the larger campaigns are, on occasions produced by Advertising Division officers and then made the subject of discussions with special sub-committees set up by the Commonwealth Advertising Council. Client departments, some of whom have staff with advertising expertise, are entitled to be represented at these conferences.

191. The Placing/Charging agencies operating under the direction of the Advertising Division prepare all press, radio and television schedules. They also check press and publications insertions and measure spaces, check records of television and radio broadcasts, and collate, check and submit to the Department of the Treasury, consolidated monthly accounts from the suppliers of press space, radio and television time and the suppliers of all forms of advertising material. Accounts are subject to check by sub-Treasury officers in Sydney against proof of service on the one hand and details of operative rates for orders at the time of sub-placement on the other. These rates are supplied by the Advertising Division. On payment by the sub Treasury, Sydney, to a particular charging agent, the Commission earned is credited to a separate trust fund of the agency and within twenty-four hours is transferred to the Trust Account of the Commonwealth Advertising Council. Subsequently, that Council reimburses Placing/Charging agencies, creative agencies and agencies that may have been retained on a consultative special committee basis.

192. Three significant claims were made in evidence in connection with the work of the Advertising Division and its relationships with the Commonwealth Advertising Council. First, it was claimed that arising from the co-ordination of the requirements of all Commonwealth departments, the Advertising Division is one of the largest users of press and publication space in Australia and accordingly has been able to negotiate favourable rates and conditions for press and publication advertising required by Commonwealth departments. While we would have no reason to doubt the validity of this claim, we would doubt whether the Advertising Division is an indispensable requisite to the achievement of the favourable rates and conditions enjoyed.

193. Secondly, it was claimed that as members of the Commonwealth Advertising Council participate in varying degrees in Commonwealth advertising, there is no danger of large-scale advertising agencies represented

on the Council gaining the bulk of Commonwealth advertising for their agencies. In support of this claim it was argued that an agency rendering service to the Commonwealth is not required to be a member of the Council and does not need to be represented on the Council. It was said that, periodically, agencies not represented on the Council render service to the Commonwealth, when there are requirements for such services. In the absence of competitive arrangements for the placing of Commonwealth advertising through the Advertising Division we are not convinced of the validity of this claim and believe that it should be examined closely by the Department of the Treasury.

194. Thirdly, it was claimed that the Commonwealth enjoys a particular benefit from its arrangement in respect of the personnel employed in placing agencies. It was argued that such personnel who handle charging and accounting matters are required to be highly experienced and that an advertising agency employing staff wholly on Commonwealth tasks would need to have trained and experienced staff available to it. If the agency principals had no security of tenure they would be reluctant to involve themselves in the overhead cost of training and developing staff for future operations. Agencies who have undertaken work for the Commonwealth are assured of income from the disbursements of the Advertising Trust Account maintained by the Commonwealth Advertising Council. While we recognise that the present arrangement confers these benefits on the agents concerned we believe that the selection of agencies on a competitive basis should ensure that these benefits are obtained only by those agencies who are demonstrably the most efficient.

195. As the Commonwealth Advertising Division requires the services of advertising media without inviting tenders we raised the question of whether the procurement of advertising services is exempt from the provisions of Treasury Regulation 52. The evidence shows that on 20 December 1962 the Department of the Treasury obtained a legal opinion that referred specifically to a hypothetical arrangement with an advertising agency for the supply of advertising material. In that opinion the view had been expressed that Regulation 52 would apply in such a case but it had been added that it would be necessary to examine the particular contract to be made with the agency. Notwithstanding this qualified opinion the Department of the Treasury relied on a later opinion of 5 February 1964 in support of the Advertising Division's arrangements. That opinion, which related to professional services generally, had

included a statement that Section 71(d) of the Audit Act, which provides the power to make Regulations, is not to be read as authorising a Regulation imposing tendering requirements in circumstances which, as a matter of business practice, a system of tendering does not operate.

196. Following our request that the opinion of February 5, 1964 be submitted for our examination, the Department of the Treasury re-examined the opinion and sought a specific opinion relevant to advertising agents. That opinion, dated August 20, 1969 stated that it would not be impossible or impracticable to apply tendering to the services in question. It added that the main element in the situation which suggests the contrary is the fact that the Commonwealth has been able, by virtue of special arrangements, to secure advertising services without paying to agents fees that are payable in the case of commercial arrangements. While this may suggest that it may be inexpedient to depart from the arrangements made, the fact that a particular non-tendering system appears to produce a more economic method of expenditure is not a legal reason for exempting a case from Regulation 52.

197. In these circumstances we have reached the conclusion that the present arrangements that exist between the Commonwealth Advertising Division and advertising media for the placing of Commonwealth advertising contracts or orders exceeding one thousand dollars in value are invalid in terms of the requirements of Treasury Regulation 52. In this regard, we believe that the Department of the Treasury was in error in relying on a legal opinion relating to the supply of professional services generally, particularly when it had had the benefit of an earlier legal opinion relating specifically to an advertising contract and that opinion had drawn attention to the fact that it would be necessary to examine the particular contract to be made with the agency concerned.

198. Arising from this matter we have noted that the Department of the Treasury proposes to consider amending Treasury Regulation 52 in a suitable manner so as to validate the present arrangements for the placing of advertising orders by the Commonwealth Advertising Division. In view of the remarks that we have made earlier, however, regarding the benefits to be derived from the selection of advertising agencies on a competitive basis, and as the advertising market in Australia has evidently not been tested in that manner by the Commonwealth for a period approaching thirty

years, we believe that, in conformity with Treasury Regulation 52, tenders should be invited for advertising contracts exceeding one thousand dollars in value and the results assessed carefully before proposals are developed to amend the Regulation.

199. So far as the expenditure and staffing of the Advertising is concerned, we note that the administrative expenses of the Division, mainly salaries, increased by about 41 per cent between 1964-65 and 1967-68. Between 1962 and 1968 the staff of the Division increased from 11 to 16 positions although the evidence suggests that the Public Service Board has experienced difficulty in according a ready acceptance to the staffing proposals put forward by the Department of the Treasury on behalf of the Division. In this regard we note the view expressed on behalf of the Public Service Board that there may be merit in determining the salaries of advertising specialists separately from those of the clerical/ administrative structure but that the Board would not consider such a proposition unless it has the support of the Secretary to the Treasury.

Advertising Arrangements - Commonwealth Departments

200. Although specific evidence relating to departmental advertising practices and arrangements was restricted to four departments, the information obtained enabled us to note the diversities that exist in those arrangements and to form some conclusions that might well be applicable in an area wider than that examined.

201. In regard to departmental expenditure on advertising we note the difficulties experienced by the Department of the Treasury in supplying, at our request, details of departmental expenditure on advertising placed through the Commonwealth Advertising Division. We find this to be somewhat remarkable in view of the weight placed by the Department of the Treasury on increases that have occurred in the value of advertising placed by the Advertising Division, when developing staffing proposals on its behalf.

202. While advertising through the Commonwealth Advertising Division is not catered for under specific Appropriations, we believe that all departments should maintain specific records of that expenditure to guide them in the formulation of their advertising budgets, particularly as they are required to advise the Advertising Division that they have funds available for an advertising project before the Division commences work on that project.

203. From an examination of the information that the Department of the Treasury was able to obtain at our request, it appears that advertising expenditure by departments through the Commonwealth Advertising Division increased from about \$2.8 million in 1963-64 to nearly \$4.5 million in 1967-68, representing an increase of about 61 per cent over the five years. Undoubtedly this has been due, in part, to increased advertising costs.

204. So far as departmental advertising practices are concerned, the evidence indicates that, in some areas, departments have been operating in contravention of Treasury Direction 31/41 by placing advertising material direct with media and failing to notify the Commonwealth Advertising Division. This situation has evidently existed for many years in respect of newspaper advertisements placed by the Commanding Officers of RAAF units to warn the public in connection with bombing or firing practices on ranges. It has also existed in respect of recruiting posters placed by the Department of the Army in public transport and on bill-boards at railway stations. Neither the Department of the Army nor the Department of Air were aware of the requirements of Treasury Regulation 31/41 in respect of these matters until their attention was drawn to them by our Inquiry. We believe that the Department of the Treasury should have ensured that all departments were kept fully aware of the requirements of Treasury Direction 31/41.

205. We note in this regard that it was not until 11 August 1969, some three months after our Inquiry closed, that the Department of the Treasury issued Circular 1969/3 relating to the placing of Commonwealth Advertising in Canberra media. That circular informed departments, inter alia, that to comply with the requirements of Treasury Direction 31/41, requests for Commonwealth Advertising for insertion in newspapers and publications or for telecasts over commercial television channels or broadcasts over commercial radio stations should normally be addressed to the Commonwealth Advertising Division.

206. During this phase of our Inquiry we noted that as part of its promotional advertising activities overseas the Department of Trade and Industry uses the services of two advertising agencies in Australia for the preparation and placement of advertising. These agencies were appointed by the Executive Council. In view of the recent opinion obtained by the Department of the Treasury in relation to Treasury Regulation 52, we believe that the basis of engagement of these two advertising agencies should be reviewed.

207. While the departments examined in the inquiry expressed general satisfaction with the operations of the Commonwealth Advertising Division we note the views expressed by the witness representing the Postmaster-General's Department in relation to the employment of advertising agencies by the Advertising Division. We were informed that the Post Office has been involved with about eighteen such agencies over the past five years and that this arrangement has resulted in a lack of continuity which the Post Office regards as a serious impediment to an adequately planned and executed advertising-cum-publicity programme. We also note that the Director-General of Posts and Telegraphs proposes to discuss with the Department of the Treasury the nature of the dissatisfaction experienced by the Post Office and the plans that it was developing at the time of our inquiry to improve its situation. Without wishing to comment on the Post Office proposals, we believe that they should be examined carefully by the Department of the Treasury in relation to the needs of all departments and also in relation to the conclusions that we have reached regarding the basis of engagement of advertising agents.

Advertising Arrangements - Other Governments

208. The information obtained in relation to State Governments in Australia indicates that, except for Victoria where each department handles its own advertising, government advertising is subject to some degree of co-ordination although this varies as between the States. In New South Wales, Queensland and Tasmania the principle co-ordination point is the Premier's Department while in South Australia the co-ordinating authority is the Tourist Bureau. Only in the case of Western Australia is co-ordination maintained through the Department of the Treasury.

209. The information obtained for us in relation to Britain shows that there is a prima facie similarity between the British and the Commonwealth Advertising Divisions. Due to its incorporation within the Central Office of Information, however, the British Advertising Division has the services of certain other Divisions of that Office available to assist it in the overall planning of its campaigns.

The Commonwealth Advertising Division
as a Division of the Department of the Treasury.

210. On the basis of the evidence, it appears that the Commonwealth Advertising Division was properly located within the Department of Information when it was established in 1941 but was transferred to the administrative control of the Department of the Treasury in 1942 for reasons of expediency that existed at that time. There is evidence to suggest, however, that the functions of the Division are or were such that it should

not have been retained within the Treasury organisation indefinitely. Indeed, it appears that as the Australian News and Information Bureau is responsible for the production of material on topics of national importance for dissemination in Australia and overseas, through publications, displays, films, radio and television, there is an affinity of function between the Bureau and the Advertising Division that suggests that it might have been logical to combine both of these organisations into a single unit when the Department of Information was disbanded. In view of this affinity of function and the probability that both organisations require similar staffing skills in the discharge of their responsibilities we believe that the Public Service Board could, with advantage, examine carefully the desirability of amalgamating the two organisations and assess the economies of administration that might be achieved.

Chapter 14.

Findings.

211. Your Committee finds that:
- (1) The Department of the Treasury should examine carefully the claim made in evidence that as members of the Commonwealth Advertising Council participate in varying degrees in Commonwealth Advertising, there is no danger of large-scale advertising agencies represented on the Commonwealth Advertising Council gaining the bulk of Commonwealth Advertising for their agencies. (Para. 193)
 - (2) The selection of Advertising Agencies on a competitive basis should ensure that the benefits to be derived by Agencies from Commonwealth Advertising contracts are obtained only by those Agencies that are demonstrably the most efficient. (Para. 193)
 - (3) The present arrangements that exist between the Commonwealth Advertising Division and advertising media for the placing of Commonwealth Advertising contracts or orders exceeding one thousand dollars in value are invalid in terms of the requirements of Treasury Regulation 52. (Paras. 195 to 198)
 - (4) In connection with the validity of advertising contracts in terms of Regulation 52, the Department of the Treasury was in error in relying on a legal opinion dated February 5, 1964 relating to the supply of professional services generally, particularly when it had the benefit of an earlier, qualified legal opinion relating specifically to an advertising contract. (Paras. 195 to 197)
 - (5) In conformity with the Treasury Regulation 52 tenders should be invited for advertising contracts exceeding one thousand dollars in value and the results should be assessed carefully before proposals are developed to amend that Regulation. (Para. 198)

- (6) All departments should maintain specific records of their expenditure incurred on advertising placed through the Commonwealth Advertising Division). (Paras 201 and 202)
- (7) Contrary to the requirements of Treasury Direction 31/41, some departments have placed advertising material direct with media and failed to notify the Commonwealth Advertising Division. (Paras. 204 and 205)
- (8) The Department of the Treasury should have ensured that all departments were kept fully aware of the requirements of Treasury Direction 31/41. (Para. 204)
- (9) The basis of engagement of advertising agencies in Australia by the Department of Trade and Industry in connection with its promotional advertising overseas should be reviewed in connection with the legal opinion of August 20, 1969 relating to Treasury Regulation 52. (Para. 206)
- (10) Proposals put forward by the Postmaster-General's Department to remove a lack of continuity in its relationships with advertising agencies should be considered carefully by the Department of the Treasury in relation to the needs of all departments and also in relation to our conclusions regarding the basis of engagement of advertising agents. (Para. 207)
- (11) In view of the affinity of function and probable similarity in staffing skills existing between the Commonwealth Advertising Division and the Australian News and Information Bureau, the Public Service Board could, with advantage, examine carefully the desirability of amalgamating these two organisations and assess the economies of administration that might be achieved. (Para. 210)

For and on behalf of the Committee,

David N. Reid

David N. Reid,
Secretary,
Joint Committee of Public Accounts,
Parliament House,
Canberra.
17 September, 1969.

Richard Cleaver

RICHARD CLEAVER
Chairman.

Ivy Wedgwood

List of Exhibits

<u>Exhibit No.</u>	<u>Title</u>
1	History, Functions and Organisation of the Commonwealth Advertising Division.
2	State Government Advertising.
3	Commonwealth Advertising Arrangements in Australia.
4	Distribution of Work Performed on behalf of the Directorate of Recruiting.
5	Organisation and Staffing of the Division.
6	Definition of Advertising.
7	Submission by the Australian Post Office.
8	Expenditure Arranged Through Commonwealth Advertising Division for Advertising and Publicity Material (by the Australian Post Office).
9	Submission by the Department of Trade and Industry.
10	Submission by the Department of the Army.
11	Submission by the Department of Air.