



**Memorandum presented to the Honourable John H. Gomery, J.C.S.
in his capacity as Commissioner**

**by the Association of Quebec Advertising Agencies (AAPQ)
and the Institute of Communications and Advertising (ICA)**

October 25, 2005

Introduction Notice

In the interest of being concise, we have chosen not to automatically refer to the evidence. Therefore, we recommend that you also consider the Memorandum that was submitted to the Commission on June 10, 2005.

Recommendation 1 Implementation of a Certification program for advertising agencies

During the Commission's work, we noticed that services rendered to the federal government by some firms, referred to as marketing communications, promotion and public relations services, too often failed to correspond to the definition of our member agencies' products and services. Therefore, a significant confusion seemed to prevail during the entire duration of the Commission's work as to the terms used to describe various professional expertise and required training and skills.

We also noticed that some witnesses usurped the "firm" status and presented their organization, after only a few days of operation, as a legal, viable, experienced firm, with the personnel and staff required to meet the Government needs or, at the very least, the admissibility criteria of various programs.

We know from experience the difficulties involved in working in our business sector, and the efforts our members have to make on a daily basis to ensure the survival of their firms, maintain their quality standards, and be able to draw decent income and reasonable operating profits.

Therefore, it seems important to us, on the one hand, to protect these assets which represent an original Canadian resource, and on the other hand, to ensure that the main work provider in Canada, the Government of Canada, benefits from the expertise it requires.

In this context, we recommend the creation and implementation of a Certification Program for advertising agencies. This program would be administered by the industry's associations (AAPQ and ICA) and would be implemented jointly with the Canadian Government. In exchange, departments and Crown corporations of the federal government would commit to award their marketing communication contracts only to « certified » agencies.

This program would allow Government departments and Crown corporations to:

- › confirm data presented by firms such as number of employees, billings and place of business;
- › confirm the nature of services and expertise offered;
- › confirm compliance with a specified quality program and a code of ethics;
- › reinforce compliance mechanisms pertaining to codes of ethics currently in place.

This would allow the associations:

- › To reinforce the application of their code of ethics and to add to the limits imposed by it, by denying an agency the right to stay on the Canadian Government's list of official tenders for a given period, if the agency failed to comply with the Code.

The implementation of such a program would require from the federal government that it meets the following conditions:

- › The openness for change;
- › The need for a major investment in money and human resources for the start-up of the program;
- › A firm commitment to implement the program jointly with the industry's associations.

The Government's financial commitment is important for the following reasons:

- › Government departments and Crown corporations are the most important advertising clients in Canada;
- › in the first phase, this program would profit only to the Government and would be used to improve the performance of its system;
- › the marketing communication firms of Canada are competing with other similar firms worldwide, and significant additional costs would only reduce their competitive strength;
- › the majority of agencies in Canada can be considered as small and medium businesses and therefore do not have adequate resources to finance the start-up of such a program.

Moreover, this Program could be adaptable. Until the adoption of the Program described above, departments and Crown corporations could allocate, in a call for tenders, extra points to member agencies of one or the other association, these agencies having to comply through their membership with a code of ethics. This proposal could be modified according to the contracts awarded.

Additionally, we have in Canada a self-regulating system in advertising that is the envy of many countries. This system, which was implemented 50 years ago, is being managed by Advertising Standards Canada (Normes canadiennes de la publicité). NCP-ASC administers and promotes the Canadian Code of Advertising Standards and handles complaints concerning advertising from consumers and special interest groups. It also administers a Trade Dispute Procedure (disputes between advertisers) as well as other advertising codes of ethics whose application is voluntary. It also pre-clears advertising copies on food and non-alcoholic beverages, cosmetics, consumer drugs, and in English Canada only, children's advertising.

We believe that if we were able to implement such a successful, professional and thorough system, jointly with the federal and provincial governments of Canada, advertisers, media and advertising agencies, we certainly can create and administer a Certification Program for advertising agencies for the greater benefit of all stakeholders.

Recommendation 2 Creation of a Standing Working Committee that would gather representatives from the federal government, AAPQ, ICA and ACA

Several times in the past, our associations tried to re-establish communication with public and elected officials of the Canadian Government in order to discuss the global functioning of the contracting system. Recently, we have had to wait almost a year to obtain a meeting with the responsible Minister.

In our industry, business relationships totally rely on one essential proposition: the close and privileged contact between the client and his supplier. How can we create and develop the best strategies possible if we do not know our clients and do not communicate with them on a daily basis? In the past years, the relationship between our industry and the federal government has deteriorated to the point where several of our members have simply decided not to respond to the Government's calls for tenders, depriving thereby the Government of valuable and original expertise. How did we get to that point?

Without blaming either party, it is clear that a climate of mistrust has been created, largely nourished by the misconception between one party's needs and the other's realities. It is commendable to try to ensure that taxpayers' money is well spent, but the pendulum seems to have swung to the other extreme.

To illustrate this situation, a couple of weeks ago one of our member agencies based in Montreal received a request from a federal department for copies of an existing video document. The request was made under the condition that the agency would issue a call for tenders, and it was required from that agency that the copies be delivered the next day in Ottawa. One must think of this as a normal situation? The time frame for such a call for tenders was however absolutely unrealistic considering the emergency of the request (the department asked the agency not to use messenger services to deliver the copies) and the amount of money involved (just a few hundred dollars). This is not an isolated case. It is a case like hundreds of others that spoil the working atmosphere and show that viable communication does not exist.

Furthermore, during the entire duration of the Commission's work in Montreal, many journalists came to AAPQ and ICA for information on the contracting process used by federal departments and Crown corporations. They said they came to us because they could not get interviews from the Government on this specific topic.

Though we understand the difficult climate in which public and elected officials had to work in the past two years, we believe that regular communication with the associations would have been very positive. We would have been able to exchange and better understand each other's position.

We therefore recommend the creation of a Standing Working Committee that would include representatives of the Association of Quebec Advertising Agencies, the Institute of Communications and Advertising, the Association of Canadian Advertisers and the federal government. The Committee's participants would meet at least twice a year in order to discuss the contracting process, the selection criteria, and the proposed wage grids. They would ensure that dialogue between the industry and one of its major clients is restored, thus making it easier for an awarded agency and its client department or Crown corporation to work together on a daily basis.

Recommendation 3 Creation of an independent federal agency in charge of contracting communication services

Several times in the past it was recommended to the federal government that it create an independent agency that would be responsible for contracting marketing communication services. This type of agency already exists in Canada (Ontario Advertising Review Board – OARB) and in the United Kingdom (Advisory Committee on Advertising – ACA), and appears to respond well to the objectives of transparency, equity, added value and abnegation set forward in Mrs. Sheila Fraser's recommendations.

For AORB, the selection process of agencies is transparent, and decision-making is distant from political influences.

The world's most effective Government advertising campaigns are produced in the U.K. by the COI (Central Office of Information - see www.coi.gov.uk). Over 70% of COI's staff (including the CEO) are drawn from the private sector and have public sector insight. It is, for the U.K. Government, a central source of information on the effectiveness of advertising campaigns. COI and its agencies regularly win awards on the effectiveness of their advertising campaigns (*IPA Effectiveness Awards*), with case studies that prove taxpayers get value for money. Despite numerous requests from ICA and AAPQ, the equivalent concept in Canada (*Cassies*) has never received a Government of Canada case study.

The COI's agency selection process allows the Government to choose from a roster of agencies which are among the most creative ones in the U.K.; it does not simply appoint the one who offers the lowest price. COI's Chief Executive reports to Minister of the Cabinet Office, but is overseen by the *Advisory Committee on Advertising* that contains private sector experts.

Recommendation 4 Conducting an independent study of the world's best tender procedures for governments

During our last meetings with the responsible Minister, the Honourable Scott Brison, we suggested that an independent study be conducted worldwide in order to set up standards that would allow the assessment of the performance of Canadian processes when compared to the best practices of other major countries. This request was later confirmed to the Minister in writing. This study, whose cost ICA is prepared to share equally with the Government, could be conducted quite rapidly and would allow the adoption of specific actions designed to improve the existing system and its efficiency.

We still believe in the potential of such a study, and that it would accelerate the improvement of the existing process and re-establish a healthy dialogue between the various stakeholders.

Recommendation 5 Standardization of the contracting process within Government departments and Crown corporations

Many witnesses testified before the Commission that the contracting process differed greatly among the various Government departments and Crown corporations. We understand the approach of Crown corporations' executives who wish to control the overall mechanisms that will allow them to better attain their objectives.

These disparities between the contracting procedures of Crown corporations result in high management costs for agencies that must respond to calls for tenders, and also reduce organizations' capacity to benefit from maximum savings such as group purchasing in the case of media placement. We have assessed that Crown corporations could save almost 5% each year, which would be equivalent to millions of dollars in savings.

We therefore recommend that a standardization of the contracting process be considered, studied and implemented as soon as possible in order that a greater economy of scale be achieved by all stakeholders.

Recommendation 6 Registration with the Ordre des administrateurs agréés du Québec

Concurrent with the Commission's work, many individuals (journalists, executives, agencies' staff, etc.) raised questions as to business ethics, professional practice, and integrity. The Association of Quebec Advertising Agencies and the Institute of Communications and Advertising are not professional corporations as per the Québec's professional system and its Professional Code, but they have a code of ethics that guides business decisions and behaviours as in other business sectors.

Owing to the lack of a professional corporation in due form and considering specific limitations in the creation of such a corporation, we suggest that executives from marketing communication firms claim the title of management professionals. Known as Chartered Administrator (C.Ad.), this title is issued and

administered by the Ordre des administrateurs agréés du Québec. It provides managers, in all business fields and according to very specific admission criteria, professional supervision in order to govern their administrative acts. The title also obliges its holder to conform to a code of ethics (Code de déontologie des administrateurs agréés, R.R.Q., c. C-26, r. 10.01).

We believe that the executives of our member agencies meet those criteria and can demonstrate without exception their professional capacity as administrators. The Ordre des administrateurs agréés du Québec supports in a concrete manner the implementation within organizations of sound management principles (i.e. transparency, continuity, efficiency, equilibrium, equity and abnegation). We believe that on a daily basis, these principles already form the very foundation of our member agencies' management. The act of claiming the Chartered Administrator title for our executives would confirm one more time the high level of integrity that inspires every one of them.

Recommendation 7 Public discussion on the importance of advertising in the democratic exercise

Finally, the last months have resulted in many discussions and forums on the role of marketing communication, more precisely advertising within the Canadian democratic exercise. Most of the issues raised pertained to the financing of political parties, the role of agencies, the alleged links between the awarding of government contracts and the participation in political campaigns, campaign costs and fees.

In more than one instance, these debates took place in a critical climate, without discerning and reflecting on the actual role of advertising and marketing communication in an electoral context. This was done without proper information on the costs and the money extended by governments for the financing of political parties. Furthermore, these debates took place with only marketing communication stakeholders in mind, even though everyone knows the range of professionals who have to be involved actively to successfully conduct an election campaign.

We believe that an open public discussion should take place so that the various stakeholders (suppliers, political parties, volunteer workers, donors, etc.) may update their methods of functioning in order to clearly define guidelines as to the involvement of strategy developers in marketing communication and the use of various tools made available to political parties. We also wish that other professionals, closely involved in the democratic exercise (lawyers, accountants, engineers, insurers, etc.) and who could be solicited in the organization of political campaigns, be asked to participate in this discussion and help clarify the situation.

Conclusion

The Association of Quebec Advertising Agencies and the Institute of Communications and Advertising have openly contributed in good faith to the public discussion; more specifically, the Association has actively participated in the Commission's work.

We have invested much time and financial resources in order to:

- › support the work of the Commission's attorneys and propose them direction in their examinations;
- › file a memorandum summarizing our perceptions as to testimonies given;
- › respond to questions raised by the hundreds of journalists, and participate in public forums in order to inform the public on advertising agencies' realities.

We invested time and resources that would have otherwise been spent on academic training and the promotion of our industry with international work providers, in response to the media convergence phenomenon. We did so to defend an industry that was harmed by the impact of the reprehensible actions of a handful of people.

Therefore, we hope that the analysis of the situation and most of all, the proposals and recommendations resulting from it will help our industry to restore the lost dialogue with the federal government and its various entities. We also hope that these will promote the adoption of specific actions that will simplify the tender procedures and the awarding of contracts.

We would like to thank you for receiving this series of recommendations, and confirm again our availability to meet with you in order to further discuss the recommendations made herein.