



Parliamentary Budget Office - Election Policy Costing

NSW Parliament • Parliament House, Macquarie Street Sydney NSW 2000

Referred By: Australian Labor Party
Date Referred: 14/11/2022

Proposal No: C793
Date Published: 20/03/2023

Proposal Title: Cutting waste – reduce advertising expenditure

Cluster: Whole of Government

General Government Sector Impacts

| | 2022-23 \$'000 | 2023-24 \$'000 | 2024-25 \$'000 | 2025-26 \$'000 | 4 year Total \$'000 |
|-------------------------------|-------------------|-------------------|-------------------|-------------------|------------------------|
| Expenses (ex. depreciation) | | (30,000) | (30,900) | (31,750) | (92,650) |
| Depreciation | | | | | - |
| Less: Offsets | | | | | - |
| Revenue | | | | | - |
| Net Operating Balance: | - | 30,000 | 30,900 | 31,750 | 92,650 |

| | | | | | |
|---------------------------------|---|---|---|---|---|
| Capital Expenditure | - | - | - | - | - |
| Capital Offsets | | | | | |
| Net Capital Expenditure: | - | - | - | - | - |

| | | | | | |
|---------------------------------|---|---------------|---------------|---------------|---------------|
| Net Lending/(Borrowing): | - | 30,000 | 30,900 | 31,750 | 92,650 |
|---------------------------------|---|---------------|---------------|---------------|---------------|

Total State Sector Impacts

| | | | | | |
|---------------------------------|---|---------------|---------------|---------------|---------------|
| Net Lending/(Borrowing): | - | 30,000 | 30,900 | 31,750 | 92,650 |
|---------------------------------|---|---------------|---------------|---------------|---------------|

Notes and costing assumptions

This proposal will reduce general government sector advertising expenditure by \$30 million a year starting 1 July 2023, with future years escalated annually in line with Sydney CPI.

The estimated impact of this proposal is \$92.7 million over 3 years from 2023-24 to 2025-26.

The policy specifies that:

- the reduction in funding would be notionally allocated to agencies relative to existing advertising spending
- Government executives would maintain the discretion on how to allocate these savings to cluster and agencies to target specific activities for efficiencies and to protect government priorities and essential services

Based on NSW government agency annual reports, PBO estimated total advertising expenditure in the general government sector was around \$95 million and \$131.5 million in 2019-20 and 2020-21, respectively.

Given this, a saving of \$30 million per annum would be achievable, representing a proportional reduction in advertising expenditure of ~23% against the 2020-21 actual spend. This is also based on the assumption that a large proportion of advertising spend by governments is discretionary.

Notes and costing assumptions continued:

The PBO notes that 89 per cent of identified advertising expenditure in 2020-21 and 79 per cent in 2019-20 is undertaken by only 4 agencies – The Department of Customer Service, Destination NSW, TAFE Commission and Transport for NSW. A cut of \$30 million per annum in advertising expenditure will, by necessity, have a significant impact on advertising by these agencies.

PBO notes that this policy will be in addition to the existing savings and/or efficiency dividend targets allocated to the Government agencies. PBO has not confirmed if agencies have or are on track to already meet these savings targets.

As per the [buy.nsw website](#), the contract for Media Agency Services with OMD is currently managed by Department of Customer Service and will expire on 30 Sep 2025. Reducing the overall advertising expenditure could affect the media rates available under such whole of government contracts in future years.

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