

VICTORIA

Auditor-General
of Victoria

SPECIAL REPORT No. 39

**MARKETING
GOVERNMENT SERVICES
Are you being served?**

Ordered by the Legislative Assembly to be printed

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The President
The Speaker

Parliament House
Melbourne Vic. 3002

Sir

Under the provisions of section 16 of the *Audit Act 1994*, I transmit the Auditor-General's Special Report No. 39, "*Marketing government services: Are you being served?*".

Yours faithfully

C.A. BARAGWANATH
Auditor-General

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Foreword

The added emphasis in recent years on a more competitive and efficient public sector has been accompanied by an increase in the adoption of marketing concepts. The recommendations in this Report are aimed at improved management of marketing across the public sector with a view to ensuring resources are clearly focused on achieving desired outcomes. Other recommendations are directed at establishing more cost-effective arrangements with the private sector, thereby increasing the substantial savings already achieved by the Government as a result of a decision to consolidate the placement of media advertisements through a single contractor.

Advertising and promotional material has for many years been used as a legitimate marketing tool for informing the public of government services and encouraging behaviour which is regarded as in the public interest. However, this Report raises the much debated topic of whether taxpayers' funds have also been used at times to fund party-political advertising and promotion. I see the resolution of this matter as one for the Victorian Parliament which needs to clearly define and articulate those characteristics which it sees as differentiating between political and non-political material.

If the Parliament provided such a definition, and one could argue that it is in the public interest to do so, it would then serve as an appropriate benchmark against which the propriety or otherwise of advertising and promotional expenditure could be measured with impunity. Without such a benchmark, judgements will continue to be embroiled in political controversy.

C.A. BARAGWANATH
Auditor-General

Part 1

Executive Summary

Part 1.1

Overall audit conclusion

1.1.1 Marketing in the private sector is seen as integral to all aspects of the management process including planning and developing products and services, setting prices, locating distribution outlets and undertaking promotional activities. In contrast, most public sector organisations have traditionally viewed marketing in a much narrower sense of simply providing information or communicating messages to the public. These activities comprise both major marketing campaigns centred on a common theme, using a combination of media, and general marketing in the form of classified advertisements and one-off brochures, pamphlets and videos. The annual cost of marketing in the Victorian public sector is estimated at over \$130 million a year.

1.1.2 The audit found that major marketing campaigns were generally well planned and managed. However, deficiencies in evaluation procedures made it difficult to reach conclusions regarding the extent to which the substantial funds allocated to the campaigns had been effective in achieving desired outcomes. In cases where data was available, it indicated that some campaigns had not met their objectives while in other instances there was considerable doubt regarding the extent to which factors, other than marketing, had also contributed to the achievement of objectives.

1.1.3 In relation to general marketing, planning and management was found to be poor with activities often conducted without documented objectives or a clear identification of target audiences. The effectiveness of these activities, in terms of reaching the appropriate community groups, increasing knowledge or changing behaviour, had not been evaluated by organisations. The limited communication targeted at people from non-English speaking backgrounds had not been adequately analysed to assess the suitability of the media used or its effectiveness in reaching the target audience.

1.1.4 Almost half of the costs associated with public sector marketing relates to advertisements placed in the media. In this regard, a contract set in place in 1992 which consolidated the purchase of media space and time has strengthened the Government's negotiating power and resulted in considerable savings. The arrangement would be further enhanced if procedures for monitoring the performance of the contractor were significantly improved and savings reported by the contractor independently verified. Similarly, procedures for scrutinising the work performed by specialists engaged by individual organisations need to be improved and negotiations with advertising agencies strengthened with a view to achieving more advantageous financial arrangements.



1.1.5 In regard to accountability for marketing activities, the audit found that the procedures followed for the selection of the Government's media buying contractor were poorly documented and did not meet certain key aspects of a sound public sector framework. Similar accountability weaknesses within individual organisations were, in some cases, attributed to differences between public sector requirements and accepted industry practices.

1.1.6 While advertising and promotional material is often appropriately used by public sector organisations to provide information to the public or to encourage behaviour regarded as in the public interest, its use can raise issues of propriety particularly where it is perceived to be party-political. Unlike some overseas jurisdictions, Victorian conventions covering publicly-funded advertising have not been developed. As a result, issues of propriety are substantially matters of judgement which can be open to criticism. Most advertising and promotional material examined during the audit was found to be clearly aligned to organisational objectives. However, examples were identified, particularly at a central level, where published material was, in audit opinion, totally inappropriate as it contained party-political statements. In the case of some other publicly-funded material, propriety was a matter of debate.

1.1.7 The current reform process within the Victorian public sector, including the introduction of increased competition and a focus on customer service, will necessitate greater emphasis on an integrated approach to marketing. Rapid technological advances will also have an impact on marketing in that they are likely to change the manner in which services are delivered and the way the advertising services industry operates.

1.1.8 To function effectively in this changing environment and ensure the funds allocated to marketing are appropriately used, it is essential that:

- strategies are developed which clearly link marketing activities to government or organisational objectives;
- planning and development processes and management frameworks are improved, particularly in the case of general marketing activities;
- the Government's negotiating position with external contractors is optimised under the flexible arrangements of a more deregulated industry which could result from the recent decision of the Australian Competition and Consumer Commission (formerly the Trade Practices Commission);
- marketing skills are expanded through training, recruitment or contract arrangements, with emphasis on the areas of market research and evaluation;
- increased guidance and support is provided at a central level, particularly to those organisations which do not have the infrastructure to support a specialist marketing function;
- conventions covering publicly-funded advertising are developed in consultation with all political parties represented in the Parliament; and
- a framework is developed which provides an adequate level of accountability for arrangements with external parties while facilitating effective working relationships with industry participants.



1.1.9 Although many of the issues addressed and examples used in this Report focus on the narrower concept of public sector marketing, namely information provision and communication, the principles discussed will apply equally as government organisations gradually adopt a more integrated approach to marketing. In particular, it will be essential for organisations to establish frameworks for clearly identifying and surveying target audiences and regularly evaluating outcomes if they are to ensure their products and services are provided in a form and distributed in a manner which best meets the needs of customers.

Part 1.2

Summary of major audit findings

MARKETING PRINCIPLES	Page 29
<ul style="list-style-type: none">• Only 44 per cent of organisations surveyed by audit had developed some form of marketing strategy.	<i>Paras 4.9 to 4.11</i>
<ul style="list-style-type: none">• In some cases, marketing activities examined were not clearly linked to key government policies or organisational objectives.	<i>Paras 4.4 to 4.11</i>
<ul style="list-style-type: none">• Sound planning and management frameworks were found to be in place for most of the major campaigns examined. However, there was scope for improvement in the areas of establishing more measurable objectives, strengthening contractual arrangements and enhancing procedures for monitoring the performance of contractors.	<i>Paras 4.12 to 4.24</i>
<ul style="list-style-type: none">• Improved negotiation of remuneration arrangements with advertising agencies, such as those achieved by the Victorian WorkCover Authority and Tourism Victoria, could result in reduced costs for some organisations.	<i>Paras 4.42 to 4.51</i>
<ul style="list-style-type: none">• Examples of deficiencies in accountability procedures included a lack of documentation to support key decisions and the absence of required approvals.	<i>Paras 4.58 to 4.64</i>



IMPACT OF MARKETING**Page 45**

- Significant variations were evident in the nature and amount of evaluation conducted to determine the impact of marketing activities. Some organisations such as the Victorian WorkCover Authority, Tourism Victoria and Gas and Fuel had undertaken a range of evaluation studies or analyses. In other cases, there had been very limited evaluation of marketing outcomes.

Paras 5.7 to 5.13
- The absence of evaluations or deficiencies in the evaluation techniques used by organisations made it difficult to reach conclusions regarding the effectiveness of many marketing activities.

Paras 5.17 to 5.40
- One of the reasons cited by organisations for the absence of appropriate evaluation was the costs involved. However, the proportion of major campaign expenditure allocated to evaluations was generally well below the level of 10 per cent used within the industry as a *rule of thumb*.

Paras 5.11 to 5.12
- Some major campaigns, such as the electricity supply industry privatisation advertising campaign, had not met their established objectives. In the case of other campaigns, such as those managed by the Victorian WorkCover Authority and Tourism Victoria, there were difficulties in identifying the extent to which achievements could be directly attributed to the campaigns.

Paras 5.18 to 5.40
- Across the public sector, over \$18 million is spent annually on developing printed material such as brochures and pamphlets. In many cases, target audiences had not been clearly identified or surveyed to assess the usefulness or impact of the material provided.

Paras 5.14 to 5.16
- Analysis of the suitability of marketing techniques used to communicate with people from non-English speaking backgrounds was minimal.

Paras 5.41 to 5.48
- In a number of isolated cases, action had been taken to identify culturally appropriate means of communicating with people from non-English speaking backgrounds.

Paras 5.41 to 5.48



MEDIA BUYING**Page 61**

- Arrangements set in place by the Government in late 1992 have resulted in significant savings through consolidating the purchase of media advertising space and time, thereby improving the Government's negotiating position. Actual savings resulting from the arrangements have not been verified by the Office of the Premier.
Paras 6.26 to 6.32
- The procedures followed for the selection of the Government's media buyer were poorly documented and, although approved by the former State Tender Board, did not meet some aspects of sound public sector accountability. Weaknesses included the absence of a public tender and lack of documentation to support the selection process.
Paras 6.14 to 6.20
- A number of criteria used to assess submissions were considered inappropriate, including the level of media commissions to be retained by the tenderers. This aspect of the tender had no direct bearing on the value of the arrangement to the Government.
Paras 6.17 to 6.20
- There was no evidence that some key aspects, such as the negotiating ability and media planning skills of firms providing submissions, were evaluated in the selection process. As the successful tenderer was a newly established firm primarily organised to submit a tender, its ability in these areas was substantially untested.
Paras 6.17 to 6.20
- The performance of the media buyer in terms of the quality of media planning services provided and the competitiveness of the rates negotiated have not been formally assessed by the Government.
Paras 6.21 to 6.25
- The media buying contract, which was due to expire on 31 December 1995, was extended for a further 6 months pending the final outcome of the recent Australian Competition and Consumer Commission decision.
Paras 6.35 to 6.38
- In some cases, organisations have negotiated with advertising agencies to receive significant benefits under commission arrangements. However, in the majority of cases, organisations have not directly benefited from the estimated \$3 to \$4 million commission paid annually by the Government's media buyer to advertising agencies.
Paras 6.33 to 6.34



PROPRIETY**Page 73**

- The absence of relevant Victorian conventions makes any assessments relating to the propriety of publicly-funded advertising and promotional material a matter of judgement.
Paras 7.7 to 7.12
- Examples were evident during the audit where material developed at a central level contained statements which were party-political in nature. Audit considers that the use of public funds for this purpose is totally inappropriate.
Paras 7.15 to 7.18
- In some other cases, media advertisements or publications were used to enhance the image of the Government. Similar material produced by the recently elected New South Wales Government has been determined in that State to be party-political and therefore not a cost which should be met by taxpayers.
Paras 7.22 to 7.24
- There is considerable doubt regarding the propriety of some material developed to explain policies in positive terms or to criticise the actions of the Australian Government.
Paras 7.19 to 7.26
- There is a need to set in place conventions covering publicly-funded advertising and promotion. Such conventions need to have the support of all political parties represented in the Parliament.
Paras 7.27 to 7.28

TRAINING AND EXPERTISE**Page 83**

- Over 570 staff were engaged in marketing activities within the Victorian public sector during 1994-95, in addition to specialist assistance obtained from the private sector under contract arrangements.
Paras 8.7 to 8.13
- Some organisations, particularly those in the budget sector, did not have access to essential expertise such as skills in media planning, market research and evaluation.
Paras 8.7 to 8.10
- Even where expertise is obtained from the private sector through contract arrangements, there is a need to maintain core marketing expertise within the public sector to ensure the services provided are effectively scrutinised.
Paras 8.11 to 8.13
- There is a need to improve training and development in marketing-related areas where in-house staff are utilised.
Paras 8.14
- A co-ordinated and strategic approach to monitoring and providing guidance to organisations in the area of marketing has not been developed at a central level.
Paras 8.20 to 8.35



□ **RESPONSE** by Secretary, Department of Premier and Cabinet

The Report is a review of advertising, not a review of marketing.

The Government's marketing strategies are embedded in the corporate and business plans of departments and agencies and government advertising needs to be seen in this context. The Report does not do this.

This leads to a situation where, for example, audit casts doubt on the effectiveness of Tourism Victoria's advertising campaign - a campaign which was part of a marketing campaign which won the 1995 Australian Marketing Institute Award and which was followed by an increase of 14 per cent in international visits to Victoria.

Notwithstanding the difficulties with the narrow focus of the audit, the Report makes a number of useful suggestions, many of which have already been implemented.

The Government does not accept audit opinion that some of its published material is inappropriate.

Part 2

Background

THE MARKETING CONCEPT

2.1 In the private sector environment, marketing is defined broadly as identifying, anticipating and satisfying target customer needs profitably and effectively. This concept encompasses all aspects of the management process including planning and developing a product or service, defining target customers, establishing a price, distributing the product or service, providing ongoing customer support and undertaking promotional activities. Effective management requires recognition of the interdependence of all these aspects in developing a marketing strategy. For example, promotion is of limited use if the product offered does not meet the needs of target customers or is not available at convenient locations. A key indicator of the success of private sector marketing is the level of sales or profit.

NATURE OF PUBLIC SECTOR MARKETING

2.2 The operations of most public sector organisations are not directed towards maximising sales or profit and, in the past, marketing has generally not been seen as integral to the functions of the public sector. However, components of marketing have been important features of modern democratic government and marketing techniques have for many years been used to inform the public about benefits, services, rights and responsibilities, to clarify and explain the impact of legislation, to inform debate and as an aid to recruitment. More recently, marketing has been used to facilitate changes in public attitudes and behaviour in areas such as drink-driving, energy use, consumer awareness and environment protection.

2.3 Due to the reform process within the Victorian public sector, including the introduction of increased competition, added emphasis on cost savings or revenue raising initiatives, and major reforms in relation to commercialisation and privatisation of certain public utilities, organisations are becoming increasingly interested in the marketing concept. Many have moved into the transitional stage between product orientation where the focus is on the provision of goods and services to a marketing orientation involving a focus on customer service.

2.4 While a limited number of organisations have adopted an integrated approach similar to the private sector, most continue to view marketing in the narrow sense of providing information or undertaking promotion and public relations activities. It is within this environment of varying approaches to marketing that the current audit was conducted.

MARKETING TECHNIQUES

2.5 Elements of, or a combination of, the following 3 broad categories of marketing techniques are generally used by public sector organisations:

- advertising through television, radio, newspapers, cinemas, periodicals, billboards, sponsorships or direct mail;
- promotion or publicity in the form of brochures, displays or exhibitions; and
- public relations involving launches of specific events, radio talk-back, telephone communication including the use of hotlines, and media management activities.

MARKETING COSTS

2.6 Data relating to the cost of marketing in the Victorian public sector is not maintained in a consolidated form. However, based on responses to an audit questionnaire received from 52 major public sector organisations, expenditure was estimated to be in excess of \$130 million in 1994-95 (\$121 million actual in 1993-94).

2.7 As indicated in Chart 2A, major components of the expenditure relate to advertising, salary costs and the production of printed material. Advertising, which usually represents the largest share of marketing costs, involves the cost of purchasing media space and time, creative strategy development, copy writing, layout, photography, artwork, production and typesetting. Expenditure of \$9.8 million represented as "Other" in the chart includes costs of market research and other miscellaneous items linked to marketing activities.



CHART 2A
ESTIMATED MARKETING EXPENDITURE BY COMPONENT,
1994-95

2.8 Analysis of the data indicated that the non-budget sector was responsible for 79 per cent of estimated marketing expenditure in 1994-95 (82 per cent of actual expenditure in 1993-94).

MARKETING CAMPAIGNS

2.9 A large proportion of marketing expenditure is associated with major campaigns which consist of multiple co-ordinated and integrated messages which centre on a single theme or idea over a specified period using a single medium or a combination of various media. Public sector campaigns generally fall into 5 broad categories, namely those directed at:

- communicating information, e.g. campaigns advising the community of services or benefits available under a particular program;
- influencing behaviour including campaigns related to social issues such as road safety, alcohol and drug abuse, gambling addiction or consumer education;
- promoting a product such as Victoria as a tourist destination;
- recruiting staff; and
- more recently, privatisation involving the public float or direct sale of organisations previously managed within the public sector.

GENERAL MARKETING ACTIVITIES

2.10 General marketing activities are usually one-off, stand-alone and can appear as classifieds or special notices in the media, or as brochures, pamphlets, videos, documentary films or posters. These activities do not usually form part of a co-ordinated theme or idea. Examples include press advertisements seeking tenders for capital works or consultancies, brochures informing the public about a forthcoming event, information booklets in relation to a change in regulations or a new service, and promotional videos.

ADMINISTRATIVE ARRANGEMENTS

2.11 Individual public sector organisations are responsible for the management of their own marketing activities which, in many cases, are managed by staff within specialist in-house branches. However, advertising agencies and market research firms are often engaged to provide specialist expertise, particularly in the case of major marketing campaigns. Public relations and communication consultants also provide additional specialist advice and, in some cases, implement campaigns.

2.12 The Communications Unit within the Office of the Premier, which for administrative purposes is located within the Department of Premier and Cabinet, is responsible for the management of a centralised contract covering the purchase of media space and time. The contract awarded to Leeds Media and Communications Services Pty Ltd (Leeds Media) was set in place in early 1993 with the aim of consolidating all government media placements, thereby enabling the negotiation of improved rates with media proprietors. The Communications Unit has also been responsible for assisting some public sector organisations in the management of major advertising campaigns.

2.13 Information Victoria, within the Department of Arts, Sport and Tourism, also plays an important central role in the provision of information about the Government, its policies, programs and services.

OVERVIEW OF THE INDUSTRY

2.14 The following types of firms operate within the advertising services industry:

- *advertising agencies* which provide services in the areas of creative campaign concept design, production of advertisements, media planning and, in some cases, placement of media advertisements;
- *media proprietors* including the owners of radio and television stations, newspapers, magazines and cinemas in addition to outdoor display contractors;
- *media buyers* who specialise in planning media placements and negotiating rates with media proprietors; and
- *market research firms* which provide specialist assistance in the areas of identifying and surveying target audiences, or the general public, and analysing results.

2.15 The industry also includes a number of bodies such as the Advertising Federation of Australia (representing advertising agencies), the Australian Association of National Advertisers (representing advertisers) and the Media Council of Australia (essentially representing mainstream commercial media proprietors). The Advertising Standards Council, composed of representatives of these bodies, is responsible for developing and interpreting the Advertising Code of Ethics and determining whether breaches of the Code have occurred.

FUTURE DEVELOPMENTS IN TECHNOLOGY

Introduction

2.16 In moving towards an integrated concept of marketing, public sector organisations will increasingly need to be concerned not only with the way they inform the public or attempt to change attitudes but also with achieving the delivery of services in a manner which best meets user needs. In this regard, rapid technological advances in a variety of domains such as cable and satellite television, the Internet and the use of multimedia will have a major impact on marketing activities.

2.17 For example, in the longer-term, the changes in the structure of television in Australia through the opening up of new stations via satellite and cable are likely to alter the nature of the market for television advertising space and thus prompt a more far-reaching review of buying strategies. These developments are likely to result in an even more competitive and fragmented market in which public sector marketing campaigns are planned and advertisements placed.

2.18 The Victorian Government has recently taken a number of initiatives in recognition of the rapid technological changes which are occurring or are likely to occur in the future. Specific details follow.

Vicnet

2.19 The Internet, a global electronic computer network, is a tool for communicating information internationally. The State Library of Victoria, in conjunction with the Royal Melbourne Institute of Technology, has recently developed Vicnet, Victoria's information database within the Internet. Vicnet aims to provide community access to local, interstate and international information in electronic form in areas including law, community news, arts and sports, clubs and societies, and voluntary groups. This facility will involve the use of bulletin boards, news services, electronic discussion groups and electronic mail.

2.20 This initiative has wide-ranging application in relation to the promotion and advertising of government services and programs, and recruitment campaigns. It also has the capacity to affect public attitudes and behaviour.

Multimedia

2.21 The Victorian Government has recognised that developments in communications and multimedia will impact on the way government and industry does business in the future. Multimedia refers to combinations of images, text and sound which use newly converging telecommunications, computing and authoring technologies to provide traditional media and information services in new ways as well as providing innovative services.

2.22 In this regard, the Government has taken an active role in supporting the development of the emerging multimedia industry. The Office of Communications and Multimedia, established in May 1995 within the Department of Premier and Cabinet, has primary responsibility to facilitate and encourage the development of a range of multimedia technology.

Part 3

Conduct of the Audit

BACKGROUND TO THE AUDIT

3.1 In December 1992, preliminary planning was commenced with a view to undertaking a performance audit of marketing within the Victorian public sector. However, at the suggestion of the Office of the Premier, and strong representation from the then Secretary of the Department of Premier and Cabinet, it was decided to postpone the audit given that the Office of the Premier was in the process of restructuring public sector advertising arrangements.

3.2 In early 1993, the Auditor-General wrote to the Secretary of the Department of Premier and Cabinet advising that it was intended to resume the audit in 12 to 18 months, at which time it was expected that the following fundamental processes and procedures in relation to marketing would be in place within the Department's Communications Unit:

- central policy and guidelines;
- a mission statement clearly outlining the aims and objectives of the Unit;
- clearly articulated procedures and controls for the procurement and use of marketing services;
- performance indicators to assist in measuring the effectiveness of marketing; and
- assessment and evaluation procedures for use by public sector organisations.

3.3 In November 1994, planning for the audit resumed.

AUDIT OBJECTIVES

3.4 The overall objective of the audit was to assess whether public sector marketing activities had achieved value-for-money. In particular, the audit evaluated whether:

- appropriate organisational arrangements were in place at a central level and within individual organisations;
- marketing activities were adequately planned and managed;
- marketing services were purchased in the most cost-effective manner;
- marketing activities were effective in terms of achieving objectives;
- staff with appropriate training and expertise had been assigned responsibility for marketing activities; and
- there was adequate accountability and propriety in relation to marketing activities.

SCOPE OF THE AUDIT

Organisations subject to audit

3.5 The audit focused primarily on paid marketing activities across the budget and non-budget sectors. To obtain a cross-section of practices, examinations were conducted within 11 organisations. The activities examined covered a range of high and low budget items.

Major campaigns

3.6 The audit included detailed examinations of 5 major marketing campaigns or activities each managed by separate organisations, namely:

- Department of Treasury and Finance (electricity supply industry privatisation advertising campaign);
- Office of the Chief Commissioner of Police (recruitment marketing);
- Public Transport Corporation (Marketing Campaign - Stage 1);
- Tourism Victoria (*You'll love every piece of Victoria* advertising campaign); and
- Victorian WorkCover Authority (*Return to Work* marketing campaign).

3.7 Details of the nature and costs associated with each of these campaigns or activities are provided in Appendix A to this Report.

General marketing activities

3.8 The general marketing activities in the following organisations were examined:

- Country Fire Authority;
- Department of Conservation and Natural Resources;
- Gascor (trading as Gas and Fuel); and
- Office of Fair Trading and Business Affairs located within the Department of Justice.

Central organisations

3.9 The role and activities of the following central organisations were evaluated:

- Communications Unit, within the Office of the Premier; and
- Information Victoria, located within the Department of Arts, Sport and Tourism.

3.10 The records of Leeds Media, the supplier of media buying services to the Government, were also accessed in accordance with provisions included in the contract between the Government and Leeds Media.

Audit questionnaire

3.11 As part of planning for the audit, input in the form of responses to a questionnaire covering a number of specific resourcing issues was obtained from 52 public sector organisations. The data was used to aid in selecting organisations for detailed examination and in obtaining consolidated data on marketing costs, the nature of marketing activities and the level of marketing expertise across the public sector.

Areas of examination

3.12 In line with the objectives established for the audit, the specific areas shown in Chart 3A were examined.

**CHART 3A
MARKETING AREAS EXAMINED BY AUDIT**



3.13 The audit, which primarily covered specific marketing activities conducted between July 1992 and June 1995, was performed in accordance with Australian Auditing Standards applicable to performance audits and accordingly included such tests and other procedures considered necessary in the circumstances.

Specialist assistance

3.14 Specialist advice was provided to the audit team by Mr Paul Gaskin of the Syme Department of Marketing, Monash University. Ms Janine Hendry of that Department also provided advice to the audit team, in certain areas examined.

Part 4

Marketing Principles



OVERVIEW

4.1 To ensure marketing funds are effectively used, increased emphasis needs to be placed on adopting a strategic approach to marketing and ensuring activities are clearly linked to key government policy or organisational objectives.

4.2 While a sound planning and management framework was found to be in place for most of the major campaigns examined, there was scope for improvement in some areas, particularly in defining campaign objectives, strengthening contractual arrangements and monitoring procedures where outside expertise was engaged. Improved negotiation of financial arrangements with advertising agencies is likely to result in reduced costs for some organisations.

4.3 Many deficiencies identified during the audit in relation to accountability procedures were attributed by organisations to differences between public sector standards and accepted practice within the advertising services industry. Action should be taken by organisations to develop a framework which provides an adequate level of accountability while facilitating effective working relationships with industry participants. The framework should be developed in conjunction with the Victorian Government Purchasing Board which has responsibility for establishing and monitoring purchasing policies and guidelines.

STRATEGIC APPROACH TO MARKETING

4.4 Since October 1992, the Government has implemented major economic reform and restructuring of the Victorian public sector. During times of such change, marketing can be used as an important tool in achieving government policy or organisational objectives.

4.5 With the aim of ensuring the funds allocated to marketing are justified and are used in the most effective way, it is important that marketing activities are clearly linked to objectives and that the positive contribution they make towards achieving desired outcomes is demonstrated.

4.6 To support Corporate Plans, organisations should develop marketing strategies which define:

- objectives to be achieved;
- target audiences;
- the most appropriate means of communicating to those audiences;
- messages that need to be communicated and desired patterns of attitudes or behaviour; and
- an appropriate budget allocation based on identified objectives and tasks.

4.7 In most cases, expert advice will be required to aid in the development of such strategies.



4.8 Audit found that an overall whole-of-government strategy setting out a consistent and clear focus for communicating and marketing government services had not been developed at a central level.

4.9 Responses provided to an audit questionnaire also indicated that only 44 per cent of individual organisations surveyed had developed policies, procedures or strategies relating specifically to marketing, with a further 6 per cent in the process of developing a marketing strategy.

4.10 In contrast to these general weaknesses, some individual organisations examined in detail such as the Victorian WorkCover Authority, Tourism Victoria and Gas and Fuel had recognised the importance of marketing to the achievement of objectives. In these cases, marketing strategies were aligned with corporate goals and had been considered in the development of strategic business plans. In addition, the importance of marketing was reflected in the placement of the marketing function at a high level within the organisational structure and the significant consideration given to marketing in the budgeting process.

4.11 In the case of most other organisations examined, less emphasis had been given to integrating the marketing concept into organisational operations and establishing a clear link between marketing activities and corporate goals.

□ **RESPONSE** by Secretary, Department of Conservation and Natural Resources

The Department's Corporate Plan 1993-96, indicates a change in focus towards a market-oriented approach, both in terms of operating under commercial principles, and marketing our operations more effectively to our clients, the objective being a more customer-focused organisation.

The Corporate Strategy 1995-98, and Working Business Plan 1995-96, continue the direction set in 1993 by highlighting the major objective of marketing and promoting Victoria's natural resources.

The general thrust of the marketing audit, which promotes a broader view of marketing in the public sector, is supported as it emphasises more targeted campaigns which are evaluated for their effectiveness. The Department appreciates the general move towards private sector marketing principles in the public sector.

The Department has upgraded its marketing orientation through its Corporate Plan in the last 2 years, but believes that in a decentralised, dispersed department like the Department of Conservation and Natural Resources there is no role for centralised control of the promotion of the 5 businesses. It is recognised that there is a need to adopt a strategic approach in order to project a corporate image.

Specific criticism of the Department's marketing framework is currently being addressed through the creation of a formalised marketing strategy.

□ **RESPONSE** by Secretary, Department of Premier and Cabinet

The Department agrees that organisations should develop marketing strategies to support their Corporate Plans.



□ **RESPONSE** by Chief Commissioner, Office of the Chief Commissioner of Police

The Office of the Chief of Staff has recently conducted a workshop on corporate image and identity to ensure a consistent theme and message is developed and promulgated throughout the Force. All relevant areas attended the workshop. Ongoing liaison will continue to ensure a co-ordinated approach.

An expression of interest process designed to develop an effective Victoria Police recruit campaign will be advertised in 1996. Recommendations outlined in the Report will be incorporated into this process.

PLANNING AND MANAGING MAJOR CAMPAIGNS

4.12 As major campaigns are generally expensive to conduct and are initiated to assist in the implementation of key organisational programs, an appropriate planning and management framework in this area is essential. Based on the campaigns included in the audit, the frameworks in place were generally found to be sound.

4.13 The following paragraphs discuss the criteria used as a basis of assessing planning and management processes and provide suggestions of areas where improvements could be made to current practices.

Defining campaign objectives

4.14 Specific campaign objectives should be established and detailed in both quantitative and qualitative terms, be outcome-oriented and be supported by baseline research data and clear performance measures and targets.

4.15 In the case of some campaigns or activities examined, objectives were not clearly stated or were not defined in measurable terms. In other cases, they were directed at achievements which were difficult to measure as the outcomes were affected by factors other than the campaign activities. The following examples illustrate these weaknesses:

- The Office of the Chief Commissioner of Police had not developed any officially recognised objective for its recruitment marketing. In addition, recruitment activities were conducted in an ad-hoc manner, were not clearly aligned with overall marketing objectives and were not supported by specific measurable targets or baseline research;
- In respect of the Victorian WorkCover Authority's *Return to Work* marketing campaign, the objective established of achieving a change from a *compensation culture* to a *return to work culture* was not set in measurable terms. Adequate qualitative baseline research was conducted by the Authority prior to the commencement of the campaign to provide a benchmark in terms of awareness and attitudes; and



- The objective of the Public Transport Corporation Marketing Campaign (Stage 1) was *"To improve the corporate image of The Met, help maintain the existing customer base, and encourage trial, re-trial and an ultimate increase in patronage"*. This objective relates to the achievement of overall Corporation objectives for the metropolitan passenger transport system which are dependent on a number of factors other than marketing, including the reliability, frequency and cleanliness of the system. In addition, expected outcomes were not quantified and baseline research was not undertaken to establish a benchmark prior to the commencement of the campaign.

□ **RESPONSE** by Chief Commissioner, Office of the Chief Commissioner of Police

The Victorian Police Personnel Department has adopted a charter which prescribes: "To provide the Force with the most effective and efficient means to recruit, retain, develop and deploy its human resources to meet the goals and objectives of the Force".

It is intended that individual Branches, including the Recruitment and Career Planning Office, adopt similar statements and objectives in the 1995-96 financial year.

Identifying the target audience

4.16 Unless campaigns are directed to the right target audience, funds may be wasted as a result of communication to more people than necessary or, alternatively, effectiveness may be diminished through aiming at too narrow an audience. Targeting is achieved by segmenting an audience or a market on the basis of the following categories:

- *geographic segmentation* such as regional population distribution;
- *demographic segmentation* such as age, sex, income distribution, education, religion or ethnic origin;
- *psychographic segmentation* such as personality, lifestyle, attitudes or social class; and
- *behavioural segmentation* such as product-related behaviour including usage rates or new and repeat users.

4.17 Internal research, collection, collation and analysis of client data in addition to appropriate market research by outside contractors is critical to the identification of target audiences. Such data can also provide a basis for subsequently monitoring, tracking and assessing the effectiveness of campaigns.

4.18 Audit found that Tourism Victoria had identified its target audience clearly, as had the Victorian WorkCover Authority and the Public Transport Corporation. In the case of the electricity supply industry privatisation advertising campaign, specific targets such as the proportion of various demographic groups of the community expected to feel informed or to understand the rationale for privatisation were not established. The Office of the Chief Commissioner of Police had also not clearly identified its target audience in relation to recruitment activities.



□ **RESPONSE** by Chief Commissioner, Office of the Chief Commissioner of Police

The proposed Recruitment Campaign will incorporate market research. Liaison between the Police Board and Victoria Police has already commenced to access the recent Public Perceptions and Community Attitudes Survey.

Preparing a campaign strategy

4.19 A strategy for major campaigns should clearly identify the activities or media most appropriate to reach the target audience together with expected costs and assignment of responsibilities. In relation to media advertisements, a detailed plan should set out the actual placements to be made based on analysis of the viewing or reading habits of the target audience and the proportion of the audience reached through placements in various newspapers or at particular television viewing times.

4.20 Practices varied considerably in this area ranging from the Office of the Chief Commissioner of Police, which had not taken a campaign approach to recruitment and as a result did not have a strategy in place, to Tourism Victoria and the Victorian WorkCover Authority both of which had established appropriate campaign strategies. The Public Transport Corporation, while having an overall marketing strategy in which the particular campaign was outlined, had not formulated a clear indication of the way it was to be implemented.

Establishing budgets

4.21 If major campaigns are to be properly controlled and managed, budgets must be set in the light of all the factors identified in the campaign strategy and in a manner which allows for changed circumstances. Such an approach aids in ensuring that the budget is linked to achieving campaign objectives rather than planning to a predetermined allocation which may limit the effectiveness of marketing, or alternatively encourage unnecessary expenditure.

4.22 It was evident that budgets in 2 of the major campaigns, namely *You'll love every piece of Victoria* and *Return to Work*, were primarily developed around an established marketing strategy. However, in other cases such as recruitment marketing within the Office of the Chief Commissioner of Police, activities were designed principally around available funds rather than focusing on the achievement of objectives.

Tracking and monitoring

4.23 To aid in monitoring campaigns, it is usual that skilled and experienced market researchers conduct both progressive monitoring or tracking of the impact of the campaign to enable adjustments to be made by the organisation where necessary. This should include *maintenance tracking* to assist the organisation in determining the level of marketing activity necessary to maintain awareness of a particular message. Audit found that in 2 of the major campaigns examined, progressive tracking was adequately conducted.



4.24 Post-campaign evaluations should seek to establish the extent to which knowledge has been communicated and attitudes and behaviour changed, compared with benchmark data. As indicated in Part 5 of this Report, there is scope for significant improvement in evaluating the impact of marketing.

PLANNING AND MANAGING GENERAL MARKETING ACTIVITIES

4.25 Many of the features identified as applicable for managing major campaigns, such as establishing clear objectives, targeting, preparing a strategy and developing performance targets, should also form part of effective planning in relation to general marketing activities.

4.26 Audit analysis of the activities conducted by the Department of Conservation and Natural Resources, the Country Fire Authority and the Communications Unit within the Office of the Premier revealed that the framework for managing general marketing activities was generally poor. Often activities were conducted without clearly documented objectives. In addition, target audiences were often expressed in very broad terms and performance indicators and targets, if present, were inadequately formulated making meaningful monitoring and evaluation of achievements extremely difficult. In the case of the Office of Fair Trading and Business Affairs, there was also scope for improvements in these areas.

❑ **RESPONSE** by Chairman, Country Fire Authority

The Authority notes the comment and will ensure greater emphasis is given to the management of what this audit refers to as marketing activities.

❑ **RESPONSE** by Secretary, Department of Conservation and Natural Resources

Criticism of the Department's approach to general marketing is being addressed by the creation of a marketing committee with representatives from each business and the drawing up of a marketing charter for its operation. The marketing committee is assisting in the development of the marketing strategy and will monitor the Department's marketing programs and campaigns, thereby ensuring their objectives are met.

❑ **RESPONSE** by Secretary, Department of Justice

The Department undertakes extensive work in developing its business plans. While there is always scope for improvement in any procedures, the Office of Fair Trading and Business Affairs has in place a framework of objectives, performance indicators and evaluation measures to ensure that our messages are received by the target audiences.

ENGAGEMENT OF EXTERNAL EXPERTISE

Introduction

4.27 In order to successfully implement marketing activities, particularly major campaigns, some organisations had engaged external expertise, such as advertising agencies, marketing consultants, communications consultants, market research firms, public relations companies, graphic designers or printing companies, to provide assistance.

4.28 Where advertising agencies had provided services, they had generally been engaged on a continuing basis over a specified period. For example, the advertising agency engaged by Tourism Victoria was appointed to provide marketing services over a 3 year period.

4.29 Advertising agencies have provided expertise and advice in relation to the following critical areas:

- assisting with the development of an advertising strategy;
- developing creative ideas;
- preparing advertisements;
- assisting with selecting the appropriate media mix to reach the target audience; and
- assisting with the development of media plans.

Developing a brief

4.30 When engaging external expertise, the preparation of a high quality brief which accurately reflects the requirements and needs in relation to the engagement can aid in the selection of the right supplier. Such a brief should clearly identify the following elements:

- the type of business the organisation conducts;
- the nature of the marketing activity to be conducted;
- the type of services required;
- time frames and any specific deadlines;
- contractual arrangements expected to be developed;
- expected delineation of responsibilities and roles of the supplier;
- expected performance standards of the supplier;
- reporting arrangements required of the supplier;
- details of matters to be addressed in submissions such as:
 - competence and expertise of personnel delivering the required service;
 - clearly itemised and transparent costs; and
 - identification of additional services and benefits which could be provided, particularly if the association is of a long-term nature; and
- criteria to be used as a basis of selection.

4.31 While the organisations examined had generally prepared suitable briefs in relation to the selection of advertising agencies, in some cases there was scope for



improvement in terms of defining the expected performance of the supplier, reporting arrangements and the responsibilities and roles of the supplier.

Method of purchase

4.32 With the aim of achieving the best value-for-money, while maintaining principles of probity and equity, it is important that the most appropriate purchasing method is chosen by organisations. Decisions should be determined by the nature and value of the purchase including when, where and how often the advertising service is required, the range of suppliers available in the market place, together with the costs and benefits of alternative purchasing methods under consideration.

4.33 Emphasis was generally placed on selective rather than public tender processes. In this regard, there was a tendency to seek offers from a small number of companies which may not have resulted in the best value-for-money. In contrast, the Public Transport Corporation used an effective public tender process to select its advertising agency.

4.34 Audit considers that even where it is perceived by organisations that only a small number of potential suppliers have the expertise and capacity to satisfy a brief it can be appropriate to conduct a 2-stage process:

- firstly, inviting a range of companies to present their credentials; and
- secondly, inviting a selected number of the companies with relevant expertise and capacity to present detailed submissions.

Evaluation and selection

4.35 Audit found that the evaluation and selection of advertising agencies was in general well documented, with the exception of certain aspects of the processes adopted by Tourism Victoria. In this case, an extensive process was followed involving a number of senior people within and external to the organisation. However, accountability over the short-listing and final selection was inadequate in that detailed evaluations against selection criteria were not documented.

4.36 The Public Transport Corporation and the Victorian WorkCover Authority had taken effective and appropriate action to identify and evaluate advertising agencies against relevant criteria.

4.37 The process in some organisations could be strengthened if selection panels comprised a greater mix of expertise and included independent representatives.

□ **RESPONSE** by Chief Executive, Tourism Victoria

Tourism Victoria's selection process followed an extensive evaluation and approval process involving the Board of Tourism Victoria and the Minister for Tourism. The process has been widely acknowledged in the advertising industry as being comprehensive, transparent and equitable.

CONTRACTUAL ARRANGEMENTS WITH EXTERNAL PARTIES

Formal contracts



4.38 Following selection of external parties, it is essential that a formal contract or legal agreement is established setting out the rights and obligations of each party. The contract should specify clearly the service to be delivered, the responsibilities of both parties in relation to the delivery of services and any relevant administrative arrangements. Clear identification of rights and obligations can simplify procedures in the event of non-performance and can also enhance accountability by specifying the criteria upon which performance is to be measured and monitored.

4.39 Specifically, contracts should clearly define:

- scope of the services required and timeframes for the completion of tasks;
- price, including any variations;
- procedures for early identification of any necessary changes to the engagement;
- requirements for any performance bonds or other security;
- procedures to be followed in relation to the use of sub-contractors;
- requirements for professional indemnity insurance;
- rights to any intellectual property;
- access by the organisation and external auditors to relevant records held by the contractor;
- confidentiality provisions;
- arrangements for progressive monitoring and review at the completion of the contract period; and
- termination provisions.

4.40 In the majority of cases where advertising agencies had been engaged, formal contractual arrangements had been entered into and the rights and obligations of the parties adequately defined. The major deficiency related to the lack of definition within contracts regarding monitoring and reviewing the contract. Even though provisions for formal 6-monthly reviews were included in the contract between Tourism Victoria and its advertising agency, no formal review was conducted.

4.41 Although advertising agencies had been engaged by the Gas and Fuel and the Public Transport Corporation, at the time of the audit, contracts were not in force. Similarly, contractual arrangements were not always in place for the engagement by some organisations of other specialists such as market research firms.

□ **RESPONSE** by *Chief Executive, Tourism Victoria*

Tourism Victoria's practical experience with administration of the contract identified that formal 6-monthly reviews were not appropriate given the nature of the relationship between Tourism Victoria and the advertising agency, and the ongoing evaluation of effectiveness occurring throughout the contract.

Remuneration arrangements

4.42 Under the media accreditation system, advertising agencies have traditionally been remunerated by a commission, usually around 10 per cent, on media expenditure. In the case of government organisations, the commission is reduced by the amount paid to Leeds Media under a contract to purchase media space and time (for further details of this contract refer to Part 6 of this Report). In addition, service fees ranging up to 8 per cent on media expenditure and the costs related to producing advertisements also form part of agency remuneration.

4.43 A review of the remuneration arrangements negotiated between organisations and their advertising agencies highlighted a variety of payment structures. Some organisations such as the Country Fire Authority, Gas and Fuel and the Public Transport Corporation had arranged traditional remuneration arrangements at varying fee rates while others had negotiated more innovative means of payment. The arrangements achieved by the Victorian WorkCover Authority and Tourism Victoria, which are discussed below, are examples of how effective negotiation of financial arrangements can provide savings to organisations.

Victorian WorkCover Authority

4.44 The Victorian WorkCover Authority has established a creative team comprising in-house staff and representatives of a number of external specialist organisations, namely an advertising services agency, a small production company, and public relations and market research firms.

4.45 The financial arrangements between the Authority and the advertising services agency provide for commission of around 7.5 per cent of all media placements to be paid by Leeds Media into a dedicated bank account held by the agency. The agency withdraws its fixed monthly fee from the bank account and, from the balance, pays invoices received from firms providing advertising, production, market research or public relations services to the Authority. In 1994-95, \$442 000 was paid into the bank account by Leeds Media. Payments for external printing, imaging or graphics are made directly to the service provider by the Authority.

4.46 The Authority estimates that the in-house creative team arrangement resulted in savings of approximately \$1 million in the 1994-95 year compared with the traditional arrangement previously in place between the Authority and another advertising agency.

Tourism Victoria

4.47 Tourism Victoria has engaged an advertising agency to assist in the implementation and provision of long-term marketing and communication strategies. Key services provided by the agency include input to the development of strategies, plans, creative themes and options for marketing and advertising, creative design and production services and advice on media selection and placement.

4.48 The agency is paid a fixed monthly fee and is reimbursed by Tourism Victoria for costs incurred for production of brochures, advertising production costs and other miscellaneous costs specified in the contract.



4.49 The amount of commission rebated to the advertising agency by Leeds Media is deducted by Tourism Victoria from invoices received from the agency. However, the contract provides for the agency to retain the commission once gross media placement costs exceed a predetermined level in a year. Both the monthly fee and the predetermined level are renegotiated annually.

4.50 During negotiation of remuneration for the 1994-95 year, the advertising agency performed a comparative analysis of the fee payable under the traditional service fee model with that payable under the model now in place. The analysis indicated savings of over \$200 000 a year.

4.51 The savings identified show the importance of effective negotiations between public sector organisations and advertising agencies and suggest that those organisations currently operating on the traditional service fee basis should be able to negotiate further savings.

MONITORING PERFORMANCE OF EXTERNAL PARTIES

Introduction

4.52 While responsibility for providing certain services can be transferred from public sector organisations to the private sector, accountability for the results remains with the organisation. As discussed in the recently-released draft report by the Industry Commission, titled *Competitive Tendering and Contracting by Public Sector Agencies, Overview*, October 1995, whatever the method of service delivery adopted, the public sector organisation must remain accountable for the efficient performance of the functions delegated, including:

- translating broad program objectives into detailed specifications;
- choosing a contractor to deliver the service; and
- ensuring that the service required is actually delivered.

4.53 Monitoring and reporting on the results of external engagements can lead to improvements in the service provided and ensure that information on suppliers' performance is shared throughout the organisation and other areas of the public sector. Such information provides valuable background material when inviting quotations and assessing offers, avoids the reappointment of unsatisfactory suppliers and assists in making decisions relating to the extension of contracts for a further period.

4.54 Monitoring includes validating charges made by the contractor, verifying that the quality of the service provided is in line with agreed terms and conditions, and ensuring that all the benefits anticipated from a particular engagement are realised.



Relationships with advertising agencies

4.55 The establishment of close working relationships between advertising agencies and public sector organisations is vital to achieving a high standard of output. Nevertheless, there may be a risk with such arrangements if the staff in organisations are not sufficiently skilled in all critical facets of marketing. Where staff are not in a position to adequately assess the advice and suggestions offered, unnecessary spending may occur or poor decisions may be made.

4.56 Progressive monitoring of the services provided by the advertising agencies should include one or a combination of the following elements:

- the submission by the agency of regular progress reports;
- frequent planning meetings between the agency and the organisation to provide the mechanism for review of activities and associated expenditure; and
- establishment of a steering committee composed of senior staff of the organisation and, where necessary, external expertise or representatives of other interested parties.

4.57 Audit examinations revealed that while the organisations examined had generally developed close working relationships with their advertising agencies, the monitoring phase of the management process was not always well documented or managed. This was evidenced by:

- Absence of clear assignment of responsibility for the monitoring functions;
- Lack of internal staff knowledge and expertise in some areas such as media planning;
- Absence of formal documentation in relation to monitoring and evaluation with the task generally conducted at a more informal level. In contrast, the Victorian WorkCover Authority maintained effective records of all meetings held with its advertising services agency and of subsequent decisions;
- Absence of a clear trail of the decisions made or instructions given;
- Absence of evidence that the organisation took a pivotal role in critically scrutinising the advice or services provided by the agency; and
- Close relationships established between advertising agencies and organisations with lines of responsibility in some cases not clearly defined. Audit considers these relationships may have impeded any formal process of monitoring and evaluation and placed reliance on trust and confidence that the agency would do *the right thing*.

ACCOUNTABILITY

Introduction

4.58 The recent trend towards a devolved accountability framework has placed increased importance on the need for organisations to develop internal policies and procedures to supplement centrally-developed regulations and guidelines.

4.59 The accountability framework within individual organisations should include:

- purchasing policies and procedures which are clearly documented and communicated to all relevant personnel;
- up-to-date delegations; and
- maintenance of appropriate documentation to support decisions.

Weaknesses in procedures and controls

4.60 In examining marketing activities, instances of non-compliance with established procedures or deficiencies in accountability arrangements were identified. A number of these weaknesses have been discussed in previous paragraphs. In summary, they included:

- absence of documented policies and procedures;
- poor preparation of briefing documents for prospective tenderers;
- lack of documentation of tender processes;
- absence of written or verbal quotes prior to incurring expenditure;
- lack of the required approval of the former State Tender Board or the Victorian Government Purchasing Board for larger payments;
- approval of payments in excess of delegated limits;
- absence of invoices from advertising agencies to support payments to third parties such as printers and production companies;
- absence of contractual arrangements with consultants or providers of marketing-related services; and
- lack of documentation of discussions and key decisions made with advertising agencies.

Public sector requirements compared with industry practice

4.61 Many of the deficiencies identified in relation to accountability procedures were attributed by organisations to differences between public sector standards and accepted practice within the advertising services industry.

4.62 In relation to arrangements between advertising agencies and their clients, audit was advised that accepted industry practices have included:

- Preparation of contact reports by advertising agencies rather than the client maintaining records of discussions between the parties;
- Individual verbal briefings by organisations of applicants selected to submit proposals for the provision of marketing services;
- Preparation by advertising agencies or market research firms of *Letters of Terms* instead of a formal contract signed by both parties;
- Absence of formal contracts with suppliers of other services including public relations, printing and displays or exhibitions;
- Use of preferred suppliers for provision of services rather than tendering or quotation processes; and
- Charging of a fee to the public sector organisation when a short-listed advertising agency is asked to develop a creative concept involving the preparation of material and creative development. If the particular advertising agency is not engaged, the concept becomes the intellectual property of the client and can be provided to the advertising agency ultimately selected.

4.63 Certain of the above arrangements are not in line with government purchasing guidelines, internal procedures or the levels of documentation generally regarded as necessary to meet accepted public sector accountability or probity standards.

4.64 While it is acknowledged that the achievement of cost efficiencies in the public sector is highly desirable, it is essential that the benefits of cost savings achieved through adopting industry practices are balanced against the need to provide adequate levels of accountability. With a view to assessing this issue, action should be taken by public sector organisations, in conjunction with the Victorian Government Purchasing Board, to develop a suitable framework for marketing activities which meets appropriate accountability standards while facilitating effective working relationships with industry participants.

□ **RESPONSE** by Secretary, Department of Premier and Cabinet

The list of weaknesses identified have the effect of indicating that there is general weakness across the whole-of-government in procedures and controls. While audit may be able to identify individual weaknesses, the Government maintains that while there may have been instances where the weaknesses were identified in 10 separate audits, procedures and controls are generally sound, and audit has therefore given a false impression in this Report.

The Department will initiate discussions to develop a suitable framework for addressing differences in public sector requirements and industry practice.

Part 5

Impact of Marketing



OVERVIEW

5.1 Within the organisations examined by audit, significant variations were evident in the nature and extent of evaluation conducted to determine the impact of marketing activities. While a minority of organisations had established a sound evaluative framework, many had either conducted limited assessment or needed to adopt more sophisticated approaches to the collection and analysis of data.

5.2 Where marketing activities involved the production and distribution of printed material, target audiences had often not been clearly identified or surveyed. Similarly, in the case of the limited communication targeted at people from non-English speaking backgrounds, there had been only minimal analysis of the suitability of the media used or its effectiveness in reaching the target audience.

5.3 Deficiencies in evaluation procedures made it difficult to reach conclusions regarding the effectiveness of many of the marketing activities examined. However, audit analysis in areas where data was available indicated that some campaigns had clearly not met their stated objectives, while in other cases there were considerable doubts regarding the extent to which achievements could be clearly attributed to marketing.

INTRODUCTION

5.4 Value-for-money is only achieved if the resources allocated to marketing are effective in achieving specified objectives and if the activities conducted are cost-effective. Where value-for-money is not achieved, not only are funds wasted but opportunities for effective communication can be lost.

5.5 The success of public sector marketing is particularly difficult to evaluate as activities are often focused on providing information or on changing behaviour. Such outcomes can be intangible or long-term in nature and therefore more complex to measure than in the private sector where product sales or profits are fundamental indicators of marketing effectiveness.

5.6 Given this situation, in addition to the need for sound accountability over public funds, it is important that public sector managers gain an understanding of how well marketing funds are spent and whether marketing is causally responsible for the achievement of objectives.



NATURE OF EVALUATION

5.7 In the case of major marketing campaigns involving significant funds, it is particularly important that outcomes are progressively monitored, or tracked, throughout the campaign to enable any necessary adjustments to be made to reflect emerging trends or changed circumstances. Where a campaign involves the use of different media or has separate components, it is essential that the impact of each medium or component is specifically evaluated. For example, where a campaign includes the allocation of significant funds to media advertisements, the impacts need to be separately assessed to enable marginal increases or decreases in expenditure to be determined. In the case of general marketing activities such as the production and distribution of printed material, effectiveness should also be periodically measured to ensure the material continues to be relevant and is presented in a manner appropriate to the recipients or target audience.

5.8 Evaluation often requires independent specialist input from market research firms to ensure that the data collected is directed at measuring the objectives of the particular marketing activity and is sufficiently wide-ranging and rigorous to enable conclusions to be reached. Evaluation of public sector marketing in many cases requires the collection of both quantitative and qualitative data.

QUALITY OF EVALUATIONS

Major campaigns

5.9 Sound planning and management practices, as described in Part 4 of this Report, are vital to the evaluation of major campaigns. In a small number of cases examined, appropriate evaluation had been conducted against clearly defined objectives and appropriate baseline research. The remainder fell within the following broad categories:

- clear objectives and targets were not established for the particular campaign or activity and little or no evaluation had been conducted;
- the assessment of achievements was difficult due to the absence of baseline research prior to the campaign;
- although substantial data had been collected it was not clearly linked to the defined objectives of the campaign; or
- there was a need for more sophisticated analytical techniques to be adopted, particularly in the area of eliminating contributing factors, other than marketing, from the analysis.

5.10 Organisations such as Tourism Victoria, the Victorian WorkCover Authority, the Communications Unit within the Office of the Premier, and Gas and Fuel had collected a significant amount of research data. There was, however, a need for improvements in the evaluative processes of these organisations.



5.11 One of the reasons cited by organisations for the absence of appropriate evaluation was the costs involved. However, audit concluded that unless sufficient funds are allocated to the evaluation process, major activities which are of little benefit in meeting stated objectives may continue, excessive funds may be allocated to particular components of campaigns or, in extreme cases, activities which are in fact having a detrimental impact may be continued.

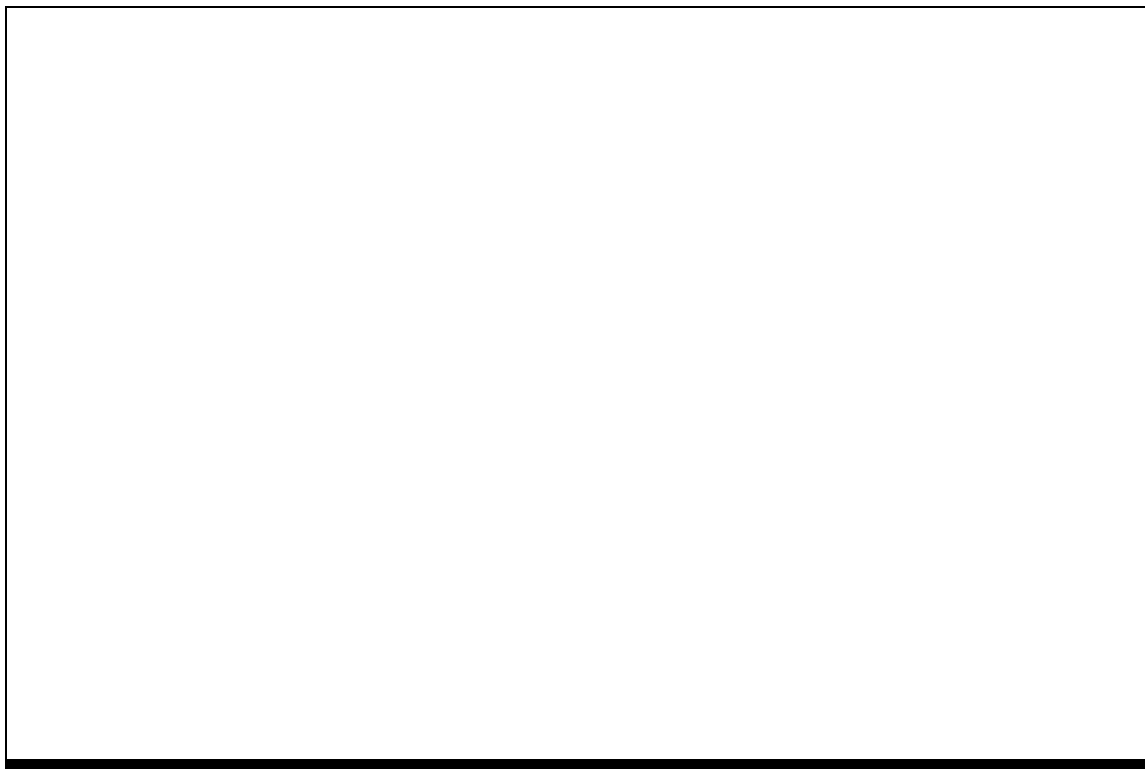
5.12 Although benchmarks are not available within the industry to assess the adequacy of the level of funds allocated to evaluation, specialist advice provided to audit is that as a *rule of thumb* around 10 per cent of major campaign funds should be allocated to the evaluation process. Current levels of expenditure within the organisations examined were generally well below this level.

5.13 Reservations were also raised by organisations regarding the difficulties in isolating the effects of marketing from other factors impacting on the achievement of objectives. While recognising these difficulties and acknowledging that results may not be conclusive, audit considers that such evaluations can provide important information to management and useful input to the ongoing planning and monitoring process.

General marketing activities

5.14 In the case of general marketing activities not linked to major campaigns, such as those examined within the Department of Conservation and Natural Resources, the Country Fire Authority, the Office of Fair Trading and Business Affairs, and the Office of the Chief Commissioner of Police, the level and nature of evaluation were generally found to be deficient.

5.15 For example, the total costs across the public sector of developing printed material such as posters, brochures and pamphlets is estimated to be over \$18 million a year. However, in most organisations examined, the effectiveness of the items in terms of meeting the information needs of the target audience or changing practices or behaviour had generally not been assessed. In the limited number of organisations where feedback had been sought, it often took the form of a survey included in each publication and therefore was directed only at recipients rather than target audiences. Such surveys are not necessarily valid since responses may be biased to certain user groups. In addition, responses to the surveys were generally not followed-up and those received were often not consolidated and analysed.



Field days at country locations often form an important part of the marketing activities of public sector organisations.

5.16 Where organisations held stands at field days or agricultural shows, even basic statistics such as the number of visitors to the stands and exhibits had generally not been collected and attempts had not been made to assess any changes in knowledge or practices as a result of the activities.

□ **RESPONSE** by Secretary, Department of Justice

The mechanisms used by the Office of Fair Trading and Business Affairs to design products and information strategies and measure their effectiveness represent a substantial evaluation process of marketing activities. They include focus groups, pre and post-survey cards and feedback forms. Nevertheless, the Auditor-General's comments are noted and the need for further evaluation processes will be examined.

EFFECTIVENESS OF MARKETING

5.17 The following examples, drawn from major campaigns and marketing activities examined during the audit, highlight weaknesses in evaluation processes in addition to difficulties encountered by organisations in evaluating marketing effectiveness. They also serve to illustrate, where data is available, the extent to which the campaigns and activities have achieved the desired outcomes.

.....

Electricity supply industry privatisation advertising campaign

5.18 This advertising campaign formed part of a broader communication strategy directed at electricity supply industry reforms. Research undertaken prior to the placement of advertisements in the media indicated that consumer knowledge about the Government's proposed reforms was poor and that there were deep concerns within the community regarding the privatisation program.

5.19 The objective established specifically for the advertising campaign was for Victorians to say at the conclusion of the campaign "I can see why the Victorian Government is privatising the supply of the State's electricity and at least I know exactly what is going on".

5.20 It is recognised that the advertising campaign was only one element, although a major component, of a broader communication strategy directed at the electricity supply reforms. However, measurement of outcomes against the documented objective agreed with the advertising agency engaged to produce the advertisements was important, especially given the substantial public funds involved.

5.21 Market research undertaken during and subsequent to the placement of advertisements suggested that they were not effective in achieving the stated objective. Responses to some issues addressed in market research, commissioned to measure the effectiveness of the advertising and to monitor attitudes to proposed reforms over the duration of the campaign, indicated that the proportion of those in the community considering they were well informed did not increase. It also disclosed that the advertising may have reinforced or increased the negative attitudes held by some people within the community. Audit considers that these results achieved immediately following that particular advertising campaign suggest that the associated costs of \$1.3 million did not meet the campaign objectives.

5.22 Specialist advice provided to audit indicated that based on the research conducted prior to the advertising campaign it was unrealistic to expect to achieve the stated objective through the campaign adopted, particularly given the short timeframe of the campaign of around 10 weeks and the entrenched attitudes within the community.

□ **RESPONSE** by Secretary, Department of Treasury and Finance

The Department does not support the conclusions reached and believes audit has incorrectly reached those views as a result of restricting the audit examination to the major advertising (electronic and print) initiative which occurred during the March/April 1995 period. The Auditor-General's Report, despite its intended focus on a total marketing concept, has not taken into consideration the broader program of communication activities both by the Government and the industry itself that supported the electricity industry reforms and which were designed to inform the wider community and specific audiences such as business and welfare agencies.



□ **RESPONSE** by Secretary, Department of Treasury and Finance - continued

Audit's findings also fail to recognise that changes in the community's approach on such a major policy as privatisation was not expected to occur immediately, and certainly not as a result of a single initiative within a broader program. Change was expected to occur as awareness increased through the wider communication program and as the benefits of reform became evident. Audit was advised that, while a number of target outcomes may have been embraced, the primary objective and overriding aim was to open the debate to the community through providing information and sharing expert opinion, thus improving knowledge and also, to some degree, to challenge the misinformation that had been circulating. This approach was initiated as a direct result of earlier research, a point acknowledged in paragraph 5.18 of this Report. The content and direction of the advertising approach had also been independently tested and supported in advance as part of that earlier research and through focus groups. The Department acknowledges the criticism regarding short-term expectations embraced by its advisors in view of such a major campaign.

In opening the debate in this way it allowed the community to better assess the merits of the reforms and provide comment to the Government on areas of uncertainty to which further responses and information were disseminated, e.g. consultative processes and mechanisms for dispute resolution, reaffirmation of legislated electricity price reductions, regulatory structure and continued government funding for obligations such as winter energy concessions.

Current market research shows that a greater awareness and understanding of reforms is present in the community as the benefits of privatisation are realised, including improved and guaranteed services and retirement of the State's debt.

Office of the Chief Commissioner of Police recruitment

5.23 The Office of the Chief Commissioner of Police has not set in place systems or procedures to measure the effectiveness of its recruitment marketing function. Analysis of available statistics suggests that while the placement of recruitment advertisements in the media has been effective in attracting significant numbers of applicants, it has not necessarily been successful in attracting suitable candidates in that:

- there have not been sufficient recruits in recent times to fill the Police Academy's monthly induction targets; and
- of the average 3 500 applicants a year, over the past 15 years, only around 19 per cent have been successful.

5.24 There is not sufficient available data to analyse the results relating to specific categories which have been the focus of the Office's corporate objectives, such as graduates, women, people of non-English speaking backgrounds and people from rural communities. Similarly, information is not available regarding the proportion of applicants who are eliminated at each phase of the selection process. Such information should assist in developing marketing strategies. For example, audit was advised that around 80 per cent of male applicants fail the English essay component of the selection process indicating that marketing may not be effective in attracting applicants at a suitable literacy level.



5.25 An average of 14 per cent of the successful applicants over the past 15 years have resigned before completing the base entry induction programs. While attrition rates do not necessarily reflect the overall effectiveness of marketing due to the numerous reasons for recruit departures, they can provide useful data. Audit was advised, for example, that recruitment advertisements promote a diversity of careers when in fact up to 7 years in basic training is required before career options may be available. Some recruits who leave before completing the induction programs have given numerous reasons such as "*false expectations*" or "*wrong perceptions*".

5.26 While more effective marketing by the Office may involve additional costs in identifying target audiences and evaluating outcomes, the attraction of more suitable applicants may, in the long-term, assist in reducing overall costs associated with the selection process and minimising the costs involved in inducting recruits who subsequently resign at an early stage.

□ **RESPONSE** by Chief Commissioner, Office of the Chief Commissioner of Police

Efficiency and effectiveness measures are currently being implemented within the newly created Recruitment and Career Planning Office. Recommendations outlined in the Report will be noted and implemented where appropriate.

"You'll love every piece of Victoria" advertising campaign

Campaign evaluation

5.27 Tourism Victoria established objectives for this campaign of creating an image of Victoria as a destination with diverse and unique offerings and improving the target audience's perception of Victoria, leading to an increase in actual travel to the State. Performance indicators or targets which relate directly to the image and perception of Victoria were not established and research data to specifically track changes in image was not collected until mid-1995. In addition, baseline research data collected prior to the launch of the campaign was not appropriately analysed. As a result, the impact of the advertising and the effect of marginal increases or decreases in the level of expenditure on advertising had not been determined.

5.28 Effectiveness of the campaign is measured by Tourism Victoria against the performance indicators established for its overall marketing activities. Management recognises the need to separately track and evaluate the effectiveness of the advertising campaign but considers it is not scientifically possible to do so without adding substantially to overall costs.

5.29 Specialist advice provided to audit indicated that there is no single recognised model for quantitative measurement of image shifts. Nevertheless, it is possible to measure effectiveness through the analysis of trends in data such as the number of respondents to surveys who indicate a positive image of Victoria or who show a knowledge of the diverse attractions within the State.



Evaluation of marketing activities

5.30 Performance indicators relating to Tourism Victoria's overall marketing activities, i.e. awareness of the advertisements, preference and intention to visit Victoria, and actual visits to Victoria, have been established and targets set in each of these areas. A range of data, including trends in these areas, is used to monitor effectiveness.

5.31 Data was provided by Tourism Victoria comparing benchmarks established prior to the October 1993 launch of the campaign with average outcomes for the 12 months to 30 June 1995. The data indicated that, on a national basis:

- awareness of Victorian advertising had increased from 12 per cent to 15 per cent;
- preference and intention to visit Victoria had fallen slightly from 24 to 23 per cent and 12 to 11 per cent, respectively;
- achievements were well below the 1994-95 targets set by Tourism Victoria in relation to awareness (target 20 per cent), preference (27 per cent) and intention (15 per cent);
- market share in relation to the number of nights tourists stayed interstate had been maintained at 15 per cent; and
- market share in relation to the total number of interstate and intrastate trips, the total number of nights tourists stay interstate and intrastate, and the number of trips made from interstate have all increased.

5.32 However, it is not possible to conclude to what extent these outcomes result from Tourism Victoria's marketing activities because the impact of the numerous other motivating factors for travel, such as economic or weather conditions, have not been identified and eliminated from the figures.

5.33 It is recognised that evaluation of individual campaigns and overall marketing activities are difficult in the tourism industry given the myriad of factors impacting on tourism activity. Nevertheless, with a view to substantiating that the significant funds allocated to marketing achieve the desired outcomes, it is important that Tourism Victoria continues to refine its evaluation processes along the lines discussed in this Report.

□ **RESPONSE** by Chief Executive, Tourism Victoria

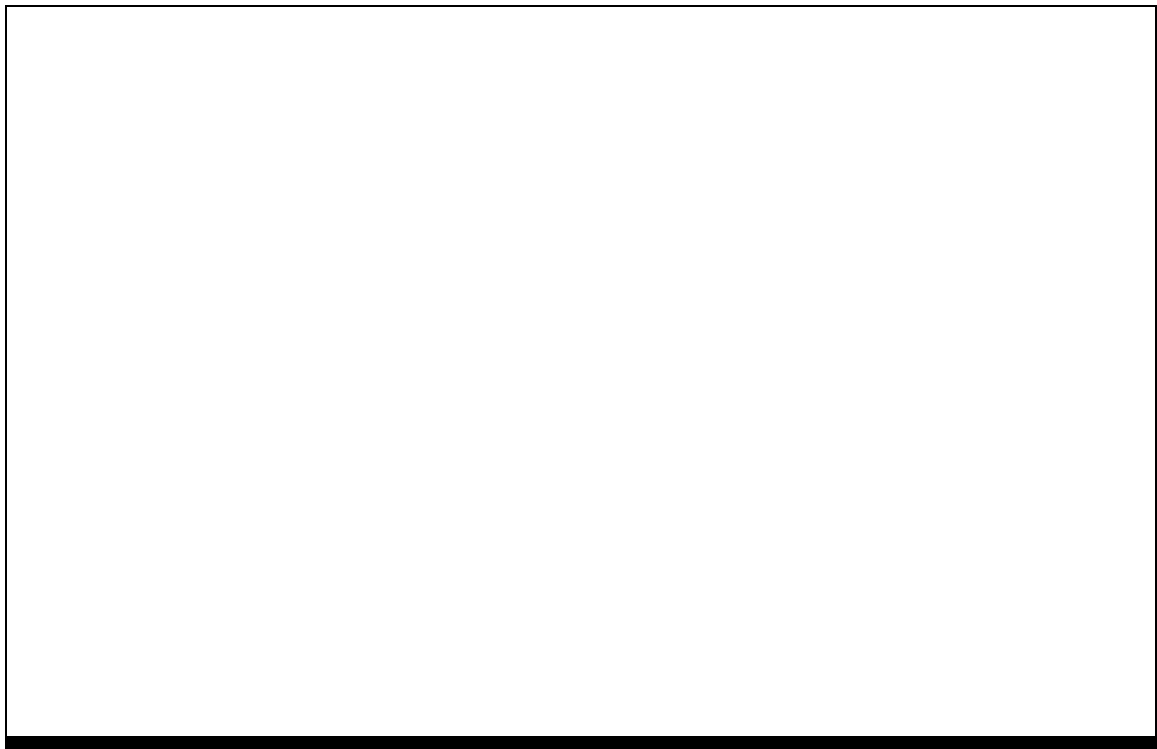
Tourism Victoria considers that there is no cost-effective way of quantifying the impact of destination or image campaigns of the sort undertaken. Tourism Victoria uses the broad weight of evidence approach to evaluate campaign effectiveness. In terms of final outcomes of the campaign, it should be noted that domestic trips to and within Victoria grew 12 per cent for the year ending March 1995, compared with the same period the previous year. This follows an increase of 14 per cent over 1993. Tourism Victoria will, however, continue to pursue cost-effective evaluation techniques that enhance its capacity to measure campaign effectiveness.

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"Gas Hot Water" campaign

5.34 Gas and Fuel has set in place sound evaluative processes involving the definition of clear objectives, benchmark research and post-campaign evaluation procedures. The evaluation examined by audit of the most recent "Gas Hot Water" campaign indicated that the advertising component of the campaign was successful in:

- increasing total awareness of the advertisements from 67 per cent in previous campaigns to 83 per cent;
- increasing the proportion of those seeing the advertisements who *got the message* from 24 per cent in the previous advertisements to 50 per cent;
- slightly increasing preference for gas hot water; and
- maintaining recognition of the constant supply benefits of gas hot water.



Billboard advertisement supporting Gas and Fuel's marketing activities.

Public Transport Corporation Marketing Campaign (Stage 1)

5.35 The objectives of this marketing campaign were to improve the image of The Met, help maintain the existing customer base and ultimately increase patronage. It was originally intended that the marketing would form part of a broad strategy focusing on a number of service improvements. As the improvements were still in the early phase of implementation when the Stage 1 advertisements were aired between March and June 1995, the focus was changed to promoting the general benefits of public transport with the intention of adopting the original strategy later in 1995. The Corporation deferred any evaluation of the marketing until midway through this second phase.

5.36 A periodic customer survey issued by the Public Transport Corporation contains a limited number of questions relating to overall perceptions of The Met.



Responses to these questions over the period the Stage 1 advertisements were aired did not show any marked improvement in the image of The Met. However, in the absence of tracking and evaluation specifically directed at the advertising, it was not possible to assess its effectiveness or to evaluate whether value-for-money was obtained for the associated costs of \$400 000. From September 1995, specific questions relating to the effectiveness of advertising were included in the customer survey and, over time, this data should provide more useful information to assist the Corporation in evaluating its marketing campaigns.

Public Transport Corporation advertisement promoting the advantages of using public transport to attend sporting events.

WorkCover Scheme "Return to Work" marketing campaign

5.37 A range of research data is collected by the Victorian WorkCover Authority to assess the effectiveness of this campaign in achieving a positive attitudinal change in relation to the return to work of injured workers. Research commissioned by the Authority has shown high awareness of campaign advertisements and their intended message, and a shift in employer and employee attitudes. Based on these results, together with quantitative data showing a decrease in the average duration of WorkCover claims from around 15 weeks in 1992-93 to 11 weeks in 1993-94 and a decrease in the number of WorkCover claims from 32 000 to 16 500 over the same period, the Authority has assessed the marketing campaign as successful.



5.38 While providing positive overall results in relation to the WorkCover Scheme and the rehabilitation service provided to injured workers, audit considers that the research data collected does not enable a full assessment of the impact of the marketing campaign, particularly its impact on the attitudes of those injured workers returning to work. For example, qualitative assessments of whether the workers consider they are provided with appropriate support systems in the workplace and whether co-workers have positive attitudes to their return, have not been undertaken. In addition, the extent to which outcomes have resulted from the strong financial incentives to employers to encourage injured workers to return to work, rather than positive changes in the attitudes of the workers, have not been identified.

5.39 At March 1995, \$3.8 million had been spent on television advertising associated with the campaign. The frequency and placement of advertisements was aimed at reaching 90 per cent of the target audience. Audit concluded that this target was very ambitious, particularly in the initial phase of the advertising, and that such high levels of exposure may have led to a disproportionate level of expenditure on television advertising.

5.40 The impact of campaign marketing activities other than advertising, such as posters, pamphlets, brochures and community education activities involving expenditure totalling approximately \$3 million, had not been formally measured by the Authority.

ETHNIC ADVERTISING AND PROMOTION

Premier's instruction

5.41 In July 1994, the Premier issued an instruction requiring all organisations to direct 5 per cent of their advertising and promotional expenditure to the ethnic community. Although many of the organisations examined had undertaken some form of ethnic marketing, most had not met this target.

5.42 While recognising that the instruction was a positive move in terms of encouraging organisations to consider the ethnic community in the communication process, it was evident during the audit that the instruction is in need of review. A number of difficulties experienced by organisations in interpreting the instruction were highlighted, such as whether:

- ethnic advertising or promotion includes only communication in a language other than English or also includes other culturally appropriate communication methods;
- it relates to advertising expenditure within the Victorian market only; and
- the proportion of funds allocated relates to all advertising and promotion or only to the media where advertisements in a language other than English is appropriate.



5.43 The use of a target budget allocation is considered inappropriate as the level of ethnic marketing should primarily be dependent on the audience targeted by a particular marketing activity. For example, in some organisations such as the Country Fire Authority or the Office of Fair Trading and Business Affairs the ethnic community forms a key component of the target audience. Overall expenditure in line with parameters set in the Premier's instruction may not be sufficient in these cases to enable linguistically and, more importantly, culturally appropriate strategies to be implemented, given that around 15 per cent of the Victorian community is from non-English speaking backgrounds.

5.44 A more appropriate central guideline in relation to ethnic marketing is considered to be one which emphasises that effective reach of ethnic communities and the use of culturally appropriate methods of communication should be the aim of organisations.

□ **RESPONSE** by Chairman, Country Fire Authority

The Authority recognises the need to pay particular attention to addressing fire safety information to ethnic audiences. In the absence of appropriate research, effective targeting and use of suitable communication methods have been difficult. This has been addressed with an officer now required to undertake comprehensive research and develop a suitable ethnic communication strategy.

□ **RESPONSE** by Secretary, Department of Justice

The level of expenditure by the Office of Fair Trading and Business Affairs is targeted in accordance with the needs of specific ethnic communities. As it happens, 8 per cent (exceeding the Premier's target of 5 per cent) represented an appropriate needs-based response, based on the experience of the Office in serving the needs of the ethnic community over many years.

Selection of appropriate media

5.45 Within the organisations examined, there had been limited research undertaken to identify the attitudes, information needs and most suitable medium for ethnic marketing. In many cases, ethnic communication was considered only in terms of issuing publications in languages other than English and placing advertisements in the ethnic press or on ethnic television and radio.

5.46 In this regard, a report titled *Ethnic Policies and Programs Analysis*, published in 1991 by the then Ministry for Ethnic, Municipal and Community Affairs, identified the need for people from non-English speaking backgrounds to have access to adequate information regarding resources available to them in the community. It suggested that culturally effective techniques such as ethnic community networks and personal contact needed to be considered rather than placing reliance primarily on interpreters and translated written material.



5.47 The audit found that in isolated cases, consideration had been given to more appropriate means of ethnic communication. Examples included:

- funding by the Victorian WorkCover Authority to enable programs for injured workers to be conducted by ethnic community groups;
- a survey by the Department of Conservation and Natural Resources of the information needs of the Vietnamese community in relation to recreational fishing;
- the use of cooking segments on ethnic radio by Gas and Fuel; and
- adoption by the Office of Fair Trading and Business Affairs of a number of alternative communication measures which took into account cultural preferences.

5.48 It is important not only in informing ethnic communities of services and benefits but also in marketing directed at changing behaviour that thorough research of the target audience is undertaken to ensure cultural attitudes are taken into account, where necessary, in the preparation of marketing material.

□ **RESPONSE** by Secretary, Department of Justice

The Auditor-General's support for action taken by the Office of Fair Trading and Business Affairs in adopting a number of innovative measures to communities is noted and appreciated.

□ **RESPONSE** by Secretary, Department of Premier and Cabinet

The Government expects agencies to meet the 5 per cent ethnic advertising requirement, and to use discretion beyond this level. The advertising medium to be used, and the amount of expenditure on ethnic advertising, should be determined by departments and agencies, taking into account the needs of their target populations and the nature of the communication. Given that many persons from non-English speaking backgrounds will study the mainstream media, the 15 per cent figure mentioned by audit appears somewhat irrelevant. Much of the expenditure will go on brochures and publications in languages other than English.

Part 6

Media Buying



OVERVIEW

6.1 In late 1992, the Government entered into a revised arrangement involving the consolidation of all media placements under one contract, rather than each public sector organisation placing advertisements in the media independently. The consolidation process has resulted in significant savings to the Government.

6.2 Nevertheless, audit found that the procedures followed for the selection of the contractor were poorly documented and did not meet some aspects of sound public sector accountability. In addition, there is a need for monitoring procedures to be improved to enable the performance of the contractor to be assessed and the actual savings achieved under the arrangement to be independently quantified.

6.3 It was intended that a revised contract would be put in place when the current arrangement expired in December 1995. However, the existing contract was extended for a further 6 months pending the final outcome of a determination of the Australian Competition and Consumer Commission. Before finalising a revised long-term arrangement, consideration needs to be given to optimising the Government's negotiating position under the flexible arrangements of a more deregulated industry which could result from the decision of the Commission.

INTRODUCTION

Cost of media placements

6.4 A major component of public sector marketing expenditure is associated with placing advertisements through media such as television, radio, newspapers, magazines, cinemas, billboards and outdoor advertising on transport vehicles. The cost of producing advertisements and acquiring media space is over \$48 million a year with by far the greatest cost associated with television advertising.

Industry accreditation system

6.5 Since 1967, an accreditation system has been in place in Australia which was designed to facilitate trading arrangements between advertising agencies and the major media proprietors. With the exception of advertisements in the classified sections of newspapers, media proprietors require advertisements attracting commission to be placed through an accredited agency.

6.6 In return for payment of a commission from the media proprietor, generally amounting to 10 per cent, accredited agencies are to:

- meet defined requirements in relation to payment of accounts;
- meet certain financial requirements;
- accept the risk in the case of an advertiser defaulting on payment for an advertisement;
- provide certain indemnities to the media proprietors; and
- ensure advertisements comply with the Advertising Code of Ethics.

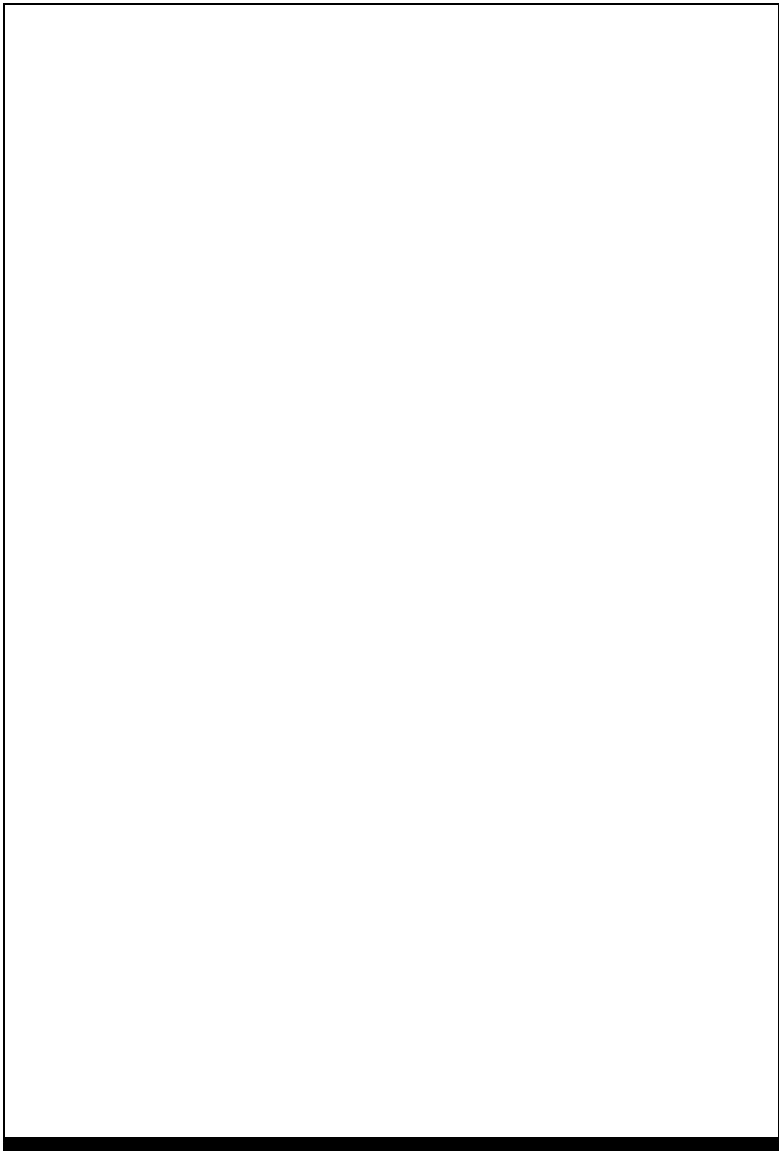


6.7 The Australian Competition and Consumer Commission has recently made a determination to revoke the advertising industry accreditation system on the grounds that the benefits of the system to the public no longer outweigh the anti-competitive nature of the system. Appeals have since been made to the Australian Competition and Consumer Tribunal by the Advertising Federation of Australia and members of the Media Council of Australia and, until a decision on the appeal is reached, the existing accreditation system will remain in place.

MEDIA RATES

6.8 The basis and level of charges for placing advertisements varies depending on the medium used and the expected audience for the advertisement. For example, the rates for television placements on a weekday morning could be around \$400 for a 30 second advertisement compared with around \$4 000 for the same length of advertisement on a Sunday evening. Similarly, a billboard placed adjacent to an urban freeway or in a heavily populated area would be more expensive than one placed in a remote location.

*Public Transport Corporation
billboard situated in the
Melbourne
Central Business District
promoting the benefits of
public transport.*





6.9 Effective media advertising rates are dependent, to a large extent, on the bargaining position and negotiation skills of the buyer placing the advertisement. Advertisers making placements through accredited advertising agencies benefit from the practice adopted by agencies, or a group of agencies, of negotiating discount rates on the basis of their total client base. Additional savings can be achieved for large advertisers through negotiating specific client placement benefits on top of the agency's negotiated rates. Where a client uses more than one advertising agency for creative purposes, a master agency media buyer is generally appointed to arrange all media placements for the client thereby maximising discounts available.

6.10 A number of specialist media buyers have been established within the advertising services industry to provide services to clients in the areas of planning media placements and negotiating rates on their behalf.

CENTRALISED MEDIA BUYING ARRANGEMENTS

6.11 Prior to June 1992, the former Victorian Government Advertising Unit (AdVic) managed 2 master agency media buying contracts: one for television and radio and one for print media. The contracts were aimed at maximising the Government's purchasing power through the consolidation of media placements for non-budget sector organisations. While organisations were encouraged to place media advertisements through AdVic, there was no mandatory requirement to use the contracts. Audit was advised that many organisations continued to arrange media placements either directly, in the case of classified advertisements, or through their advertising agencies.

6.12 In October 1992, the newly appointed Director of Communications within the Office of the Premier established a revised master agency media buying arrangement for the public sector.

6.13 DDB Needham Melbourne Pty Ltd, and later DDB Needham Worldwide Pty Ltd, was appointed as the interim master agency media buyer while a tender was conducted with a view to engaging a buyer for a 3 year period. Leeds Media was subsequently awarded the Government contract in early 1993 and commenced acting on behalf of the Government in May 1993. Public sector organisations, in both the budget and non-budget sectors, were instructed by the Premier that it is compulsory to place all media advertisements through Leeds Media.

APPOINTMENT OF LEEDS MEDIA

6.14 An audit examination disclosed that the procedures followed for the selection and appointment of the master agency media buyers were poorly documented and, although approved by the former State Tender Board, did not meet some aspects of sound public sector accountability standards. As indicated in the Auditor-General's *Special Report No. 31, Purchasing Practices*, May 1994, the various checks and balances in the public accountability process, although seen by some as a hindrance to efficient management, are designed to protect a Government's reputation and the interests of the public at large.

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Tendering procedures

6.15 In the case of the interim arrangements in place over the period October 1992 to May 1993, the appointment was not subject to a tendering or quotation process while the appointment of Leeds Media was only subject to a selective tender process. Tender documents issued by the Office of the Premier for the selective tender process were found to be inadequate in that they did not include detailed specifications of requirements, conditions of contract or criteria to be used as a basis of selection.

6.16 While recognising that the procedures followed were aimed at expediency, the absence of a public tender for the appointments may have disadvantaged the Government in obtaining the best value-for-money and ensuring all prospective tenderers were treated equitably.

Basis of selection

6.17 The criteria used to short-list 7 initial submissions sought by the Government and to make the final selection from 3 short-listed tenderers were not clearly stated. Audit has a number of concerns regarding the appropriateness of some of the criteria which appear from documentation to have been used to assess tenders, namely:

- The use of the level of media commission to be retained by the tenderers was inappropriate as a basis of selection as it had no direct bearing on the value of the contract to the Government;
- Independence from influence of creative advertising agencies used as a criterion to short-list submissions was not necessarily conducive to achieving the best value-for-money as it may have eliminated agencies which were able to negotiate large volume discounts. In addition, 2 of the short-listed companies had clear links with creative advertising agencies and the successful tenderer has also subsequently entered into a financial alliance with a firm which has links with a creative agency;
- The ability to provide systems and service tailored to government needs was stated as a basis of selection. However, the specific requirements of the Government were not defined in tender documents. The only specific requirement relating to systems which was subsequently included in the contract with the successful tenderer was the installation of an on-line data system in the Office of the Premier. This requirement has not been met; and
- A lack of industry accreditation was noted as a factor against the appointment of one of the tenderers. However, the successful tenderer was also not accredited at the time of appointment.

6.18 There is no evidence that key aspects which should have been major considerations in the selection process including purchasing power, negotiation skills, media planning experience, research knowledge, financial stability and availability of appropriate infrastructure were evaluated. As the successful tenderer was a newly established firm primarily organised to submit a tender, most of these aspects were untested.

6.19 The submission to the Premier recommending the appointment of Leeds Media identified that strong media buying connections were important to ensure the most competitive negotiated rates. In this regard, the submission stated that the



recommended tenderer would have links with a major media buying group. This association did not eventuate.

6.20 The evaluation of tender submissions was undertaken solely by the Director of Communications rather than by a selection panel. This led to accusations in the Parliament of conflict of interest given the Director's previous working relationships with the successful tenderer.

CONTRACT MONITORING

6.21 For the 5 months to October 1993, while Leeds Media sought accreditation, media placements were made on behalf of Leeds Media by DDB Needham Worldwide Pty Ltd. In return, DDB Needham was paid a portion of the commission received by Leeds Media from media proprietors. Audit found no evidence that this arrangement had been formally approved by the Government, as required under the contract.

6.22 Under contract arrangements, certain data is to be provided by Leeds Media to the Communications Unit to assist in monitoring contractual arrangements. Although audit was advised that staff of the Communications Unit now meet regularly with the contractor, there was little documentation within the Unit to evidence monitoring of the contract or evaluation of how well Leeds Media has planned media placements and negotiated rates on behalf of the Government.

6.23 It was not until July 1995 that the Department of Premier and Cabinet's internal auditors finalised an audit of compliance with the contract. The initial audit covered the period May 1993 to December 1994 and was to be followed by 3-monthly audits from that time. The audit process is a critical control mechanism, particularly in verifying that rates negotiated by Leeds Media and charged by media proprietors are accurately passed on to individual public sector organisations.

6.24 The internal audit identified a number of deficiencies in relation to compliance with the contract, which were also confirmed during the current audit by my Office, including the following:

- There was no document, signed by both parties and approved by the Director of Communications, detailing the media placement rates negotiated by Leeds Media. As a result, it was not possible to substantiate that rates charged by Leeds Media were in line with those negotiated;
- A contractual requirement had not been fully met for Leeds Media to check that the actual placement and timing of all advertising had occurred as booked. This checking had only been performed when requested by particular public sector organisations; and
- Agreed media rates were not provided to the Communications Unit or public sector organisations. Consequently, rate verification work could not be undertaken by either of these parties.

6.25 The current audit found that the rates charged by media proprietors were correctly invoiced to individual agencies during the period November 1993 to December 1994. However, as documentation was not available to audit the arrangements in place for the 5 months to October 1993, there is no assurance that the rates negotiated and charged by media proprietors during that period were correctly



passed on to public sector organisations. At the time of completing examinations in late 1995, the internal audit of transactions since December 1994 had not been undertaken.

□ **RESPONSE** by Secretary, Department of Premier and Cabinet

The Communications Unit meets with the contractor monthly to assess performance. The internal auditor has undertaken rate verification on a sample basis and has not reported any irregularities.

The initial internal audit report was completed in February 1995 but was not released until July 1995. Transactions for the period 1 January to 30 April 1995 have been audited, with the audit of transactions for the period from 1 May 1995 to 31 October 1995 currently in progress.

OUTCOME OF THE ARRANGEMENTS

6.26 According to a report provided by Leeds Media, the master agency media buying contract saved the Government approximately \$9 million between October 1993 and December 1994, including savings resulting from:

- improved buying rates (\$4.1 million);
- bonus spots (\$3.3 million);
- community service announcements (\$700,000); and
- other negotiated benefits (\$1 million).

6.27 Procedures were not in place within the Office of the Premier to substantiate these savings or the more recently estimated savings of \$16 million reported to the Department by Leeds Media. Similarly, procedures had not been established to evaluate how well Leeds Media has planned media placements and negotiated rates on behalf of the Government.

6.28 Audit analysis of the data provided by Leeds Media indicated that the major component of the reported savings in the form of improved buying rates, represents the difference between the 1992-93 and 1993-94 rates paid by public sector organisations. Audit found that these improved rates primarily represent the savings resulting from the Government's decision to consolidate media placements through one buyer to achieve volume discounts. As the ability to achieve lower media buying rates are, to a large extent, dependent on the volume of business negotiated, the rates do not necessarily represent the negotiating ability of the buyer. In addition, as rates negotiated by other media buyers are not generally available, due to the apparent commercial confidentiality of the information, it is not possible to determine the extent to which lower rates are due to market factors within the industry.



6.29 The savings identified by Leeds Media for bonus spots relate to advertisements aired free of charge by the media. As knowledge of their placements is generally not known in advance, or incorporated within the plans developed for a particular campaign, the spots do not necessarily add value to organisations in the achievement of their media strategy objectives. For example, the bonus spots may be placed outside the viewing time or program preference of the campaign target audience.

6.30 Community service announcements arranged by Leeds Media have benefited organisations such as the Children's Welfare Association of Victoria and the Wesley Central Mission. However, they have not necessarily resulted in the savings to Government attributed by Leeds Media to the announcements. In addition, decisions regarding the beneficiaries of these announcements were inappropriately made by Leeds Media rather than the Government.

6.31 While it is clear that the arrangements with Leeds Media have resulted in significant benefits, the estimated savings calculated by Leeds Media are considered questionable, particularly in the area of bonus spots and community service announcements.

6.32 Audit found that further rate improvements may be possible through the master agency media buying contract if the following matters were addressed:

- The Communications Unit has not co-ordinated government organisations to provide forward advertising estimates to Leeds Media. Prior to entering into the contract, the Unit estimated that the value of the Government's media placements amounted to between \$10 and \$20 million. Actual placements in the first year of the contract amounted to \$30 million and in 1994-95 amounted to over \$40 million. The absence of accurate data at the time the media buyer negotiates with media proprietors may impact adversely on the negotiation of rates;
- Within the government organisations examined by audit, the majority of media placements were made through Leeds Media. However, in the case of one organisation, around half of the recruitment advertisements had not been placed through Leeds Media and in others certain placements in regional newspapers and magazines had been made directly with the media proprietors. To enable the full benefit of discounts to be achieved, it is important that all organisations comply with the centralised media buying requirement; and
- Under contractual arrangements, Leeds Media is to provide media planning services to government organisations. Audit found that in some cases this service was not provided due in part to a lack of knowledge regarding the services available free under the contract or a decision by the organisation to use the services of its advertising agency at an additional cost.

□ **RESPONSE** by Secretary, Department of Premier and Cabinet

Leeds Media has now estimated total savings from the contract to be in excess of \$16 million. While this figure cannot be fully substantiated because any calculation implies an unchanged base, audit has insufficient basis to state that savings of \$9 million were overstated.



□ **RESPONSE** by Chief Commissioner, Office of the Chief Commissioner of Police

The recommendations raised in relation to media placement through the Government's provider, Leeds Media, are noted. It should be noted, however that the Office can attract significantly cheaper and more attractive prices via direct contact with the proposed media outlet. The 7 per cent commission charged by Leeds Media is not regarded as value adding.

MEDIA COMMISSIONS

6.33 At the time Leeds Media was selected and the initial contract signed, it was envisaged that a proportion of the 10 per cent commission paid on media placements would be retained by Leeds Media with the balance returned to the Government. As this arrangement was in conflict with the rules of accreditation of the Media Council of Australia, which had been in place for some time, there was a need to subsequently amend the contract. Under revised arrangements:

- the balance of the commission which was to be paid to the Government is paid by Leeds Media to the advertising agency involved in developing the particular advertising campaign; and
- Leeds Media retain the full 10 per cent in the case of advertisements which do not involve an advertising agency, such as recruitment or tender advertisements.

6.34 In some cases, organisations have negotiated with advertising agencies to receive benefits to the value of the balance of commissions they receive from Leeds Media. As indicated in Part 4 of this Report, in the case of the Victorian WorkCover Authority it has been estimated that benefits of over \$400 000 a year have been received through such an arrangement. However, audit found that in the majority of cases, organisations have not benefited from the estimated \$3 to \$4 million paid annually by Leeds Media to advertising agencies.

FUTURE DIRECTIONS

6.35 As the contract with Leeds Media was to expire at the end of 1995, the Victorian Government Purchasing Board evaluated tenders received in response to a tender process initiated in July 1995.

6.36 The weaknesses in the procedures followed for the selection and appointment of Leeds Media were largely addressed in the recent tender processes which included a public tender, the issue of a detailed brief, a public briefing of all interested parties, development and communication of selection criteria and establishment of a proposed contract. However, purchasing power, negotiation skills or planning and research knowledge were not specifically defined as selection criteria.

6.37 The tenders were evaluated by a panel set in place by the Victorian Government Purchasing Board. However, due to the recent decision of the Australian Competition and Consumer Commission, the finalisation of the tender was deferred. In the meantime, the contract with Leeds Media has been extended for a further 6 months.



6.38 Prior to finalising any long-term arrangement, it is important that:

- Full advantage is taken of any flexibility offered in the event that the industry becomes deregulated;
- Consideration is given to assessing the most appropriate arrangement for achieving optimum negotiating advantage with both media proprietors and advertising agencies. In this regard, consideration should be given to the continuing need for a master agency media buyer rather than the Government negotiating directly with media proprietors; and
- If a media buyer is to be selected, emphasis is placed in the selection process on the aspects of such an arrangement which are of prime importance in achieving maximum value-for-money to the Government.

□ **RESPONSE** by Secretary, Department of Premier and Cabinet

The Department agrees that there is a need for the Government to place emphasis on processes which will ensure that it will achieve value-for-money in any replacement arrangement.

Part 7

Propriety



OVERVIEW

7.1 Advertising and promotional material are appropriate media often used by public sector organisations to communicate messages to the public. However, in some cases their use can raise issues of propriety, particularly where publicly-funded material attracts criticism as being party-political.

7.2 It was evident during the audit that the absence within Victoria of any legislation or conventions accepted by all political parties, makes assessments in relation to publicly-funded advertising and promotion subject to judgements which are themselves open to challenge.

7.3 Using conventions adopted in the United Kingdom and New Zealand, the audit assessed the majority of material examined as appropriate to the objectives of the relevant organisation. However, many examples were evident, particularly at a central level, where published material contained statements which were clearly party-political in nature. In a number of other cases, the propriety of the material produced was a matter of debate.

7.4 It is important that consideration is given to the adoption of conventions in this area. For such conventions to be effective they need to receive the support of all political parties represented in the Parliament.

INTRODUCTION

7.5 It has been recognised by successive governments that it is often appropriate to use public funds for paid advertising and promotion aimed at explaining policies and programs and to inform the public of their rights. Communication of information designed to encourage behaviour regarded within the community as in the public interest, such as road safety, is also generally seen as appropriate.

7.6 However, at times Opposition parties, the media and the general public have raised issues of propriety and have questioned whether some advertising and promotional expenditure of governments is of a party-political nature, is extravagant or is directed more towards building an image of the Government than on presenting factual and balanced information.

EXISTING LEGISLATION, CONVENTIONS AND GUIDELINES

7.7 An Advertising Code of Ethics has been adopted by the Media Council of Australia governing the regulation of advertising. The term "advertisement" in this context means any matter which is published for payment or other valuable consideration and which draws the attention of the public to a product, service, person, organisation or line of conduct. The Code applies only to the content of advertisements submitted for publication or broadcast by constituent members of the Media Council of Australia.



7.8 The *Constitution Act Amendment Act 1958* contains certain provisions specifically relating to the publication of electoral matter. In this context, electoral matter is defined as "*matter which is intended or likely to affect voting in an election*". Some provisions of the Act relate specifically to printing, publishing and distributing material during the period commencing on the issue of a writ for an election and finishing at the latest time voters can enter a polling booth. Audit found that some aspects of the provisions and definitions provided in the Act could be open to interpretation. For example, different conclusions could be reached regarding whether published material is likely to affect voting in an election.

7.9 While Bills covering all government advertising and promotion have been presented to parliaments by Opposition parties in several Australian jurisdictions, including Victoria, such legislation has not been passed and there are no recognised conventions or rules to provide guidance in relation to publicly-funded advertising. As a result, issues of propriety in this area continue to be a matter of judgement.

7.10 In comparison, paid and unpaid advertising and promotional material has for some time been regulated in the United Kingdom and New Zealand by conventions accepted by all political parties.

7.11 The key principles of the overseas conventions require advertisements and published material to be:

- relevant to the Government's responsibilities;
- objective and explanatory in that they are accurate, factual, truthful, fair, honest and impartial;
- not liable to misrepresentation as party-political; and
- produced and distributed in an economic manner.

7.12 In the absence of Victorian guidance, the principles of the conventions in place in the United Kingdom and New Zealand, in addition to the Code of Ethics adopted by the Media Council of Australia, were used during the audit in assessing advertising and promotional material. Appendix B to this Report provides a detailed summary of the framework used.

APPROPRIATENESS OF ADVERTISING

7.13 The majority of advertising material examined during the audit, produced by individual organisations, was clearly connected with informing the community of programs, educating the public in areas such as consumer rights, changing behaviour, e.g. encouraging the return to work of injured workers, selling products such as gas appliances or promoting Victoria as a tourist destination.

7.14 However, a number of advertisements and published material developed at a central level did raise issues of propriety. As indicated in the following paragraphs, while some items were considered to be clearly party-political in that they contained statements regarding political parties, others fell within a *grey area* where it was not possible for audit to reach firm conclusions.

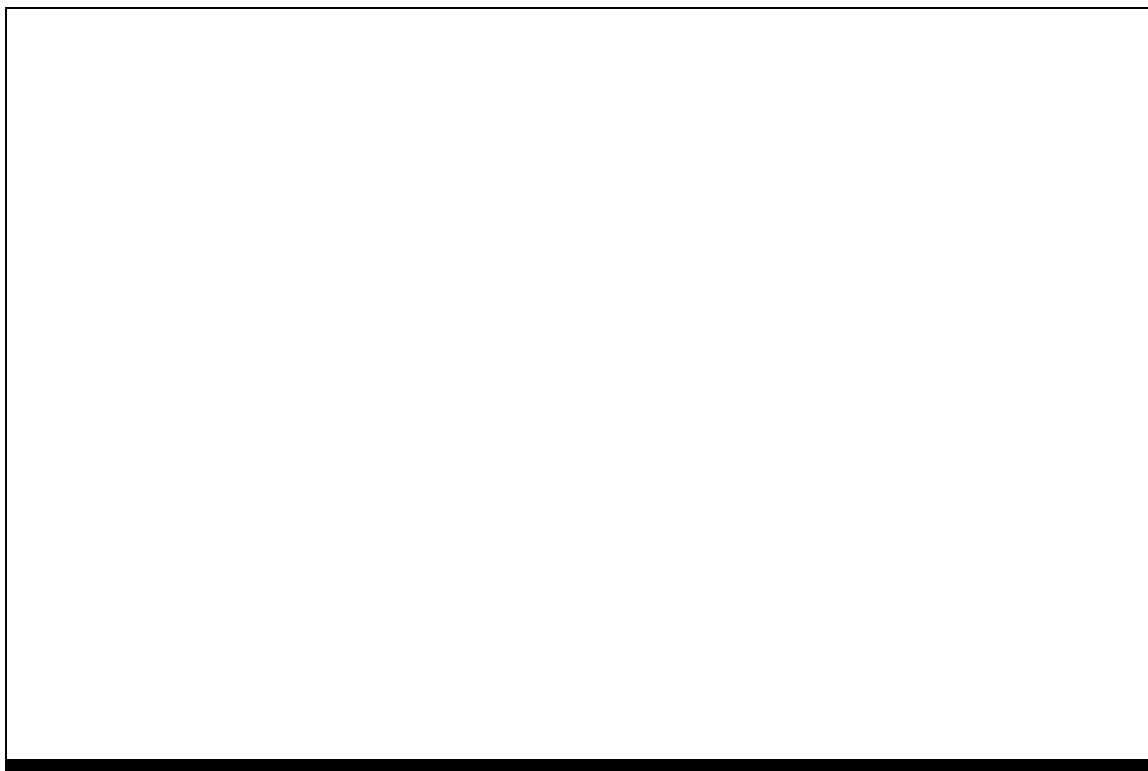


Party-political statements

7.15 The Communications Unit within the Office of the Premier has been responsible for managing the production of a range of publications including documents titled *Victoria on the Move* and *Victoria Leading the Way*, primarily provided to parliamentarians for distribution within their electorates. It has also managed the production and placement of media advertisements and addresses by the Premier.

7.16 Of the 17 items produced within the Communications Unit which were examined by audit in detail, 9 contained references to political parties including the following statements which represented a small sample of such references:

- *"Ten years of Labor mismanagement has crippled our public transport system with inefficiency and massive debt.";*
- *"Given the economic tightrope that has been placed around Victoria's neck by the previous Labor administration, the recession and often rampant industrial action by militant trade unions, the Employee Relations Act is a crucial means by which that rope can be loosened and ultimately removed.";* and
- *"The election of a Liberal-led Coalition Government ended a decade of what is now recognised as the worst period of public administration by any government since the Second World War."*



Selection of "Victoria on the Move" publications issued by the Communications Unit within the Office of the Premier.



7.17 The Communications Unit has also commissioned a Victorian Attitudes Monitoring Study comprising market research which seeks to periodically monitor the attitudes of the community to a range of issues. The results of the Study are not publicly available but are provided to Cabinet and to individual Ministers. Aspects of the Study could be construed as party-political in that it has contained questions on voting habits of respondents in the last election and issues regarding unemployment benefits, an area outside the Government's jurisdiction.

7.18 Audit considers that the use of public funds for party-political purposes is totally inappropriate.

□ **RESPONSE** by Secretary, Department of Premier and Cabinet

The Government maintains its right to monitor community attitudes as in the Victorian Attitudes Monitoring Survey. Issues relating to unemployment are important to the Government. The inclusion of voting patterns is one of the normal techniques of population polling.

Promotion of government policies

7.19 The objective of the electricity supply industry privatisation advertising campaign was directed at the provision of information to the public in relation to the reform process and in that respect was in line with the role of the Government. However, in reviewing documentation supporting the campaign, audit concluded that the advertising was also directed towards changing attitudes to achieve support for the Government's policy directions. In this regard, audit considers that it is a matter of judgement as to whether such advertising is party-political and different people can form completely opposite views.

7.20 Senior management of the Departments of Treasury and Finance and Premier and Cabinet expressed the view that the campaign was directed only at the provision of information and was in no way party-political. On the other hand, some views have been expressed by sectors of the community and in parliamentary debate that expenditure incurred on the campaign should not have been borne by Victorian taxpayers due to its party-political nature.

7.21 The advertisements also contained information presented as statements of fact which audit considers are judgemental in nature and may not clearly and accurately reflect the total position, including statements such as "... *competition has always produced excellence in results*" and "... *reform of the industry will help rejuvenate Victoria as an economic powerhouse*".



□ **RESPONSE** by Secretary, Department of Treasury and Finance

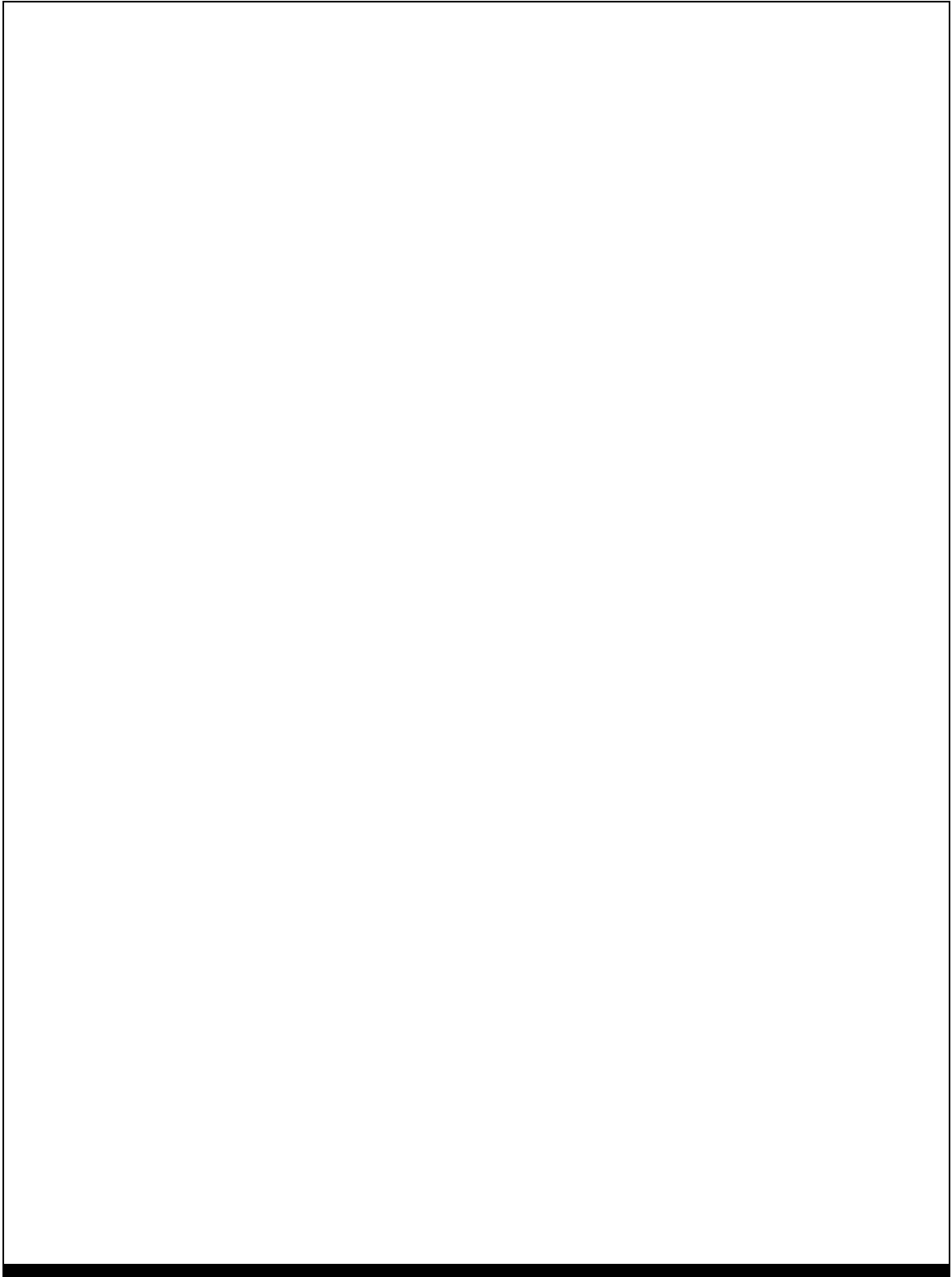
The Department reiterates its view that the advertising was not party-political, as the objective was to explain electricity industry reform policies which clearly was a responsible action for the Government to take. The advertising was initiated in response to consumers wishing to increase their knowledge about the proposed reforms, a point acknowledged by the Auditor-General in this Report (paragraph 5.18). Additionally, each person featuring in the "Expert Speaks" advertisements represented their own views and opinions on the issue and for which no remuneration was paid. The wording contained in those advertisements was also entirely their own, a stipulation sought by those "experts" and one which the Government totally supported. The Government believes that there is sufficient evidence in the public domain nationally and internationally to support the statements contained in the advertisements. The Department rejects as inappropriate and inconclusive audit's claim that views expressed in parliamentary debate are justifiable as evidence to support the view that the campaign was party political.

Promotion of government achievements

7.22 A number of the publications or activities managed within the Communications Unit were directed at communicating the achievements of the Government in positive and, at times, biased language. Examples included:

- full-page advertisements in mainstream newspapers indicating that the economic policies of the Government are showing results and thanking Victorians for "... their part in rebuilding the State"; and
- distribution of publications to individuals or households setting out the positive achievements of the Government since coming to office, including the distribution of a booklet to all households in October 1994 at a cost of over \$300 000.

7.23 Publications issued by some other organisations examined also contained prologues or articles which placed considerable emphasis on the positive achievements of the Government or the organisation and, in some cases, included a number of photographs of Ministers.



*Full page advertisement placed in Victorian and interstate newspapers in June 1995,
at a cost of around \$130 000.*



7.24 This type of material raises the issue of whether the use of public funds to create a positive image of the Government or particular Ministers is appropriate. In fact, a New South Wales Government publication titled *The Carr Government Achieving*, issued in July 1995, was determined in that State to be party-political. The costs incurred by the Office of the Premier of New South Wales were reimbursed by the relevant political party and the publication was discontinued after the first issue. Interestingly, the publication which was aimed at informing the public about issues discussed in Parliament as well as government activities, achievements and plans was similar in format and content to material produced within the Office of the Premier of Victoria over the past 3 years.

□ **RESPONSE** by Secretary, Department of Premier and Cabinet

The distribution of information to every Victorian household concerning the activities of the Government is a legitimate means of communication with the public.

Criticism of actions of other governments

7.25 During 1995, a press advertisement paid from public funds was directed at criticising the actions of the Australian Government. It involved a full page newspaper advertisement discussing weaknesses in the Industrial Relations legislation passed at a national level. The advertisement indicated that it was "... inserted in the interests of all Australians and the Victorian economy by the State Government of Victoria". Another similar example relating to funding of arts activities in Victoria occurred subsequent to the audit.

7.26 The direct benefits to Victorian taxpayers from the expenditure incurred in such cases is unclear.

<h3>NEED FOR VICTORIAN CONVENTIONS</h3>

7.27 It is acknowledged that issues such as those outlined above will, in many instances, not be easily resolved. However, as they have frequently been the subject of debate in the Victorian Parliament and within the community, it is important that consideration be given to the development of broad conventions to provide guidance in the area of publicly-funded advertising and promotion, and to assist in the administration of the *Constitution Act Amendment Act 1958*. For such conventions to be effective, they would need to receive the support of all political parties represented in the Parliament.

7.28 There may also be a need to evaluate the appropriateness of the current location of the Communications Unit within the Office of the Premier. In this regard, benefits may result from the establishment of the Unit at arm's-length from the Premier or Ministers. Such independence may assist in avoiding any perception of political influence.



□ **RESPONSE** by Secretary, Department of Premier and Cabinet

The Government completely rejects audit suggestions of impropriety in its marketing programs. The Government has an obligation to inform the public on issues of economic and social importance. This may include the presentation of information of a factual, educational and persuasive nature. The Government also maintains the right to monitor community attitudes on issues of public interest as one means of assessing the responsiveness of government programs.

The Government does not accept the need for guidelines on marketing propriety to be issued. It is noted that no other jurisdiction in Australia has guidelines of this type.

Part 8

Training and Expertise



OVERVIEW

8.1 Appropriate and relevant expertise in marketing is essential to the effective management of the marketing function. Even where the relevant expertise is obtained from the private sector through contract arrangements, it is important that core expertise is available within the public sector to enable effective scrutiny, assessment and control of the advice or services provided. For organisations which do not have the infrastructure to support a specialist marketing function, access to core expertise is particularly important.

8.2 Over 570 staff in the public sector were engaged in marketing activities during 1994-95. The staff had a range of qualifications and skills in marketing-related fields which, in some cases, were supplemented by skills acquired through contract arrangements with the private sector. However, audit found that some organisations, particularly those in the budget sector, did not have access to some essential expertise. In particular, there was an absence of skills in media planning, market research and evaluation. There was also a need for improved training and development in marketing-related areas.

8.3 There is currently no co-ordinated approach at a central level to monitoring and providing a consultancy service in marketing to public sector organisations. While the Communications Unit and Information Victoria undertake some activities related to whole-of-government information provision, advertising and communications, they do not perform the tasks of, or have sufficient expertise or resources to monitor, support or assist organisations in the management of marketing activities.

INTRODUCTION

8.4 In order to ensure that marketing activities, particularly major campaigns, are conducted effectively, it is critical that personnel with appropriate expertise are responsible for undertaking these activities. The current focus on a more cost-effective public sector, coupled with the significant emphasis in recent years on customer service, necessitates an approach to marketing which is more in line with the private sector. This, in turn, will require an expansion of the skill and knowledge base of staff carrying out the marketing function.

8.5 The core expertise required either in-house or through contract arrangements includes:

- knowledge of creative concept development and production of advertisements;
- knowledge of the advertising and media industry, including media planning, buying and monitoring;
- understanding of the systems of commissions received and fees charged by media buyers and advertising agencies;
- knowledge of media and market research and evaluation principles;
- skills in scrutinising the advice and services provided by external parties;



- effective negotiation skills, particularly with the media and advertising agencies, in terms of minimising fees or negotiating additional services and benefits;
- skills in publication, graphic design and printing;
- expertise in public relations and customer service;
- knowledge of recent technical developments in areas such as multimedia and their likely impact on the marketing process; and
- skills in modern financial management practices, including establishing and monitoring marketing budgets.

8.6 Poor and costly decisions can occur if the staff involved in the marketing function are not well trained in all key facets of marketing even when access to external expert advice is available to assist in carrying out their duties.

CURRENT LEVEL OF EXPERTISE

Formal qualifications and expertise of in-house staff

8.7 Based on responses to an audit questionnaire issued to around 50 public sector organisations, in excess of 570 staff were involved in public sector marketing activities during 1994-95. Annual salary costs of these staff amounted to over \$30 million, representing 23 per cent of the total marketing budget of the organisations.

8.8 Analysis of responses revealed that formal qualifications of the staff were largely in areas such as media, communications, journalism, publicity, public relations, information provision, graphic arts, photography and business. While there were very few staff with undergraduate or post-graduate degrees in marketing, staff often had many years of experience in specific marketing-related areas.

8.9 Major weaknesses in the skills base were evident in relation to media planning, market research and evaluation of marketing outcomes which require sophisticated skills and experience, particularly when evaluating major campaigns. As indicated in Part 5 of this Report, evaluation of marketing is currently an area where significant improvements are needed.

8.10 Audit concluded that a number of factors could have restricted the expansion of the marketing skills base including the downsizing of the public sector, the devolution processes and the adoption of a restricted definition of marketing, principally in the budget sector. The absence of a comprehensive training and development structure in recent years has also contributed to this situation.

□ **RESPONSE** by Secretary, Department of Conservation and Natural Resources

The enhancement of marketing skills within the Department to achieve a strategic approach has been recognised and acted on through the employment of marketing specialists and the training of those staff.

The move to multimedia is currently being addressed by the Department's Information Services Branch. A site on the world wide web is being developed. This will provide an avenue for promotion of the Department's products on the Internet.

Contracting of expertise



8.11 In the case of organisations examined which managed major marketing campaigns, external expertise had been engaged to assist in the marketing function in the areas of creative concept development, production services, graphic design, public relations and market research. In contrast, the organisations with smaller marketing budgets had used external expertise on a very limited basis.

8.12 In the case of Tourism Victoria, senior management personnel had a mix of formal qualifications and/or experience in marketing and tourism-related fields. Audit was advised that, rather than appointing in-house staff in some specialist areas such as media planning, creative campaign development and production services, Tourism Victoria placed reliance on its advertising agency to provide or engage services in these areas. Similarly, the Victorian WorkCover Authority had certain skills in-house in the marketing area and also relied on external contractors for the provision of additional specialist marketing skills and expertise.

8.13 While the use of external expertise is supported, it is important that where such arrangements are in place core marketing expertise is available either within organisations or at a central level to enable effective control of the arrangement and scrutiny of the advice or service provided. Audit is of the view that core skills sufficient for this purpose are not currently available to some organisations.

Training and development

8.14 Specific audit findings in relation to training and development included the following:

- In recent years there has been limited formal training and staff development in marketing, particularly in budget sector organisations. Analysis of questionnaire responses indicates that where training had been undertaken, it largely comprised attendance at one-off seminars or short courses, initiated by individual staff, in areas such as customer service, marketing and selling, introduction to marketing, marketing and strategy planning, desktop publishing and maximising advertising effectiveness. In only a limited number of cases, staff had commenced certificate, undergraduate or post-graduate courses in marketing;
- Formal training and development opportunities at a central level were limited to informal seminars conducted by Information Victoria on a range of marketing-related areas such as information provision, promotion and publications; and
- Some staff with responsibilities for the marketing function, in particular those within organisations which lacked specific expertise in marketing, were not fully aware of the expertise available within specialist central government areas such as the Communications Unit or the specialist advice available under the Government's contract with Leeds Media in the areas of media planning and buying.

FUNCTIONS OF THE FORMER GOVERNMENT ADVERTISING UNIT

8.15 Between 1988 and June 1992, AdVic, located in the then Department of Property and Services, operated with the aim of:

- achieving cost-savings through the establishment of media buying contracts;
- achieving cost-savings through co-ordination of budget sector activities, identification of target audiences, and establishment of standards and benchmarks in relation to best practice principles in advertising;
- ensuring government communications address social justice goals, such as providing information to disadvantaged groups including Aborigines, people with disabilities and the ethnic communities; and
- upgrading the corporate image of government.

8.16 AdVic also provided an advisory and support service primarily to budget sector organisations in a range of areas such as campaign management, media buying, advice on production services, assistance with selection of appropriate advertising agencies or market research firms and assistance with campaign evaluation. In June 1992, AdVic was abolished on the basis that it was not commercially viable.

PREVIOUS REVIEW

8.17 In 1990, the then Department of Property and Services, the central agency responsible at the time for policies relating to whole-of-government information provision, released a report titled *Government Information Provision - Current Practices And Proposals For Improvement*. Although the report examined only one aspect of marketing, namely information provision, it emphasised the importance for governments to adopt techniques which would enable effective communication of messages to the public while at the same time ensuring the achievement of value-for-money.

8.18 The key report findings included the following:

- information activities were developed in isolation rather than integrated with programs;
- information activities lacked a senior management focus;
- information provision was not targeted;
- market research to determine the best methods of disseminating information was not undertaken;
- performance measurement and evaluation conducted by organisations was poor;
- management information on which effective information strategies might be built was unavailable;
- information activities were not co-ordinated between organisations or between organisations and non-government information providers;



- agreed principles or common standards for information activities did not exist in organisations; and
- information provision was driven by political and bureaucratic priorities, not public needs.

8.19 No action was taken at a central level in relation to the key findings and recommendations and many of the significant deficiencies identified at that time were still evident during the current audit.

CURRENT ROLE AND FUNCTIONS AT A CENTRAL LEVEL
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8.20 Currently, there are at least 2 central government organisations which have responsibility in relation to whole-of-government marketing activities, namely the Communications Unit within the Office of the Premier and Information Victoria which operates under a strategic alliance with the State Library of Victoria.

Communications Unit

8.21 From its inception in October 1992 until May 1995, the Communications Unit operated without a formalised mission and objectives. In response to audit requests, a document was prepared by the Department of Premier and Cabinet indicating that the mission of the Unit is to facilitate the cost-effective communication of the Government's objectives and policies. The Unit's objectives are to:

- keep the Premier informed of the engagement of advertising agencies or consultants and of proposed major advertising campaigns or possibly controversial or political issues;
- ensure that the Government continues to receive value-for-money in advertising services;
- manage the Government's centralised contract for purchasing media space and time, and the Victorian Attitudes Monitoring Study contract; and
- provide an advertising consultancy service to public sector organisations and to advise on best practice in respect of :
 - achieving best results in communication and advertising programs;
 - the engagement of advertising agencies and consultants; and
 - resolving issues between Leeds Media and public sector organisations, including resolving any disputes in relation to accounts received by organisations from advertising agencies.



8.22 Audit found that the tasks and activities of the Unit, which are primarily determined by the Premier and change according to emerging requirements, have essentially focused on:

- conducting information, advertising or communications activities for the Premier and his Ministers;
- developing and distributing publications, brochures and pamphlets in respect of whole-of-government issues such as *Victorians Creating the 21st Century*, *Victoria on the Move*, *Victorian Certificate of Education* and *Higher Education for Life*, either directly mailed to households or distributed to Members of Parliament for distribution in their constituency;
- conducting and managing whole-of-government promotional activities, for example *Victoria's Open House* to celebrate the 3rd anniversary of the Government, which took place in October 1995, showcasing key government initiatives including Agenda 21 building projects; and
- assuming responsibility or shared responsibility for management of key government advertising campaigns such as those connected with privatisation within the electricity supply industry, industrial relations reforms and the City Link Project.

8.23 The Unit provides consultancy advice, on request only, to public sector organisations which do not have responsibility for key government initiatives, on aspects of marketing such as public relations, advertising, graphic design, layout, printing and displays.

8.24 *Advertising Guidelines and Media Procedures* were issued by the Unit to all public sector organisations in November 1993. The Unit does not monitor compliance with the document or the marketing activities within organisations. Similarly, it has not conducted any formal monitoring and evaluation of its own performance against stated objectives.

Information Victoria

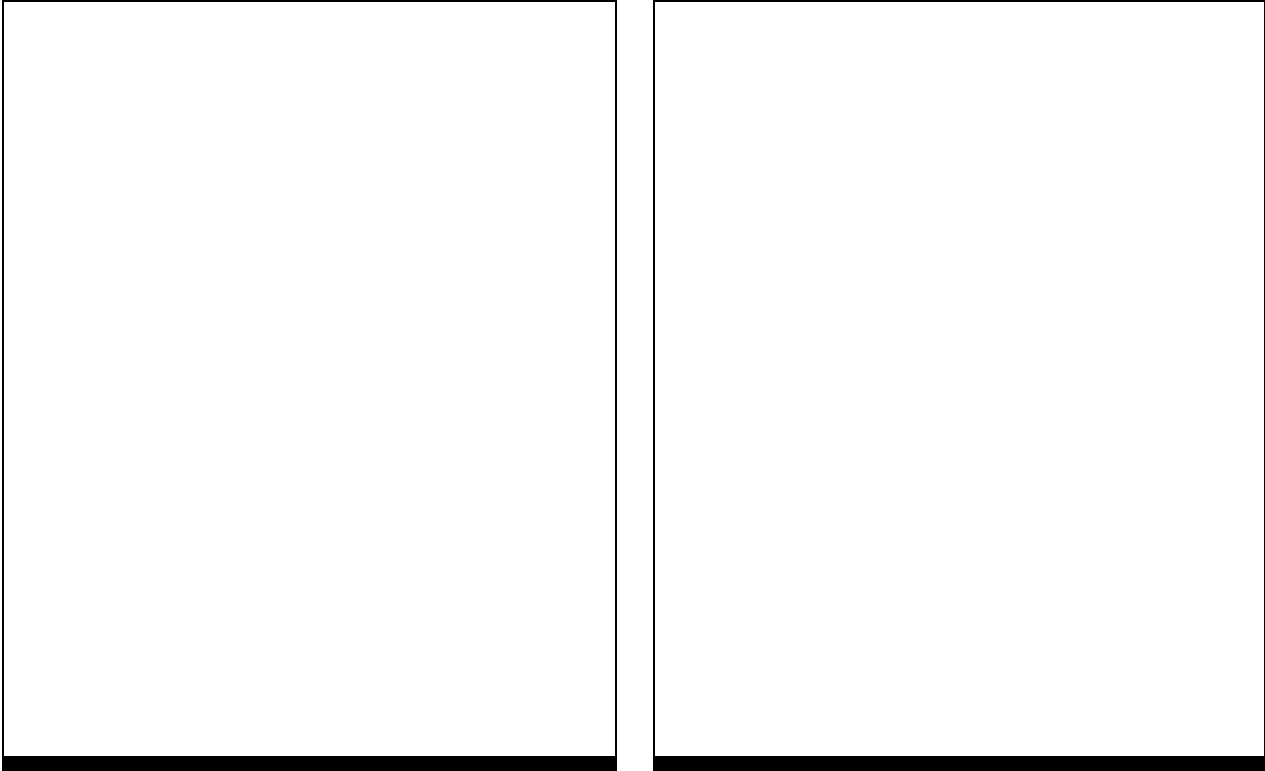
8.25 The overall role and mission of Information Victoria, as stated in its current Business Plan, includes facilitating public access to information about the Government, its policies, programs and services.

8.26 Information Victoria currently conducts several major activities and projects which fall into the category of marketing, including:

- organisation and management of the Government Pavilion at the Royal Melbourne Show;
- establishing and maintaining a networking forum for public sector personnel working in areas such as marketing, information provision, media, public relations and promotion, the aim of which is to update practitioners on new and current developments; and



- provision of a consultancy service, mainly to budget sector organisations in relation to the development and presentation of information to be issued, advice on promotional display material, and advice on appropriate display consultants, designers, printers and other marketing service providers.



Government Pavilion at the Royal Melbourne Show organised and managed by Information Victoria.

8.27 Under current arrangements, the Communications Unit and Information Victoria communicate regularly through informal means rather than any formal channels. The lack of formal dialogue and clear delineation of roles and responsibilities could lead to overlap and duplication in respect of the management of whole-of-government information activities such as the Royal Melbourne Show. Duplication, lack of consistency, overlaps or gaps in coverage could also occur in relation to the content and distribution of government pamphlets, brochures and publications and in the provision of a consultancy service to public sector organisations.

Office of Communications and Multimedia

8.28 The Office of Communications and Multimedia, located in the Department of Premier and Cabinet, was recently established as a significant government priority, with the key objectives of:

- identifying ways that government can use multimedia to streamline its efficiency in service delivery, including the use of multimedia technology for promoting and disseminating information about government services and programs; and
- facilitating the development of capacities in the communications and multimedia industries and in the wider economy to secure enduring benefit for Victorians in the next century.



8.29 Audit is of the view that multimedia will impact significantly on public sector marketing in the future, especially if the Office is successful in achieving its key objectives in relation to promoting and disseminating information about government programs and services through the use of multimedia technology. It was therefore surprising to hear from the Department of Premier and Cabinet that the Office of Communications and Multimedia will not play a role in marketing.

SUGGESTED FUTURE ROLE OF A CENTRAL UNIT

8.30 As indicated in Part 4 of this Report, the quality of management practices relating to public sector marketing activities varies from poor to satisfactory. In addition, there is a need to enhance skills and expertise in marketing, particularly in budget sector organisations which do not have the infrastructure to support a specialist marketing function.

8.31 Given this situation, in addition to the absence of a whole-of-government marketing strategy, audit considers there is a need to enhance the central role in relation to marketing to ensure sufficient guidance, advice and support is provided in all facets of marketing.

8.32 The Government has a policy of devolution in place within which public sector organisations manage their operations under broad guidelines. Audit was advised by senior management of the Department of Premier and Cabinet that a central function as suggested by audit was not necessary given that an overview of marketing activities can be conducted under the devolved structure defined in the *Management Improvement Initiative, Integrated Management Cycle* of the Department of Treasury and Finance.

8.33 However, audit considers that this mechanism does not provide an adequate whole-of-government approach to marketing activities in relation to:

- assessing the achievement of value-for-money secured from marketing expenditure;
- collecting and analysing marketing information, including expenditure data, with a view to establishing cost-effective models of working with advertising agencies and other relevant service providers;
- facilitating training and development initiatives;
- developing guidance statements on best practice, benchmarking and standards;
- providing communication links between organisations to enable improved co-ordination and optimum use of resources; and
- exploring the impact of future developments, such as multimedia, Internet, and pay and cable television, on public sector marketing.



8.34 If an effective central function is to be performed in relation to providing guidance and assistance and facilitating appropriate training for public sector organisations, where needed, it is essential that the staff at the central level have all the essential core expertise and skills. Although staff within the Communications Unit and Information Victoria currently have a range of marketing-related expertise, the skills base and resource levels would need to be expanded either through recruitment or the engagement of external contractors to enhance the central function.

8.35 In the event that current arrangements are retained, formal dialogue and a clear delineation of roles and responsibilities need to be established between the Communications Unit and Information Victoria. Their role in respect of the development of a co-ordinated and cohesive whole-of-government strategy for marketing, including the provision of appropriate expertise and training to public sector organisations also needs to be clarified.

□ **RESPONSE** by Secretary, Department of Premier and Cabinet

The Government accepts the need for a high level of competence in communicating and marketing government services. However, the Government has an extensive policy of devolution in place, and does not consider it necessary or appropriate to issue central guidelines. Departmental corporate structures are based upon departments being responsible and accountable for decision-making and program management. The Government monitors departmental performance through portfolio and departmental performance reviews as part of the Integrated Management Cycle. These reviews are underpinned by Corporate and Business Plans which define, among other things, agency marketing strategies.

The Government does not accept the need to provide a central co-ordinating role in relation to marketing strategies, including training requirements, within departments. Departments are expected to cater for their own marketing needs, either through the use of in-house resources, or the purchase of services from the private sector. The Government notes that the Report itself draws attention to the need for "a move to a private sector approach", which is in line with the Government's approach.

Appendix A

Overview of Campaigns



DEPARTMENT OF TREASURY AND FINANCE

Electricity supply industry privatisation advertising campaign

Background

In August 1993, the Government commenced a major reform process for the Victorian electricity supply industry which involved the sale of publicly-owned assets to the private sector. In conjunction with the reform process, a communication strategy was developed which included a significant advertising campaign. The advertising campaign comprised:

- Tactical television and radio commercials pointing to supplements in the following day's newspapers;
- Four page newspaper supplements followed by a double page spread in major metropolitan newspapers. Similar advertisements were placed in regional and ethnic newspapers. The advertisements took the form of questions and answers addressing issues connected with competition, pricing and service standards;
- Television commercials titled the "*Expert Speaks*" addressing issues similar to those in newspaper supplements; and
- A toll-free telephone information line where Victorians could ring and ask questions about issues regarding the reforms of concern to them.

The advertisements were placed in the media during March and April 1995.

Objective

The specific objective established for the advertising campaign was for Victorians to say at the end of the campaign "*I can see why the Victorian Government is privatising the supply of the State's electricity and at least I know exactly what is going on*".

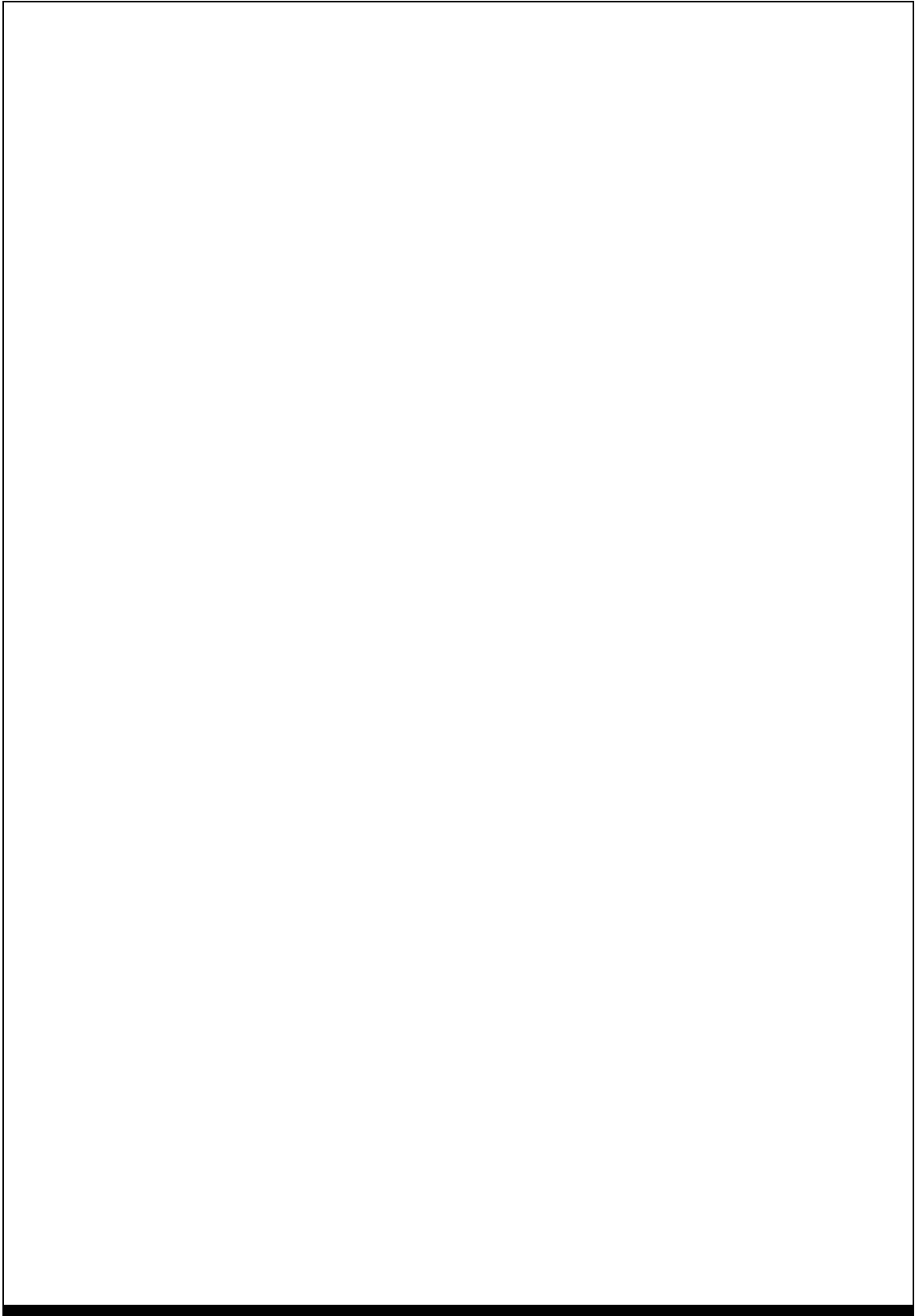
Management arrangements

The campaign was managed jointly by the Department of Treasury and Finance and the Office of the Premier.

Specialist assistance was also provided by an advertising agency engaged to assist in the creative development and production of the advertisements, and from a number of market research firms engaged to aid in evaluating the impact of the campaign.

Cost

The cost of engaging an advertising agency and placing advertisements in the media amounted to around \$1.3 million. Additional costs were associated with market research and the operation of the toll-free telephone line.



The "Expert Speaks" television advertisements used to address issues concerning the privatisation of Victoria's electricity supply industry.



OFFICE OF THE CHIEF COMMISSIONER OF POLICE

Recruitment marketing

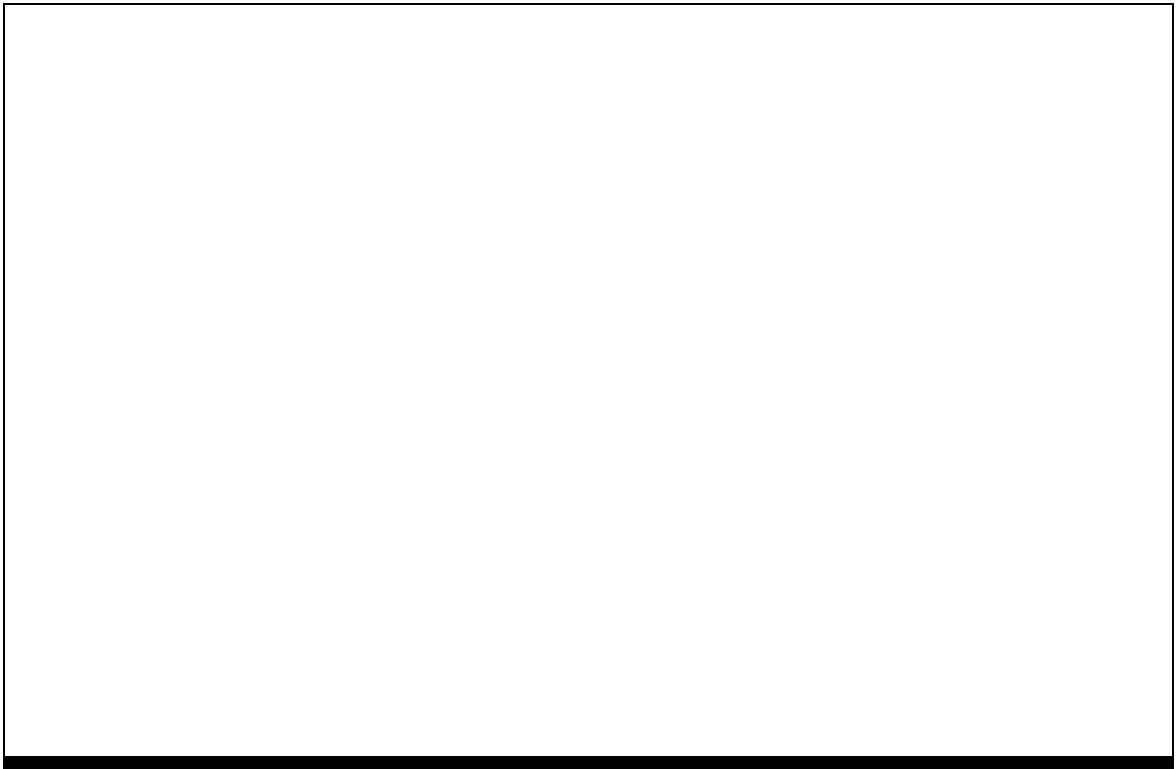
Background

When it came to office, the current Government established an objective for its first term of ensuring that the effective operational police strength was increased by 1 000. As part of this strategy, it was planned to achieve an increase in police numbers by approximately 300 during 1993-94 and a further 300 during 1994-95. This was to be achieved partly by moving police officers out of clerical and administrative areas into operational areas and through recruitment programs.

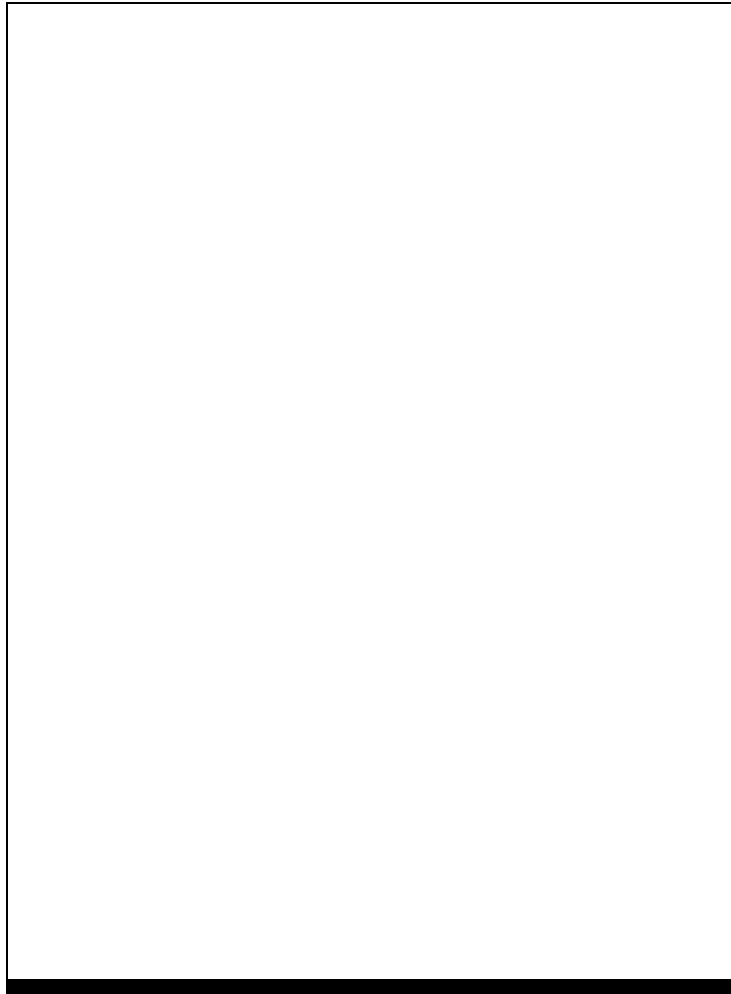
The Office of the Chief Commissioner of Police has for many years undertaken a base entry recruitment program involving the regular placement of advertisements in the mainstream and regional press inviting members of the community to apply. Recruits are chosen from applicants on the basis of a selection process involving written, physical, psychological and medical assessments.

Objective

The objective of the base entry recruitment marketing have not been formally defined. However, audit was advised that the unwritten marketing objective used by the Office of the Chief Commissioner of Police's Recruitment Office over the past 2 years was "*to select appropriately trained personnel for the Force*".



Printed material used for marketing of Police recruitment.



*Police recruitment display
at a public exhibition in Melbourne.*

Management arrangements

The recruitment function is managed within the Office's Police Recruitment Office in accordance with human resource requirements identified by its Personnel Division.

Cost

Although expenditure on police advertisements amounted to only around \$25 000 in 1994-95, audit estimates that the total annual costs associated with processing the average of 3 500 applications a year, coupled with the selection and induction process, amounted to around \$2.5 million.



TOURISM VICTORIA

"You'll love every piece of Victoria" advertising campaign

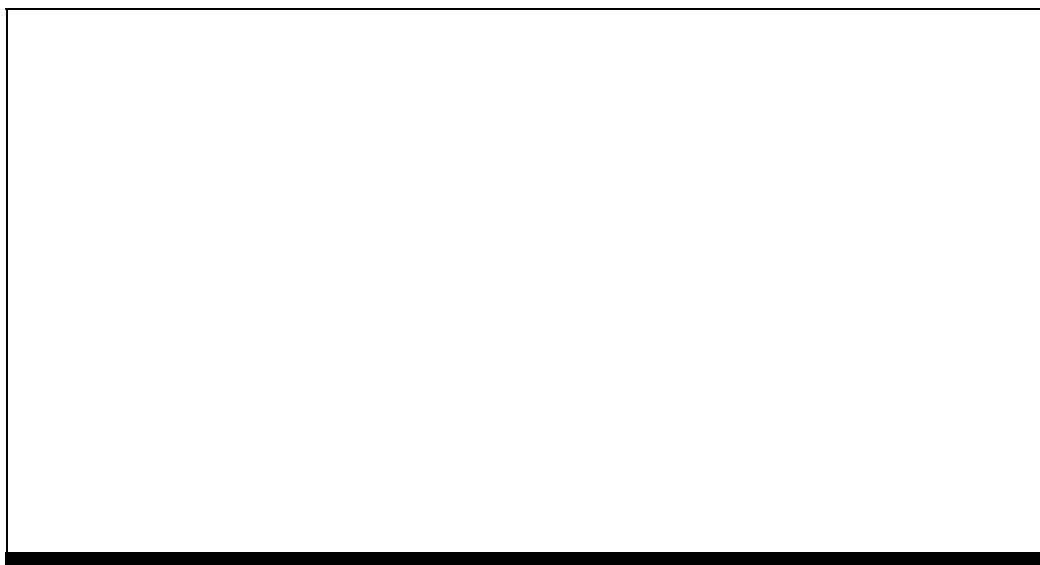
Background

During 1992-93, an extensive strategic planning process within Tourism Victoria highlighted Victoria's negative image as a holiday destination. An advertising agency was subsequently appointed to provide marketing services and to work in a strategic partnership with Tourism Victoria to plan, develop and implement a comprehensive marketing program to reverse this image.

Tourism Victoria's *Strategic Business Plan* issued in October 1993 identifies a marketing goal of increasing visitor numbers, length of stay and visitor expenditure by positioning Victoria as a distinct and competitive tourist destination. The Plan provides for the implementation of a major marketing campaign comprising a full range of media and direct marketing, promotional and public relations elements over a 3 year period.

In conjunction with the release of the Plan, a major image advertising campaign was launched with the slogan "*You'll love every piece of Victoria*" and a distinctive jigsaw logo. The advertising campaign represents only one component of Tourism Victoria's marketing activities which also includes a number of tactical strategies such as infrastructure and product development, regional marketing and co-operative ventures with airlines and other industry participants.

The advertising campaign has involved interstate television, cinema, print, outdoor billboard and direct mail advertising. The target markets were initially identified as New South Wales, the Australian Capital Territory and South Australia. In 1994-95, targeting was modified to focus on the New South Wales and Queensland markets.



"You'll love every piece of Victoria" jigsaw logo.



Objectives

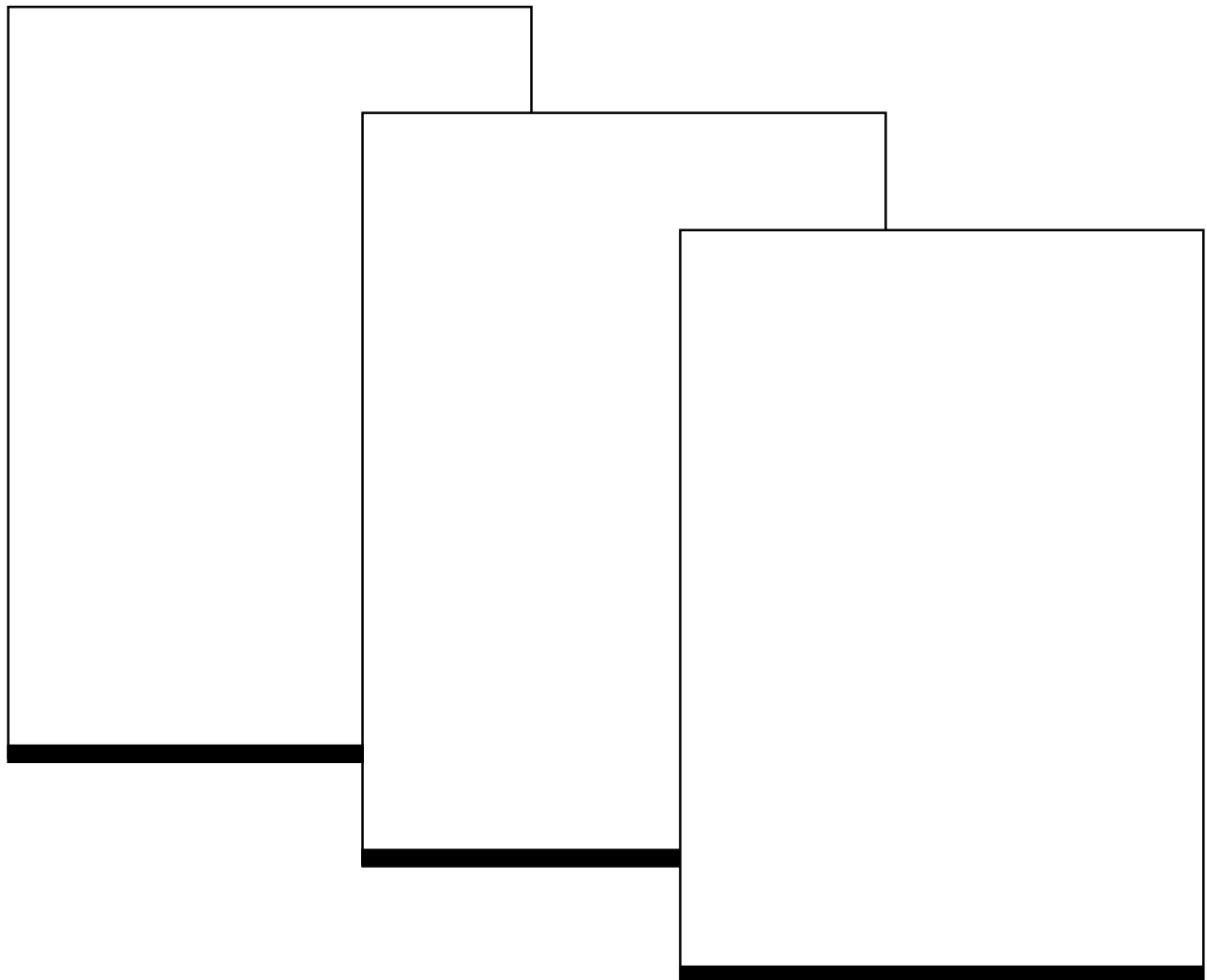
The objectives of the advertising campaign are to create an image of Victoria as a destination with diverse and unique attractions and to improve the target audience's perception of Victoria leading to an increase in actual travel to the State.

Management arrangements

The advertising campaign has been managed by Tourism Victoria in conjunction with its advertising agency which has been responsible for the creation and production of the advertisements.

Cost

The cost of the advertising campaign to June 1995 was \$8.7 million, including costs associated with engaging an advertising agency and placing media advertisements.



Selection of booklets forming part of Tourism Victoria's regional marketing activities.



PUBLIC TRANSPORT CORPORATION

Marketing campaign (Stage 1)

Background

Transport reforms introduced by the Public Transport Corporation in January 1993 were aimed at providing a clean, safe, reliable and cost-effective public transport service. The theme of the reform package was "*from a system to a service*".

A corporate advertising campaign in 1994 resulted in the identification of specific public concerns about The MET (Melbourne's public metropolitan passenger transport system comprising train, tram and bus transport). The Corporation subsequently planned a further advertising campaign to run in 2 stages between January 1995 and July 1996. Stage 1 was scheduled to run from January to June 1995 and included specific corporate advertising, advertising directed at the use of public transport to attend football matches and advertising connected with one-off special events.

The campaign primarily comprised advertisements on radio and in mainstream metropolitan newspapers between March and June 1995.

*Advertisement
used by the Public
Transport
Corporation to
promote the
services of
The Met.*



Objective

The objective of the campaign was *"To improve the corporate image of The MET, help maintain the existing customer base, and encourage trial, re-trial and an ultimate increase in patronage"*.

Management arrangements

In 1994, the Corporation sought expressions of interest from advertising agencies with the intention of forming a strategic alliance with the successful agency. An advertising agency subsequently awarded the contract was responsible for planning and designing the campaign.

Cost

The cost for Stage 1 of the campaign, excluding the costs associated with advertising special events, amounted to \$320 000 for media placements and around \$80 000 for production of the advertisements.



VICTORIAN WORKCOVER AUTHORITY

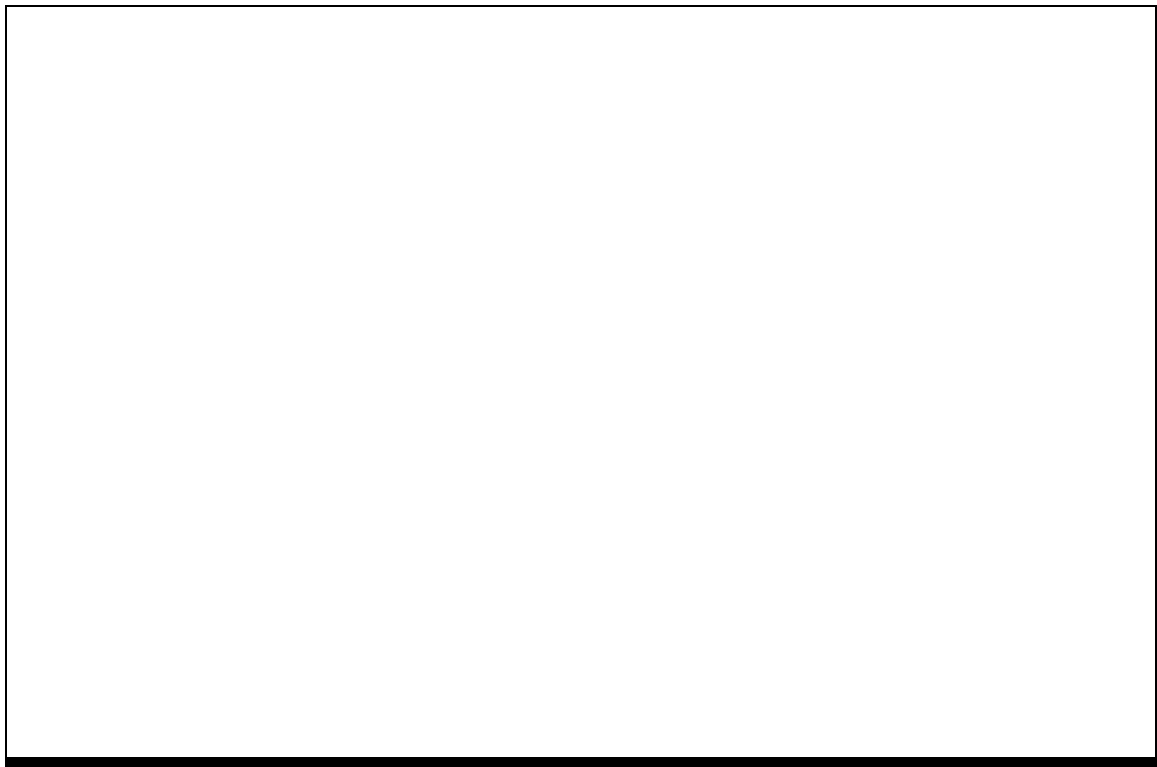
"Return to Work" marketing campaign

Background

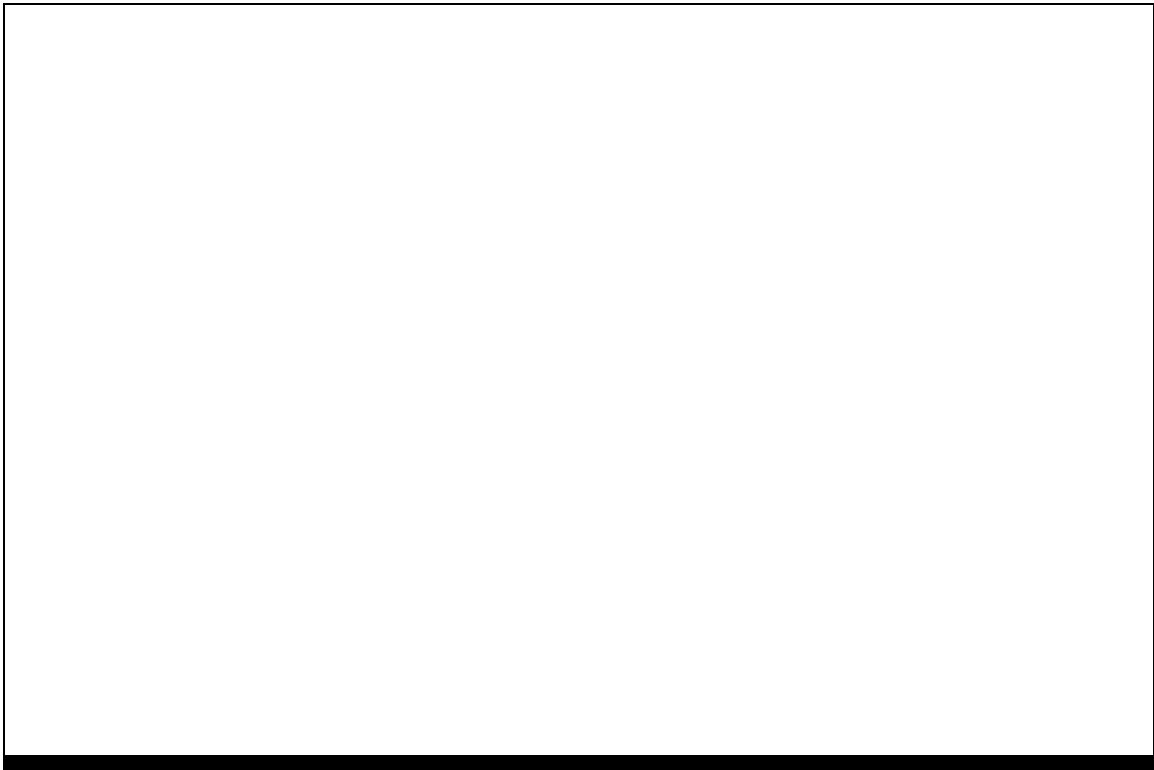
In 1992, the current Government proposed major reforms to the Victorian WorkCover Scheme which were designed to create a financially viable system, while simultaneously providing a high level of protection for injured workers. A range of changes was introduced aimed at restructuring the way the Scheme is funded.

Given that the success of the new Scheme required a cultural and attitudinal shift in the community, the communication and marketing task was viewed by the Victorian WorkCover Authority as essential to the reform process. A marketing and communications strategy was introduced involving 2 stages: the first focused on the return to work of injured workers and the second was directed at workplace safety.

The *"Return to Work"* marketing campaign commenced in April 1993 and included a series of television and radio commercials aimed at employers, workers and health service providers. The initial series of advertisements focused on financial incentives for employers to help injured workers back to work. The second series, which began in September 1993, emphasised the moral obligations of employers to their injured workers. In May 1994, the *"WorkCover's Working"* series of commercials was introduced to demonstrate opportunities for injured workers to return to, or remain in, their original position or alternative employment.



The "WorkCover's working" tram featured as part of the Victorian WorkCover Authority's marketing activities.



A series of multi-lingual posters formed part of the "Return to Work" marketing campaign.

Media advertisements were supported by a range of promotional, public relations and community education activities which reinforced the messages to employers, employer bodies, workers, unions, insurers and health service providers.

In October 1994, the second component of the 2-phase marketing and communications strategy was introduced with the aim of promoting workplace safety and reducing the incidence of workplace injuries. Awareness of the *"Return to Work"* component of the strategy is to be maintained and, according to the Authority, will continue until such time as research data shows a definite cultural change has been achieved.

Objective

The objective of the *"Return to Work"* campaign is to achieve a change from a *compensation culture* to a *return to work culture*.

Management arrangements

A strategic partnership was formed between the Authority and an advertising agency under a creative team arrangement set in place to manage the campaign.

Cost

A budget of around \$12 million was approved by the Board of the Authority to implement both components of the strategy. At the time of the audit, expenditure for the *"Return to Work"* campaign totalled approximately \$6.8 million.

Appendix B

Framework for Advertising and Promotion

INTRODUCTION

Conventions adopted in the United Kingdom and New Zealand recognise that it is legitimate for governments to use advertising and promotional material to communicate with the public. They recognise, however, that there is a need for principles to be established to provide guidance in the area.

Specifically, the New Zealand framework indicates that in communicating information:

*"A government **may**, for example, disseminate material that:*

- *explains its policies;*
- *informs the public of government services available to them; or*
- *informs the public of their rights and liabilities under the law.*

*"A Government **should not**, for example, disseminate material that:*

- *is designed to promote, or has the effect of promoting, its interests above those of other parliamentary groupings; or*
- *is designed to secure, or has the effect of attempting to secure, popular support for the party-political persuasion of the members of the Government."*

By way of further explanation, both New Zealand and the United Kingdom have adopted the principles set out in the following paragraphs in relation to the nature and quality of advertising or promotional material.

RELEVANT TO GOVERNMENT POLICIES

In developing material to be communicated to the public it is suggested that:

- the subject matter should be directly related to the Government's responsibilities; and
- no campaign should be contemplated in the absence of an identified information need by the intended recipients.

EXPLANATORY AND OBJECTIVE

The following criteria have been suggested as suitable in assessing whether the material communicated is presented in an explanatory and objective manner:

- Information should be based on ascertainable facts, carefully and precisely expressed in conformity with those facts. No claim or statement should be made which cannot be substantiated;
- The recipient of the information should always be able to distinguish clearly and easily between facts on the one hand, and comment, opinion and analysis on the other;
- When making a comparison, the material should not mislead the recipient about the situation with which the comparison is made and it should state explicitly the nature of the comparison;



- When dealing with, for example, a policy proposal, the information given should include both the pros and cons of the proposal as well as those of any alternative views; and
- Material may include a response to, but should not be aimed solely at rebutting, the arguments of others.

NOT LIABLE TO MISREPRESENTATION AS PARTY-POLITICAL

It is suggested that communication may be seen as party-political because of any one of a number of factors, including:

- why it was decided to communicate;
- what it was meant to do;
- who communicated it;
- how, when and where it was communicated;
- what was communicated;
- the environment in which it was communicated; or
- the effect it had.

By way of further guidance, overseas conventions indicate that:

- The material should be presented in unbiased and objective language, and in a manner free from partisan promotion of government policy and political argument;
- Distribution of unsolicited material should be carefully controlled. As a general rule, publicity touching on politically controversial issues should not reach members of the public unsolicited except where the information clearly and directly affects their interests. Generally, they may only be issued in response to individual requests, enclosed with replies to related correspondence or sent to organisations or individuals with a known interest in the area;
- Material should not directly attack or scorn, for its own sake, the views, policies or actions of others such as the policies and opinions of Opposition parties or groups; and
- Information should avoid political slogans. In some jurisdictions this has involved banning Ministerial photographs from government publications.

PRODUCED AND DISTRIBUTED IN AN ECONOMIC AND RELEVANT WAY

The key quantitative criterion is that of cost. No information should be communicated regardless of cost. The cost of the chosen scale and methods of communicating information must be justifiable in terms of achieving the identified objective(s) for the least practicable expense. Objectives which have little prospect of being achieved, or which are likely to be achieved only at disproportionate cost, should not be pursued without good reasons.

ADVERTISING CODE OF ETHICS

The provisions of the Advertising Code of Ethics adopted by the Media Council of Australia also include requirements that:

- Advertisements shall comply with Commonwealth law and the law of the relevant State or Territory;
- Advertisements shall not encourage breaches of Commonwealth law or the law of the relevant State or Territory;
- Advertisements shall not encourage dangerous behaviour and shall not encourage illegal or unsafe road usage practices;
- Advertisements shall not engage in unlawful discrimination and shall not demean the dignity of men, women or children;
- Advertisements shall not contain anything which in the light of generally prevailing community standards is likely to cause serious offence to the community or a significant section of the community;
- Advertisements shall be truthful and shall not be misleading or deceptive;
- Advertisements shall be clearly distinguishable as such;
- Advertisements of a controversial nature shall disclose their source;
- Advertisements shall not exploit the superstitious nor unduly play on fear;
- Advertisements shall not disparage identifiable products, services or competitors in an unfair or misleading way;
- Advertisements for any product which is meant to be used by or purchased by children shall not contain anything, including dangerous practices, which would result in their physical, mental or moral harm. Advertisements shall not directly urge children to put pressure on their parents to purchase the product advertised;
- Scientific, statistical or other research data quoted in advertisements shall be neither misleading or irrelevant;
- Testimonials used in advertisements shall honestly reflect the sentiments of the individuals represented. Claims in testimonials are subject to the same rules as other advertising; and
- All guarantees or warranties referred to in advertisements shall comply with the provisions laid down by Commonwealth law and the law of the relevant State or Territory.

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