



# Parliamentary Budget Office - Election Policy Costing

NSW Parliament • Parliament House, Macquarie Street Sydney NSW 2000

Referred By: Australian Labor Party

Proposal No: A065

Date Referred: 29/10/2018

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Proposal Title: Cutting waste – reduce advertising expenditure by \$30 million annually

Cluster: Whole of Government

## General Government Sector Impacts

|                               | 2018-19<br>\$'000 | 2019-20<br>\$'000 | 2020-21<br>\$'000 | 2021-2022<br>\$'000 | 4 year Total<br>\$'000 |
|-------------------------------|-------------------|-------------------|-------------------|---------------------|------------------------|
| Expenses (ex. depreciation)   | -                 | (30,000)          | (30,675)          | (31,442)            | (92,117)               |
| Depreciation                  | -                 | -                 | -                 | -                   | -                      |
| Less: Offsets                 | -                 | -                 | -                 | -                   | -                      |
| Revenue                       | -                 | -                 | -                 | -                   | -                      |
| <b>Net Operating Balance:</b> | -                 | <b>30,000</b>     | <b>30,675</b>     | <b>31,442</b>       | <b>92,117</b>          |

|                                 |   |   |   |   |   |
|---------------------------------|---|---|---|---|---|
| Capital Expenditure             | - | - | - | - | - |
| Capital Offsets                 | - | - | - | - | - |
| <b>Net Capital Expenditure:</b> | - | - | - | - | - |

|                                 |   |               |               |               |               |
|---------------------------------|---|---------------|---------------|---------------|---------------|
| <b>Net Lending/(Borrowing):</b> | - | <b>30,000</b> | <b>30,675</b> | <b>31,442</b> | <b>92,117</b> |
|---------------------------------|---|---------------|---------------|---------------|---------------|

## Total State Sector Impacts

|                                 |   |               |               |               |               |
|---------------------------------|---|---------------|---------------|---------------|---------------|
| <b>Net Lending/(Borrowing):</b> | - | <b>30,000</b> | <b>30,675</b> | <b>31,442</b> | <b>92,117</b> |
|---------------------------------|---|---------------|---------------|---------------|---------------|

## Notes and costing assumptions

This proposal will reduce general government sector advertising expenditure by \$30 million per annum from 1 July 2019, with future years adjusted for inflation by the Sydney Consumer Price Index (CPI) rate.

The estimated impact of this proposal is \$92 million over 3 years from 2019-20 to 2021-22. The government would maintain the discretion on how to allocate these savings to agencies.

Between 2011-12 and 2017-18, total advertising expenditure in the general government sector per annum has ranged between \$78.8 million and \$149.8 million, as reported by the Department of Premier and Cabinet (DPC).

Given this, a saving of \$30 million per annum would be achievable, representing a proportional reduction in advertising expenditure of between 19% and 27%.

The cost of advertising is defined in the *Government Advertising Act 2011* (the Act) and includes the amount paid or payable by or on behalf of a Government agency for the following:

- research for the purposes of the campaign
- production or carrying out of the campaign
- media distribution
- evaluation of the likely or actual effectiveness of the campaign.

**Notes and costing assumptions continued:**

The contract for all media expenditure is managed by DPC, and media rates are negotiated annually. The current Media Agency Services contract expires on 30 September 2020. Any reduction in overall advertising expenditure could affect the media rates available to NSW Government agencies in future years.

**Supplementary Information**

Total advertising expenditure (actual) in the general government sector per annum between 2007 and 2018 is as below:

| <b>Financial Year</b>      | <b>2007-11<br/>(Annual average)</b> | <b>2011/12</b> | <b>2012/13</b> | <b>2013/14</b> | <b>2014/15</b> | <b>2015/16</b> | <b>2016/17</b> | <b>2017/18</b> |
|----------------------------|-------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>Actual Expenses \$m</b> | 116.2                               | 78.8           | 78.9           | 81.4           | 100.9          | 113.7          | 132.45         | 149.8          |

