



Auditor-General for Australia



File Reference: 5128688

1 December 2015

Senator Nick Xenophon
Senator for South Australia
Australian Senate
Parliament House
CANBERRA ACT 2601

Dear Senator Xenophon

Advertising campaign by the Australian Government

I am writing in response to your letters of 29 October and 5 November 2015 regarding the Australian Government's advertising campaign promoting Free Trade Agreements in Asia, and your request that I consider undertaking an audit of the campaign. In particular, you asked that I consider: the Independent Communications Committee's (ICC's) review of the campaign; whether the campaign complies with the 2014 *Guidelines on Information and Advertising Campaigns by non-corporate Commonwealth entities* (the Guidelines); and whether the campaign was exempted from the Guidelines.

Information provided to the Australian National Audit Office (ANAO) by the responsible entities, and material available on the public record, indicates that: key elements of the Guidelines have been applied (specifically the ICC review and advisory process and chief executive certification); and that the campaign has not been exempted from the Guidelines.

On this basis, and in view of the commitment of relevant ANAO resources to an existing performance audit of government advertising (discussed below) I do not propose to commence an additional audit or expand the scope of the current audit to include the Free Trade Agreements campaign. That said, the current audit will examine changes to ICC processes, as discussed below.

Background

Budget Paper No.2 *Budget Measures* indicates that the Australian Government will provide \$24.6 million over two years from 2015-16 to promote business understanding of the recently concluded Free Trade Agreements in North Asia and to assist businesses to access and maximise their benefits under these agreements.

The ANAO sought background information from the Australian Trade Commission (AusTrade) and the Department of Finance (Finance) about the campaign, to help address the issues raised in your correspondence.

Exemption from Guidelines

You asked whether the Special Minister of State had exempted the campaign from the Guidelines on the basis of ‘a national emergency, extreme urgency or other compelling reason’ as provided for in the Guidelines. Finance advised the ANAO that the Special Minister of State has not done so.

Campaign research

The Guidelines provide that ‘campaigns should only be instigated where a need is demonstrated, target recipients are clearly identified and the campaign is informed by appropriate research or evidence.’

AusTrade advised the ANAO that the campaign aims to: address Free Trade Agreement myths and misconceptions; increase consumer awareness, understanding and confidence; and raise awareness among business about where to find more detailed information. Developmental research was commissioned to explore the need for a campaign, and was subsequently published on AusTrade’s website. The link is: (<https://www.austrade.gov.au/ArticleDocuments/1358/Austrade-North-Asia-FTA-Developmental-Research-Report.pdf.aspx>). The research highlighted that while there is an underlying awareness of the concept of free trade, this is matched by a lack of knowledge among most groups, and that the general public want to be reassured how the free trade agreements work and what the benefits will be to Australia, businesses and themselves.

Campaign review and certification

You refer to the requirement for the Independent Communications Committee (ICC) to review campaigns with a value over \$250 000 and provide a report to the responsible chief executive on compliance with principles 1, 2, 3 and 4 of the Guidelines.

As noted in your correspondence of 5 November, the ICC reviewed the campaign and on 30 July 2015 advised the chief executive of AusTrade that:

The Committee is satisfied that the campaign is relevant to government responsibilities (Principle 1), and that the campaign is being developed in line with Principles 2 to 4 of the Guidelines. The Committee’s view has been formed at the communication strategy stage, and it has not considered the advertising materials which have yet to be developed. For this reason, the Committee has concluded that the proposed Free Trade Agreements campaign is capable of complying with Principles 1 to 4 of the Guidelines.

The ICC’s advice that the campaign is ‘capable of complying’ with principles 1 to 4 of the Guidelines alludes to revisions in ICC processes implemented at the time the 2014 Guidelines were introduced. The revised process appears to differ from past practice, which involved the ICC reviewing substantive advertising materials. As mentioned, the ANAO’s current performance audit will examine the evolution of the ICC’s role and the campaign Guidelines.

Following receipt of the ICC's report, the chief executive of AusTrade certified that the campaign complied with the Guidelines (in four stages between 14 September and 21 October 2015), as required under the Guidelines.

Parliamentary consideration

In your letter of 29 October 2015 you commented that the China-Australia Free Trade Agreement was the subject of public debate and had yet to be ratified by the Parliament.

As discussed, Budget Paper No.2 documented that the Australian Government intended to conduct a campaign to promote business understanding of recently concluded Free Trade Agreements in North Asia. AusTrade advised the ANAO that the campaign related to three free trade agreements, including the Korea-Australia Free Trade Agreement and Japan-Australia Economic Partnership Agreement, both of which had been ratified by Parliament.

While the China-Australia Free Trade Agreement had yet to be ratified by the Parliament when the campaign was launched, under the Guidelines the Government may conduct a campaign on a matter which is in the process of being implemented. Specifically, Principle 1 of the Guidelines states that the subject matter of campaigns should be directly related to the Government's responsibilities, and provides for government advertising in respect to: 'policies or programs underpinned by legislative authority, an appropriation of the Parliament, or a Cabinet decision which is intended to be implemented during the current Parliament'. Budget Paper No.2 documented the Government's intention to implement the campaign over two years from 2015-16, during the course of the current Parliament.

Campaign messaging

In your letter of 5 November 2015 you raised concerns that the campaign's 'Open for Business' content may breach Principle 3 of the Guidelines, as the phrase 'has been used repeatedly by the Liberal Party to describe their policy position in relation to business and trade'.

Among other things, Principle 3 provides that campaigns must not 'include party political slogans or images'. The general tenor of Principle 3, as expressed in paragraph 27 of the Guidelines, is that it is intended to guard against the use of public money to 'try to foster a positive impression of a particular political party or promote party political interests'.

While the phrase 'Open for Business' has been used in a past election context, it has also been used since then to describe the Australian Government's official posture on a range of policy matters. Specific policy settings where the phrase has been used include: the North Asia Free Trade Agreements; and Australia's foreign investment framework. Information on the latter is available from the 2015-16 Federal Budget website located at: <http://budget.gov.au/2015-16/content/glossy/tax/html/tax-08.htm>.

You also raised concerns relating to Principle 2 of the Guidelines, which states that campaigns should be presented in an objective, fair and accessible manner. As the ANAO has not conducted a review of the Free Trade Agreements, we are not in a position to comment on this aspect of the campaign.

Current performance audit

As discussed, the ANAO is currently undertaking a performance audit in four departments relating to the administration of government advertising arrangements from March 2013 to June 2015. The audit is examining the advertising framework administered by the Department of Finance, as well as the compliance of three campaigns with the applicable Guidelines. The audit includes two campaigns that you have previously requested the ANAO review, namely:

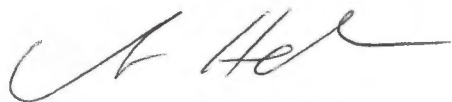
- the series of onshore and offshore counter people smuggling communication campaigns, administered by the Department of Immigration and Border Protection; and
- the Higher Education Reforms Campaign, administered by the then Department of Education.

The third campaign under review is the Intergenerational Report 2015 advertising campaign, administered by the Department of the Treasury.

I expect that the audit will be finalised towards the end of the financial year.

I trust you find this information of assistance.

Yours sincerely

A handwritten signature in black ink, appearing to read 'G Hehir', with a stylized flourish at the end.

Grant Hehir
Auditor-General