

BBC Trust
Review of TV Licence Fee Collection

March 2009

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Executive Summary

1. The BBC Trust has a specific duty under the BBC's Royal Charter 2006 (Article 24(2)(m)) to ensure that the arrangements for the collection of the licence fee by the BBC Executive are **efficient, appropriate and proportionate**. In order to fulfil this function the Trust will review and approve the Executive's collection strategy on an annual basis.
2. In addition, since this is a new duty for the Trust we have undertaken a more in-depth review of the licence fee collection strategy and have consulted on the collection process to provide an opportunity for the public to have their say on how they think the BBC Executive is doing against its Charter remit. The review began in September 2008 and since then we have heard from over 4,000 members of the general public and other interested parties. We have carried out bespoke audience research and talked to the people who collect the TV licence fee. We have also considered letters to the Trust from Members of Parliament and taken into account wider public opinion and press coverage of the collection strategy.
3. This review has considered:
 - ❖ **Are the collection arrangements efficient?** We have examined the efficiency of the BBC Executive's strategy in maximising revenue collection whilst minimising evasion.
 - ❖ **Are the collection arrangements appropriate?** We have looked at a range of issues including the range of payment methods available to licence fee payers.
 - ❖ **Are the collection arrangements proportionate?** We have looked at the enforcement methods used by the BBC Executive including visits and prosecutions as well as the tone of the correspondence, marketing and advertising about the TV licence.

Summary of BBC Trust Conclusions

Are the collection arrangements efficient?

The BBC has made major improvements in efficiency since it took over responsibility for licence fee collection from the Home Office in 1991. Since that time the evasion rate has fallen from 12.7% to 5.1% last year. The BBC's current collection strategy is focused on driving down evasion and costs of collection. Since 2006/07 the BBC has saved £43.5 million in collection costs and is targeted to save £153 million in total by 2011/12. However, since 2006/07, evasion – the proportion of potential licence fee revenue that remains uncollected – has remained relatively flat at around 5%.

There is clearly a balance to be struck between the cost of collection and targeting evaders in any collection process so that the burden on the vast majority who do pay is kept as low as possible. However, whilst we welcome the BBC Executive's efforts to reduce the costs of

collection, we recommend that the BBC re-evaluates its efforts to place more emphasis on targeted enforcement even if there is a modest additional cost attached.

Are the collection arrangements appropriate?

Overall, the Trust is satisfied that the broad range of payment methods offered by the BBC Executive is appropriate for the vast majority of licence fee payers. We note some concerns about the withdrawal of the ability to pay over-the-counter at the Post Office, but believe that the decision represents better value for money for the public. The Trust believes that some of the current instalment schemes for Direct Debit and Cash Payment Plan may be overcomplicated and confusing for licence fee payers. The scheme rules are ultimately a matter for the Department for Culture, Media and Sport (DCMS), but we believe this is an area where a simplified approach should be explored.

Are the collection arrangements proportionate?

The Trust acknowledges the difficult job of enforcement of the law undertaken by the BBC and its collection agents and has been impressed by the dedication shown by licence fee collection agents. The BBC Executive must ensure that TV Licensing's dealings with the public and the tone of its correspondence are not accusatory and should aim to be polite, firm and informative. Looking at our research in this area and taking account of correspondence from the public and Members of Parliament to the Trust, we believe that this is not always the case, and that the BBC Executive must improve the tone of the early stages of TV Licensing's correspondence with the public.

Context

4. The television licence fee is collected by the BBC and used to fund BBC public service broadcasting throughout the United Kingdom. In 2007/08, the BBC issued 25.3 million licences and collected £3,369 million in licence fee income. The evasion rate is currently estimated to be 5.1% which represents a £181.9 million loss of income to the BBC and a loss in value to each licence fee payer of approximately £7 per licence. TV Licensing is a trade mark used by the BBC Executive and its partner agencies for its licensing activities.
5. The BBC Executive must maintain value for money and secure the finances intended to fund BBC services for the public at large. The BBC's collection strategy needs to be designed to help people pay for their licence by ensuring the system is as customer focused as possible. At the same time it must ensure that it fulfils its responsibility to the vast majority of households who pay their licence fee, by vigorously pursuing those that deliberately evade payment.

Recommendations for improved efficiency

Evasion

6. Evasion rates have remained at around 5% for the past three years and are predicted to increase slightly in the current economic climate. Against this, we note that collection costs have fallen in real terms in recent years. This reflects efficiencies in the collection process rather than a reduction in collection activity. There is clearly a balance to be struck between the cost of collection and targeting evaders in any collection process so that the burden on the vast majority who do pay is kept as low as possible. However, whilst we welcome the BBC Executive's efforts to reduce the costs of collection, we recommend that it re-evaluates its efforts to place more emphasis on targeted enforcement even if there is a modest additional cost attached.
7. As part of this review we also looked at the performance of other enforcement agencies such as the Driver and Vehicle Licensing Agency (DVLA) in order to give some context to TV Licensing's performance (although we caution that interpretation of comparative data needs care due to the different sections of society from which the various agencies collect and their enforcement powers).

Recommendation 1

Whilst we welcome the BBC Executive's efforts to reduce the costs of collection, we recommend that it re-evaluates its efforts to place more emphasis on targeted enforcement. In particular, the Trust would like to see the BBC Executive develop a more explicit model for ensuring an appropriate trade-off between loss of value to licence fee payers from evasion rates versus increased enforcement costs.

The Trust recommends that the BBC Executive engages with other collection agencies and explores how it might establish benchmarking arrangements and identify how operations can be improved to increase efficiency.

TV Licensing database

8. The TV Licensing database is the cornerstone of licence fee collection. It maintains over 29 million records and requires constant updates to account for changes such as people moving home, changing payment method, new homes being built and houses being demolished. For the majority of standard information it contains, the database is fit for purpose and well maintained.
9. However, the database is only as good as the data that is put into it and sometimes the information is not recorded accurately. Our consultation responses indicate that this can be a source of irritation to the licence fee payer especially if they have already contacted TV Licensing to update their details on a previous occasion. These inaccuracies can also marginally hamper the targeting of evaders.

Recommendation 2

The effectiveness of the TV Licensing database depends not only on its design but also on the accuracy of the information it contains. Whilst the great majority of the information is fit for purpose, there is evidence that a minority of data may not always be correct. The BBC Executive should continue to work with Capita, who maintains the database, to assess the quality of the information stored on the database. Key performance indicators should be introduced during 2009/10 which will allow the BBC Executive to measure how accurately information is being recorded.

The BBC Executive is already working with Capita to ensure an ongoing programme of development and improvement to the database and the systems surrounding it. The Trust will require an audit report on this project from the Executive by the end of 2009.

Recommendations to improve appropriateness of collection strategy

Range of Payments

10. TV licences can be paid for using a number of payment methods including Direct Debit, Cash Payment Plan, credit/debit card and cheque. A licence can be bought over the phone, by post, online and at PayPoint outlets.
11. Our research and consultation findings showed that a high majority of people viewed the range of payment methods offered by TV Licensing as suitable. Of those that did not think the methods adequate, the alternative mentioned more than most was the ability to pay over-the-counter at the Post Office. The Post Office was replaced by PayPoint in 2006 as the main over-the-counter sales provider. Whilst the Trust acknowledges that this move may have been the source of some inconvenience to a minority of consumers, it recognises that PayPoint offers a larger number of outlets and believes that, on balance, the current arrangements represent better value for money for the licence fee payer.

Simplified Payment Plans

12. As an alternative to paying the licence fee up front in one lump sum there are a number of instalment plans to help spread the cost. The rules surrounding these plans are set and regulated by the Department for Culture, Media and Sport. The plans enable people to pay six months in advance and six months in arrears. This is achieved by collecting full payment for the first licence over the first six months and then spreading the cost of subsequent licences over 12 months.
13. Rather than view the schemes as preferable alternatives to paying in one lump sum, we have found in our research that the up front payment is compared unfavourably by licence fee payers with other annual instalment plans, such as utilities bills, where payment is spread evenly over 12 months. There was also some concern expressed in our qualitative research as to whether the regulations are providing a barrier to entry for

those on low incomes who are struggling to pay their bills. This is particularly true of the Cash Payment Plan which was designed with people on low incomes in mind.

14. Whilst the up front loading of costs also helps protect the BBC from the loss of people who start to pay for their licence in instalments but stop before the whole amount has been collected, the Trust believes that by making these schemes as attractive and simple as possible people are less likely to opt out of them.
15. Unlike the monthly Direct Debit and Cash Payment Plan the quarterly Direct Debit scheme does not require any up front payments. However, in order to join this scheme the licence fee payer is required to pay a £5 annual charge on top of the licence fee because most of the payment for the licence is in arrears. It is not unusual for public organisations to charge a premium for instalments; for example, paying annual car tax in two six-monthly instalments costs £12 more than buying a 12-month tax disc¹. The income from the £5 premium generated £17 million in income for the BBC in 2007/08 (to put this in context, approximately the annual budget of BBC Radio Wales).
16. Clearly there is a complex balancing act to be performed in ensuring the revenue raised through payment schemes is protected and that such schemes are equitable between all licence fee payers. The Trust believes this is an area that merits further discussion between the BBC Executive, the Trust and Government to see if simplification is possible.

Recommendation 3

The Trust believes that the current payment plans could be simplified and more effort could be made to remove barriers to payment especially for people on low incomes. The Trust believes this is an area that merits further discussion between the BBC Executive, the Trust and Government to see if simplification is possible.

Recommendations to ensure collection strategy is proportionate

Communications

17. TV Licensing uses a range of marketing activity in order to make contact with licence fee payers. Its methods range from television and radio campaigns and community relations initiatives to more direct communications such as letters and telephone calls to licensable properties.

¹ DVLA; based on 2007/08 cost of car tax for engine size not over 1549cc

Advertising

18. Through our qualitative research, we found that there was general approval for TV Licensing communicating a mix of information and messages aimed at evaders through TV trails and posters. There is a role for advertising in reassuring licence fee payers as well as targeting evaders.
19. It is not possible to directly measure the success of TV Licensing's advertising in terms of licences sold. However, the BBC Executive does regularly monitor the impact of its advertising in terms of awareness. We note that the latest national tracking data available indicates a decline in spontaneous awareness of the advertising². The research also shows that TV Licensing's advertising is better recognised by those who pay their licence fee, than it is by those who evade or delay payment.
20. While there have been reductions in the resources allocated to advertising campaigns, and changes to the strategy to include a more regional focus, measurement of the impact of campaigns is still carried out at a national level. The campaigns are not currently achieving against the key performance indicators (KPIs) the BBC Executive is using, and we note that no formal action plan has been put in place to address this. The Trust also notes that achievement of KPIs is not linked to formal contractual targets for the advertising agencies who deliver the campaigns.
21. The majority of people in our research and consultation were aware of the requirement to own a TV licence and the ways in which it could be paid (eight in ten said they knew about the different ways to pay). However, there was some confusion surrounding the need for a licence when using TV receiving equipment on PCs and mobiles. Around one in three consultation respondents said it was not clear when a licence was required, or mentioned some areas of confusion. Many were unaware of the different laws surrounding watching on-demand television, which does not need a licence and live streaming of material as it is broadcast, which does require a licence.

Recommendation 4

The BBC Executive should agree a new set of key performance indicators which are correctly aligned with the communications strategy and are able to measure the impact of both national and regional communication campaigns. It should also take appropriate action to address any underperformance against the new agreed KPIs. When future contracts are negotiated with advertising agencies, the Executive should consider including formal incentives for performance against KPIs.

The BBC Executive should also seek to improve public awareness of the TV licensing law surrounding the use of technology, such as the internet, to access television services.

² Test research tracking data: Fieldwork up to January 2008

Direct Communications

22. TV Licensing sends around 83 million letters a year to households in the UK including payment reminders, Direct Debit statements and enforcement notices. They account for the main source of interaction between TV Licensing and licence fee payers and therefore play a key part in the public's perception of TV Licensing.
23. Our audience research found that for some groups in society these letters are sometimes too lengthy and complex to understand, especially for those with poor literacy skills or only a basic level of English. The BBC Executive is already taking steps to address this, and new letters are currently being tested with audience groups.
24. Perhaps the strongest theme running through our audience research and our consultation responses was a public perception that the tone of the letters was too harsh and implied that people were deliberately evading when a licence had expired only recently or they had moved house. Only a third of those who responded to our consultation felt that TV Licensing's direct communications met the BBC Executive's stated aims of being clear and concise, polite but firm. However, in our qualitative research with the general public, we also found that there was strong support from people who pay the licence fee for TV Licensing's pursuit of deliberate evaders.
25. Therefore, the Trust believes a balance should be struck between ensuring early reminders are polite, informative and non-accusatory, and strengthening the messages about evasion the longer a property remains unlicensed.

Recommendation 5

The Trust has found that TV Licensing's direct communications are not always meeting the BBC Executive's stated aims of being 'clear and concise, polite but firm'. The BBC Executive must work with its advertising agencies to revise the early reminder letters to ensure they are easy to read, polite and non-accusatory. Consideration should be given to ensuring the prominence of messages about what people should do if they have already bought a TV licence; if they do not own a TV or if they require the information in an alternative format.

However, the Trust also believes that the BBC Executive's policy of strengthening the messages in its letters the longer a property remains unlicensed is the correct strategy and is an important tool for deterring evasion.

Telephone services

26. In 2007/08 13.1 million calls were made to TV Licensing. TV Licensing relies on many of these calls to update and improve the quality and accuracy of the household information the database stores. Currently the majority of these calls are made to TV Licensing on telephone numbers beginning 084 which generate revenue for some of the BBC Executive's sub-contractors.

27. Over the last year the BBC has moved many of its viewer and listener calls from 087 numbers to non-revenue generating 03 numbers. The cost to the consumer of the 03 range of numbers is no more than a national rate call and counts towards any inclusive minutes in a phone contract including landlines and most mobile phones.

Recommendation 6

The Trust wants to ensure licence fee payers' dealings with TV Licensing are as efficient and cost-effective as possible. We therefore recommend that TV Licensing follows the rest of the BBC's example and considers replacing, in the most cost-effective way, its 084 numbers with 03 contact numbers for its dealings with consumers.

Enforcement

28. Sales and enforcement officers made 3.6 million visits in 2007/08. Such visits not only help catch evaders but also provide a valuable source of information to TV Licensing such as whether a property is vacant, whether an address exists and whether or not the household owns a TV.
29. However, 60% of the visits result in no contact being made with the occupant and without TV Licensing being able to confirm that the property is vacant. All these visits subsequently require follow-up action. The Trust therefore believes the enforcement model needs to be improved.
30. Once contact has been made by an enforcement officer with an occupant of an unlicensed property there is over an 80% chance that that person will purchase a licence within 28 days. It is therefore important for the BBC Executive to look at ways of increasing this contact rate.

Recommendation 7

The Trust believes the enforcement model needs to be improved to increase the likelihood of an enforcement officer making contact with an occupant. The BBC Executive and its TV Licensing contractors need to use their research and knowledge of the characteristics and behaviour of evaders to revisit the enforcement model to develop ways of increasing the contact rate. By using the database to target those unlicensed addresses which are most likely to contain evaders, and by a means which is more likely to result in contact, the Trust believes TV Licensing could increase the number of licences sold at this stage of enforcement.

Households with no television sets

31. Currently almost 3% of UK households do not have a TV set. These households do not have to let TV Licensing know that they do not need a licence. However, if households do not notify TV Licensing of their status, they continue to receive letters from TV Licensing and may be visited by an enforcement officer.

32. The treatment of those people who do not have a TV set or other such equipment that would allow them to watch live TV broadcasts has been an important part of this review.
33. The Trust has listened to the strong views expressed about the 'no set' policy through its public consultation, and has also conducted quantitative research with people who do not have a TV set. Amongst those who responded to our consultation, only a third thought the current policy was appropriate, with a range of concerns expressed. Our quantitative research also highlighted concerns about how easy and effective it was for people to notify TV Licensing that they do not have a TV set. In response to this feedback, the Trust will require the BBC Executive to take steps to make it easier for 'no set' households who wish to do so, to notify TV Licensing of their status.
34. The Trust accepts that many people without a TV set who do not inform TV Licensing of their status also object to receiving more aggressive mailings targeted at people who do not respond to initial mailings from TV Licensing. However, the Trust is not convinced that there is a viable alternative to this, since TV Licensing cannot distinguish between evaders and 'no set' households without some sort of contact.
35. We also have to balance the fact that 27% of households that tell TV Licensing they do not have a TV set have subsequently been found, through enforcement officer visits, to have one.

Recommendation 8

The BBC Executive must consider ways to make it easier for people without TV sets to let TV Licensing know that they do not have a TV. In making changes to the tone and content of direct communications (recommendation 5), TV Licensing must improve the acceptability of standard letters received by households that have not yet informed TV Licensing that they do not have a TV by increasing the prominence of messages about what to do if they have no set.

The Trust will require the BBC Executive to look again at the way in which those who do not have a television are dealt with, to find ways to make it easier and more effective for the individual whilst still providing appropriate checks to combat evasion.

36. The Trust acknowledges that some of the above recommendations will require additional investment in TV Licensing and may also require careful consideration of the impact on the economics of the licence fee.
37. The Trust will require the BBC Executive to explore and test options in more detail and present an action plan addressing the eight recommendations to the Trust by the end of June 2009.

The future of licence fee collection

38. The technological advances of recent years have seen significant developments in the ways in which people may choose to access television content, not least the BBC's own iPlayer. In the immediate term, there needs to be clearer communication on the legal requirements for a TV licence (as noted in recommendation 4).
39. Some commentators have also predicted the licence fee will be undermined by new technology. Whilst not strictly part of this review the Trust has obviously considered this question and regularly reviews the impact of technology on audience behaviour. The licence fee collection is currently heavily reliant on the fact that almost 98% of households still use television sets (although this number has declined very slightly in the last year from 97.61% to 97.37%) and that viewing on new technologies tends to be supplementary to viewing on television.
40. It is not yet clear whether households are likely to switch to internet streaming as the sole method of watching television, avoiding the use of a dedicated television set. It is clear, however, that this is happening in some segments – research for the BBC Executive shows that 40% of students in halls of residence use a laptop as their main way to watch TV.
41. Households may also take the opportunity that Video on Demand (VoD) presents to forgo live television entirely, although the pull of live events may act against this.
42. Legislative change is likely to be required in order to reflect technology changes in the licence fee regulations and the Trust has therefore not explored this further within this review.

Part I – Introduction

The BBC Trust's role in this review

43. It is the BBC Trust's responsibility to get the best out of the BBC for licence fee payers. We listen to a wide range of voices, seeking to understand all opinions and expectations to inform our judgements. We ensure the BBC is independent, innovative and efficient: a creative and economic force for good in the UK, and for the UK internationally.
44. In accordance with the BBC's Royal Charter 2006, the Trust is the guardian of the licence fee revenue and the public interest in the BBC. In addition to its other duties the Trust has a new specific function to ensure that arrangements for the collection of the licence fee by the BBC are efficient, appropriate and proportionate (Charter, Article 24(2)(m)).
45. On an annual basis the Trust will review the BBC Executive's collection strategy in order to fulfil this function. However, in 2007/08 the Trust committed itself to a more in-depth review of the licence fee collection process to provide an opportunity for the public to have their say on how they think the BBC is doing against this remit.

Scope

46. The activities covered by the review include everything that the BBC does with the aim of collecting the licence fee, including direct and indirect communications, collections operations and enforcement.
47. The scope of the review is limited to those areas within the operational and strategic control and oversight of the BBC. As such, questions of policy such as whether there should be a licence fee or debates about the cost of the licence fee are not matters for the BBC to decide and are out of scope for the purposes of this review.
48. The detailed scope of the review is set out in our terms of reference which were published in September 2008.

Methodology

49. This review was carried out for the Trust by its independent advisers in the Trust Unit under the direction of the review's lead Trustee Janet Lewis-Jones. We gained evidence from a wide range of sources which are summarised below.
50. We ran a public consultation from 8 September 2008 until 28 November 2008 to which we received over 4,000 responses from licence fee payers, interest groups, MPs and the Trust's Audience Council for Northern Ireland. We developed a set of questions designed to capture views on how it feels as a consumer to deal with TV Licensing,

including the appropriateness of TV Licensing's payment methods and how proportionate people believe TV Licensing's collection and enforcement methods are.

51. In order to explore the experience of customers in more depth we organised a number of focus groups and in-depth interviews with the public. These were conducted for us by independent market research agency Front Line. The Trust thought it likely that some groups of people might have different experiences of paying their licence fee. To explore this further the qualitative research included people on low incomes, new migrants to the UK, people with disabilities, older people, and households with no TVs, as well as three focus groups with the general public. In total we spoke to 75 people as part of this qualitative exercise.
52. We also carried out a short piece of quantitative survey research amongst people who had no TV. These people were identified via an omnibus survey run by market research agency British Market Research Bureau (BMRB), using face-to-face and telephone contact.
53. Members of the Trust and Trust Unit staff have accompanied enforcement officers on field visits and listened in to a sample of calls to the TV Licensing call centres to help understand the complexities of the licence fee collection. We have conducted interviews with BBC staff and representatives from the BBC's collection agents: Capita, Proximity, PayPoint, and Orchestra (the company which mails the letters sent out by TV Licensing). We have also held an interview with the Citizens Advice Bureau.
54. In order to provide some benchmarks for the licence fee collection strategy we commissioned an industry comparator study from Deloitte. The report looks at how TV Licensing's collection arrangements compare with other collection agencies including the DVLA, a local authority and a utility company.
55. We also reviewed commitments made in the BBC Race, Disability and Gender Equality Schemes relating to TV Licensing and considered equality and diversity throughout the review process, for example, through our approach to the public consultation, audience research and stakeholder engagement.

The TV Licence today

56. Under the Communications (Television Licensing) Regulations Act 2004, it is a legal requirement to be in possession of a valid TV licence in order to use any television receiving equipment such as a television set, digital box, DVD or video recorder, PC, laptop or mobile phone to watch or record TV programmes as they are being shown on TV. If a person is only watching on-demand services, after programmes have already been broadcast, there is no need for a licence.

57. There are around 25 million TV licences currently in force. A TV licence for colour television in 2008/09 costs £139.50 per year, and for black and white TV, £47³.
58. There are also variations of the TV licence, each with different fees, depending on people's circumstances. For example, there are special TV licences for:
- People aged 75 and over
 - Blind or severely sight-impaired people
 - Hotels, hospitality and mobile units
 - Residential care homes
59. Around 3.9 million licences are issued free to those aged 75 and over, for which the BBC is reimbursed by the relevant government department, and around 40,000 customers receive a 50% discount for blind or severely sight-impaired people.
60. The licence fee for hotels is based on the number of units of accommodation, or mobile units on offer as accommodation, in which a TV receiver is installed or used. Only one licence fee payment is required for up to 15 units with TV receivers installed. If there are more than 15 units, the hotel pays one fee for the first 15 and an additional fee for every extra five units (or fewer).
61. A person living in residential care may be entitled to a reduced-fee TV licence called an ARC (Accommodation for Residential Care) concessionary TV licence which costs £7.50 per year.
62. Figure I shows the BBC income generated by the licence fee.

Figure I: Licence fee prices and income

	Licence fee 08/09	Licence fee 07/08	Licences in force 07/08	Total income 07/08	Licence fee 06/07	Licences in force 06/07	Total income 06/07
	£	£	m	£m	£	m	£m
Colour	139.50	135.50	21.1	2,840.1	131.50	20.9	2,737.1
Monochrome*	47.00	45.50	-	1.4	44.00	-	1.5
Concessionary	7.50	7.50	0.2	1.4	5.00	0.2	0.9
Over 75s	-	-	4.0	508.4	-	4.0	486.6
			25.3	3,351.3		25.1	3,226.1
Quarterly payment scheme premium	-			17.5			16.8
Total licence fee income	-			3,368.8			3,242.9

* There were 28,000 monochrome licences in force at 31 March 2008 (33,000 at 31 March 2007)

(Source: BBC Annual Report and Accounts 2007/08)

³ On 1 April 2009 the cost of the licence fee will increase to £142.50 for a colour licence and £48 for a black and white licence..

Who collects the licence?

63. In April 1991, following the Broadcasting Act 1991, responsibility for collecting licence fee transferred from the Home Office to the BBC.
64. Under the legislation the licence fee collected by the BBC is passed to the Department for Culture, Media and Sport and subsequently surrendered to the Exchequer. The Department then issues a grant to the BBC equivalent to the full amount of the net licence fee income collected less the Department's costs. In practice, instalments paid by the Department to the BBC during the year are based on an estimate of the amount of licence fee revenues expected to be collected. An adjustment is then made in the following year for any over or under payment.
65. Figure 2, taken from the National Audit Office (NAO) report in 2002 entitled 'The BBC: Collecting the television licence fee' shows the respective responsibilities of the Department for Culture, Media and Sport and the BBC. It has been updated to reflect the transfer of duties regarding the evasion rate model which was previously a responsibility of the Department.

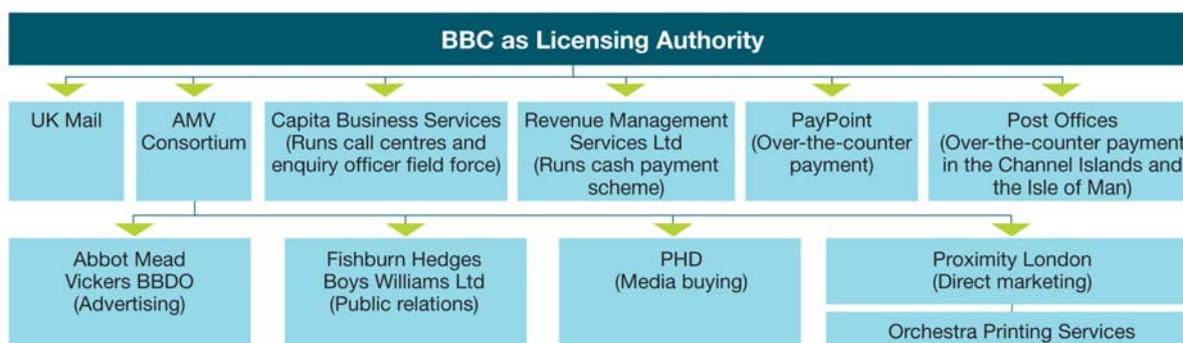
Figure 2: Respective responsibilities of the DCMS and the BBC

The Department's responsibilities	The BBC's responsibilities
<ul style="list-style-type: none"> • Determining the specific types of apparatus to be licensed • Deciding the type of licence that will be issued (e.g. colour and monochrome, instalments licences or concessions) • Determining licence fee conditions. It will normally fall to the BBC to propose changes to conditions, but changes must be agreed with the Department, subject to Parliamentary approval • Setting new levels of licence fee and the scope of any concessions (such as the discount for registered blind people), subject to Parliamentary approval • Approving new payment schemes for licences (e.g. the amount of instalments), subject to Parliamentary approval • Paying grant to the BBC • Approving any changes to the evasion model 	<ul style="list-style-type: none"> • Issuing licences, maintaining licence records and collecting licence fees • Administering a scheme whereby dealers are required to notify the BBC of sales and rentals of television receiving equipment • Interpreting the regulations (set by the Secretary of State) in individual cases, including eligibility for concessions • Enforcing the licensing system • Revoking or altering individual licences, determining refund policy and making refunds • Paying into the Consolidated Fund all licence fee revenues, less any refunds made. In practice, the licence fee money collected by the BBC is passed to the Department for Culture, Media and Sport and then surrendered to the Exchequer • Preparing statistics (e.g. estimates of licences in force and levels of evasion) using models agreed with the Department

TV Licensing

66. The BBC is a public authority in respect of its television licensing functions and retains overall responsibility for collection of the licence fee. 'TV Licensing' is a trade mark used by companies contracted by the BBC to administer the collection of television licence fees and enforcement of the television licensing system.
67. The majority of administration is contracted to Capita Business Services Ltd, with cash related payment schemes contracted to Revenues Management Services Ltd. Over-the-counter services are provided by PayPoint plc. Marketing and public relations activities are contracted to the AMV Consortium. This consortium is made up of the following four companies: Abbot Mead Vickers BBDO Ltd, Fishburn Hedges Boys Williams Ltd, PHD Media Ltd and Proximity London Ltd.

Figure 3: TV Licensing



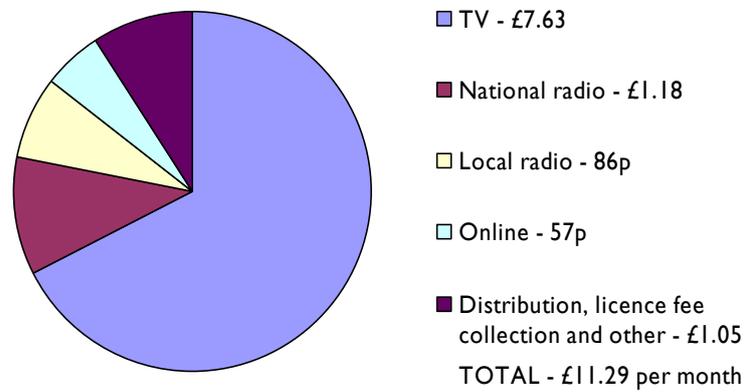
(Source: TV Licensing Annual Review 2007/08)

What does the licence fee pay for?

68. The licence fee funds all the BBC's UK services on television, radio and online. This allows it to run a wide range of popular content for everyone, free of advertisements and independent of advertisers, shareholders or political interests.
69. The licence fee pays for:
 - Television channels BBC One, BBC Two, BBC Three, BBC Four, BBC News Channel, BBC Parliament, CBBC and CBeebies
 - Five network radio services, plus BBC Asian Network, and digital radio services IExtra, BBC 7, BBC 6 Music, and BBC 5 Live Sports Extra
 - Regional television programmes and local radio services in England
 - National radio and television in Scotland, Wales and Northern Ireland
 - The website bbc.co.uk, BBC iPlayer and BBCi

70. In 2007/08 each household's colour TV licence cost around £11.29 per month (£135.50 per year). Figure 4 shows how, on average, the BBC invested the money in that year:

Figure 4: Breakdown of licence fee spend in 2007/08

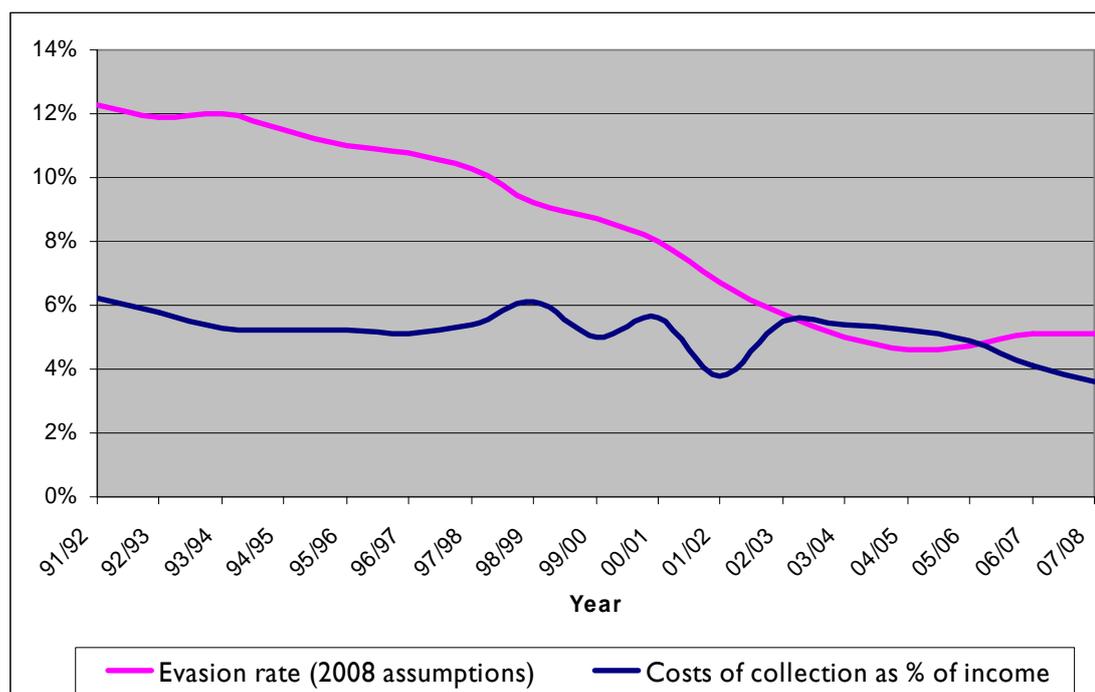


Part 2 – Are the collection arrangements efficient?

Evasion rates

71. The estimated evasion rate in the UK is calculated using a model administered by the BBC in consultation with the Department for Culture, Media and Sport. The level of evasion is calculated by comparing two figures: the number of licences in force and the number of sites that need a licence. The latter number is compiled from a range of external data sources including government estimates of the number of UK households and the Broadcasters' Audience Research Board's estimate of the number of households which have a television (currently 97%).
72. Figure 5 shows the general decline in evasion rates, and cost of collection as a percentage of income since 1991/92:

Figure 5: Evasion v cost of collection



(Source: BBC Trust analysis of BBC Executive data)

(Note: collection costs for 2001/02 include a £20m compensation payment from the Post Office for failure to deliver an IT system.)

73. Since 1991 when the BBC took over responsibility for collection of the licence fee, the evasion rate has fallen from 12.7% (1991/92) to 5.1% (2007/08). Evasion went up slightly between 2006 and 2007 from 4.7% to 5.1%. A small element of the increase may have been due to the switch from the Post Office to PayPoint as the provider of over-the-counter sales. However, the BBC Executive believes most of the increase is attributable

to higher estimates of household growth in urban areas where catching evaders is more difficult due to the high levels of mobility and multi-occupancy addresses.

74. In 2007/08 the BBC Executive estimated that £181.9 million of income to the BBC was lost through evasion. This represents a loss in value to each licence fee payer of approximately £7 per person.
75. Broad estimates of evasion around the UK show that there is an uneven distribution of evaders in the nations as illustrated in Figure 6. Historically, the security situation in Northern Ireland made enforcement activity difficult and accounted for an evasion rate of 30.4% in 1994. Since then the situation has improved and evasion reduced substantially although there is still some way to go to bring it into line with the rest of the UK.

Figure 6: Distribution of evaders in the UK

	Evasion rate 05/06	Evasion rate 06/07	Evasion rate 07/08
England	4.30%	4.90%	4.90%
Scotland	5.40%	5.90%	6.00%
Northern Ireland	11.10%	10.30%	9.80%
Wales	4.30%	4.70%	4.80%
UK Total	4.60%	5.10%	5.10%

(Source: BBC Executive)

76. Legislative differences may account for the slightly higher evasion rate in Scotland where the BBC does not have the same power as in other parts of the UK to decide whether to prosecute evaders who are caught.

Benchmarking

77. As part of our research we commissioned Deloitte to analyse the collection arrangements of other organisations including the DVLA, a local authority and a utility company in order to benchmark the licence fee evasion rate.
78. Deloitte found that, of those organisations sampled, TV Licensing had the highest rate of payment evasion at 5.1% compared with, for example, Severn Trent Water (2%) and the DVLA (1.5%).
79. Direct comparisons across the organisations should be viewed with caution as each collection agency has different methods of calculating the number of people who default on payment as well as different collection methods and deterrents. For example, unlike council tax, the TV licence fee is collected from all households regardless of their level of income. The deterrents available to the DVLA are seen as carrying more weight since cars can be clamped and destroyed.
80. The TV licence fee may be slightly more susceptible to evasion given:
 - It is not always immediately obvious who has a TV and who does not.

- No physical licence needs to be on display
 - TV equipment cannot be confiscated
81. The qualitative research we conducted as part of this review suggests that the licence fee features relatively low on people's priorities when paying bills which may also, in part, account for the higher evasion rate. In our research, some of the people we spoke to from unlicensed households were experiencing financial hardship and managing to pay most of their bills except the TV licence.
82. The Trust recommends that the BBC Executive uses the information provided by Deloitte to engage with other collection agencies and explore how it might establish benchmarking arrangements to identify how operations can be improved to increase efficiency.

Recommendation 1

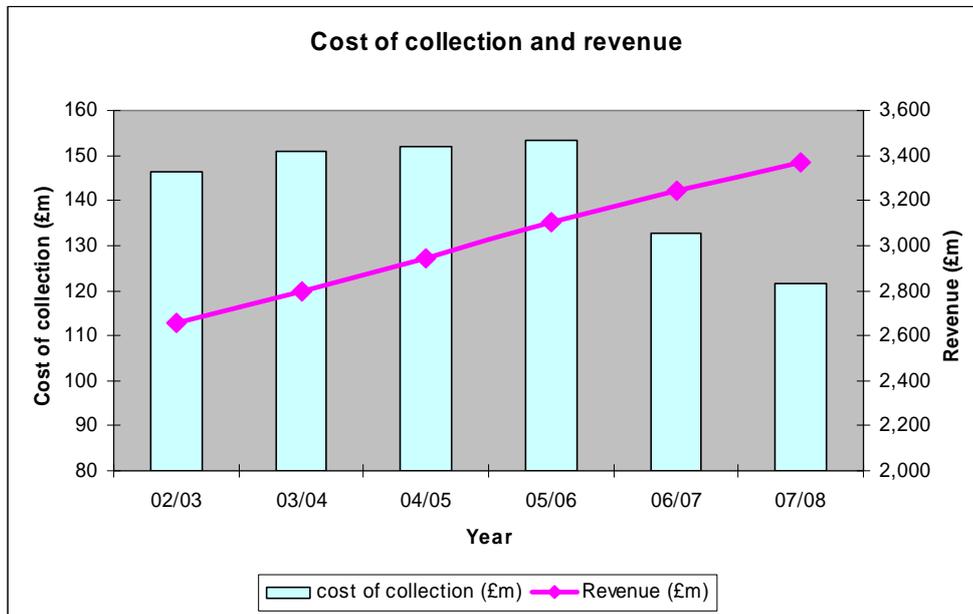
Whilst we welcome the BBC Executive's efforts to reduce the costs of collection, we recommend that it re-evaluates its efforts to place more emphasis on targeted enforcement. In particular, the Trust would like to see the BBC Executive develop a more explicit model for ensuring an appropriate trade-off between loss of value to licence fee payers from evasion rates versus increased enforcement costs.

The Trust recommends that the BBC Executive engages with other collection agencies and explores how it might establish benchmarking arrangements and identify how operations can be improved to increase efficiency.

Costs of collection

83. The cost of collecting the television licence in 2007/08 was £121.6 million, representing 3.6% of the £3,369 million raised in licence fee income. Figure 7 shows how costs have been declining since 2007 as income has been increasing. This reflects efficiencies in the collection process rather than a reduction in collection activity.

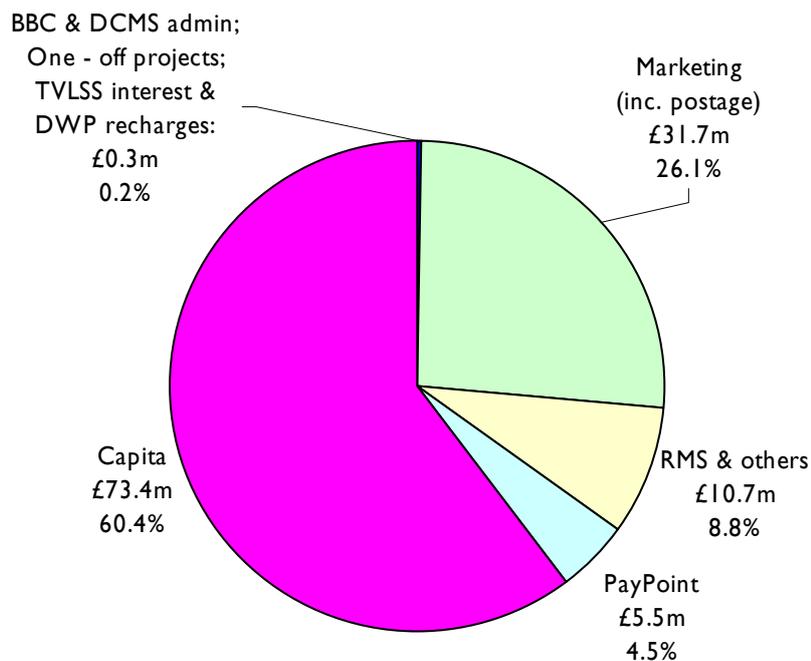
Figure 7: Cost of collection and income



(Source: BBC Trust)

- 84. Over 80% of TV Licensing collection costs are contractual and there is limited scope for cost reduction outside of re-procurement exercises. Furthermore, costs are volume related and as a result will increase as licence fee volumes increase. Of the remaining costs the majority relate to marketing and advertising spend.
- 85. Figure 8 shows the breakdown of the collection costs in 2007/08:

Figure 8: Breakdown of collection costs



*TVLSS – TV Licensing saving stamps
 **DWP – Department for Work and Pensions

86. Through a series of initiatives the BBC Executive aims to save £153 million of licence fee collection costs by 2011/12. As at January 2008, it is ahead of target by £12.6 million; actual costs for 2007/08 were £121.6 million and the current forecast for 2008/09 is around £126 million.
87. Figure 9 shows an extract from the BBC's six year plan that was implemented in 2006 together with the actual costs for 2006/07 and 2007/08:

Figure 9: TV Licensing 6 year planned savings

	06/07 £m	07/08 £m	08/09 £m	09/10 £m	10/11 £m	11/12 £m
TV Licensing baseline cost	143.6	154.1	154.6	157.6	169.8	180.1
Forecast savings:						
PO retender	7.0	20.0	21.2	22.7	23.2	23.6
Other	4.0	4.0	1.6	4.1	11.0	11.3
Total	11.0	24.0	22.8	26.8	34.2	34.9
Forecast costs net of savings	132.6	130.1	131.8	130.8	135.6	145.2
Actual costs net of savings	132.6	121.6	-	-	-	-

(Source: BBC Trust analysis of BBC Executive data)

88. Most of the savings over the next few years will be realised through the switch in 2006 from the Post Office to PayPoint as the main provider of 'Over the Counter' payment services.

Post Office to PayPoint

89. In March 2006 the BBC Board of Governors, the governing body of the BBC prior to the BBC Trust, approved a six year contract with PayPoint to provide the 'Over the Counter' licence fee payment services; a contract that had previously been with the Post Office. The Governors agreed the change in provider on the basis that the contract with PayPoint represented better value for money to the licence fee payer. Not only would the six year contract deliver nearly £30 million more in savings than the Post Office could, but licence fee payers would also have access to more retail outlets. Since 2006 the number of PayPoint outlets has risen from 14,500 to 20,500 and is forecast to increase further over the coming years; during the same period the number of Post Offices has declined from 14,000 to 12,500.
90. PayPoint's payment machines are stationed at various retail agents such as convenience stores, newsagents, forecourts, off licences and supermarkets. The average opening hours of these retailers is around 100 hours a week compared with around 46 hours for the Post Office and nearly 19% of licences purchased through PayPoint are bought outside of normal Post Office hours. However, in terms of reach, 94% of people live within a mile of a Post Office and 90% of people live within a mile of a PayPoint outlet.

91. The public consultation did raise some concerns about the switch away from the Post Office and we acknowledge that for a small minority of payers it represents an inconvenience, particularly for those who are required to visit the Post Office on other business and would normally pay for their licence at the same time. Six per cent of all consultation responses mentioned that they would like to pay at a Post Office. This view was more likely to be held by those aged 65 or over. One respondent in our research said: *“The bad part is finding the places. They’re Tom, Dick and Harry shops instead of the Post Office like it used to be.”* There were also some concerns about the standard of service you could expect at a PayPoint. A Deaf respondent said: *“The Post Office staff were really, really nice. I don’t think PayPoint people would take the same trouble.”*
92. However, the Trust believes that, on balance, the increasing number of PayPoint outlets and the extended opening hours, together with the substantial savings the contract delivers, represent better value for money for licence fee payers.

LASSY database

93. The TV Licensing database ‘LASSY’ (Licence Administration Support SYstem) stores over 29 million records of potentially licensable properties together with basic details such as the name of the licence holder and the expiry date. It is the cornerstone of collecting the licence fee and allows TV Licensing to identify unlicensed properties.
94. In order to ensure that the data it stores is correct, the database must be continuously updated to incorporate changes, for example people moving home, new homes being built, homes being demolished and to record addresses where people do not have televisions.
95. TV Licensing does this by conducting daily updates on the LASSY database using information provided by the Postcode Address File and the edited electoral roll as well as other commercially available data.
96. It also uses the data obtained by its sales and enforcement officers through their visits; they can provide confirmation of unoccupied properties, of homes with no televisions and if properties have multiple occupants for example.
97. The public also play a key role in keeping the information stored in the database up to date. Since it is the property and not the individual which is licensed, TV Licensing relies on home movers to contact it with changes of address so that their licence can be transferred from one household to another. TV Licensing needs to ensure the public are aware of their responsibility in this regard and make it as easy as possible for them to contact TV Licensing either by phone, post, email or online with any changes.
98. With such a constant change in information it is hard to know for certain how accurate all this data is but one way of monitoring it is to look at the number of enforcement officer visits to homes that already have a licence. In 2007/08, 67,900 visits were to

households that were able to produce a licence, which equates to nearly 10% of all visits where contact is made with the occupant. The BBC Executive has stated that most of these will be attributable to the fact that the homeowner has not informed TV Licensing of a change of address but there will also be an element of TV Licensing capturing and inputting the information incorrectly.

99. Another method we can use to look at potential errors with the database is to analyse the complaints generated as a result of incorrect information. In 2007/08, there were around 2,000 complaints specifically linked to database errors. This is comparatively low when considering the database processes more than 29 million records. However, we can assume some people would not formally complain and would simply call or write to TV Licensing with the correct information. Therefore, the actual number of errors is likely to be higher.
100. Such errors cause frustration and, in some circumstances, distress to those involved. There are currently no key performance indicators (KPIs) in place for data quality, however, the BBC Executive has started to look at implementing some. The Trust will require a set of KPIs relating to the quality of the data to be incorporated into TV Licensing's collection strategy during 2009/10.
101. The Transformation project, which is mostly funded by Capita as part of the contract with the BBC, has been in place since 2002 to enhance the database by incrementally adding more functionality to it. The expectation is that the more information the system can record about a particular address or customer, the better the quality of the data. It will also allow the marketing to become targeted e.g. better customer history will allow TV Licensing to identify who is more likely to evade, and adapt their communications and visits accordingly.
102. Siemens carried out a review of the Transformation project in 2004 and since then the BBC Executive and Capita have implemented an ongoing programme of development and improvement to the database and the systems surrounding it. The Trust will require an audit report on this project from the Executive by the end of 2009 to review how the project is progressing.

Recommendation 2

The effectiveness of the TV Licensing database depends not only on its design but also on the accuracy of the information it contains. Whilst the great majority of the information is fit for purpose, there is evidence that a minority of data may not always be correct. The BBC Executive should continue to work with Capita, who maintains the database, to assess the quality of the information stored on the database. Key performance indicators should be introduced during 2009/10 which will allow the BBC Executive to measure how accurately information is being recorded.

The BBC Executive is already working with Capita to ensure an ongoing programme of development and improvement to the database and the systems surrounding it. The Trust will require an audit report on this project from the Executive by the end of 2009.

Dealer notifications

- I03. If a dealer sells or rents TV receiving equipment, under The Wireless Telegraphy Act 1967 (as amended) they are required to notify TV Licensing within 28 days of each transaction, providing full details of the name and address of the purchaser or hirer. This includes the sale or rental of any new or second-hand:
- TVs
 - VCRs
 - DVD recorders
 - Set-top boxes
 - PCs with broadcast (TV) cards
 - TV cards
- I04. In 2007/08 TV Licensing received nearly 12 million dealer notifications resulting in 1.8 million initial letters being sent out by TV Licensing because either there was no licence at the address or the name of the purchaser did not match that on the existing licence. The policy of mailing licensed properties where the name of the purchaser is different from that on the existing licence was initially introduced to capture data on multi-occupancy properties which require more than one licence.
- I05. Dealer notifications in 2007/08 resulted in 299,000 licences being sold and 61,000 change of address notifications which are important for keeping the database up to date.
- I06. The BBC Executive recently tested whether sending out dealer notification letters really generates true incremental value in terms of licence sales since the majority of unlicensed households are already in a TV Licensing mailing cycle. It concluded that it is worth mailing unlicensed households but that the incremental return of mailing licensed households does not merit the volume of complaints it receives on this policy. The complaints arise because in most circumstances the purchaser is simply a partner of the licensee or another member of the household who does not require an additional licence.
- I07. The BBC Executive is now in the middle of implementing a change to this process which will focus just on unlicensed addresses. This change will be complete by the end of the 2008/09 financial year.

Part 3 – Are the collection arrangements appropriate?

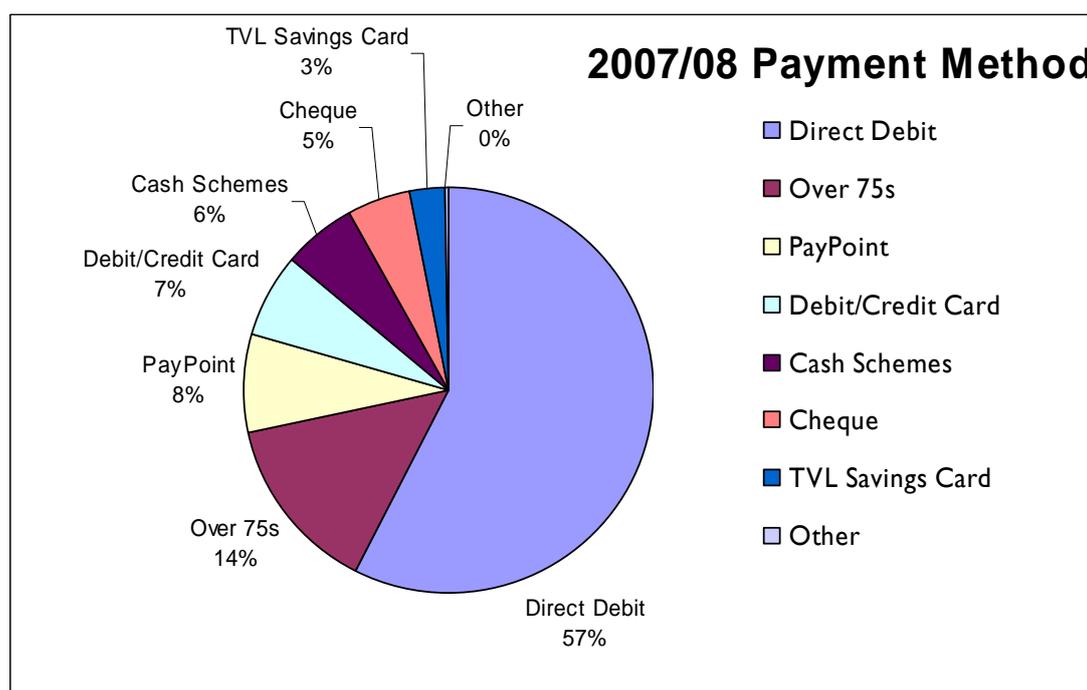
Range of payment options

108. TV Licensing offers a range of payment methods. They include options to:

- Set up a Direct Debit so the money is taken straight from a bank account – either in one lump sum, or in quarterly or monthly instalments
- Pay using a credit card or debit card, either online or over the phone
- Use TV Licensing’s Cash Payment Plan (formerly ‘Cash Easy Entry’)
- Pay the full fee at any PayPoint outlet by cash or debit card
- Pay using a TV Licensing savings card
- Send a cheque to TV Licensing
- Use online bill management via an online bank account with certain banks

Figure 10 shows how people paid the licence fee in 2007/08:

Figure 10: Payment methods



(Source: BBC Trust analysis of BBC Executive data)

109. Our public consultation showed that the majority of people viewed the range of payment methods offered by TV Licensing as suitable and most did not suggest an alternative they would prefer. Around two-thirds said that the range of payments was suitable for them. Of those that did not think the methods adequate, the alternative mentioned the most was the ability to pay over-the-counter at the Post Office, which was mentioned in six per cent of responses (see paragraphs 89-92).

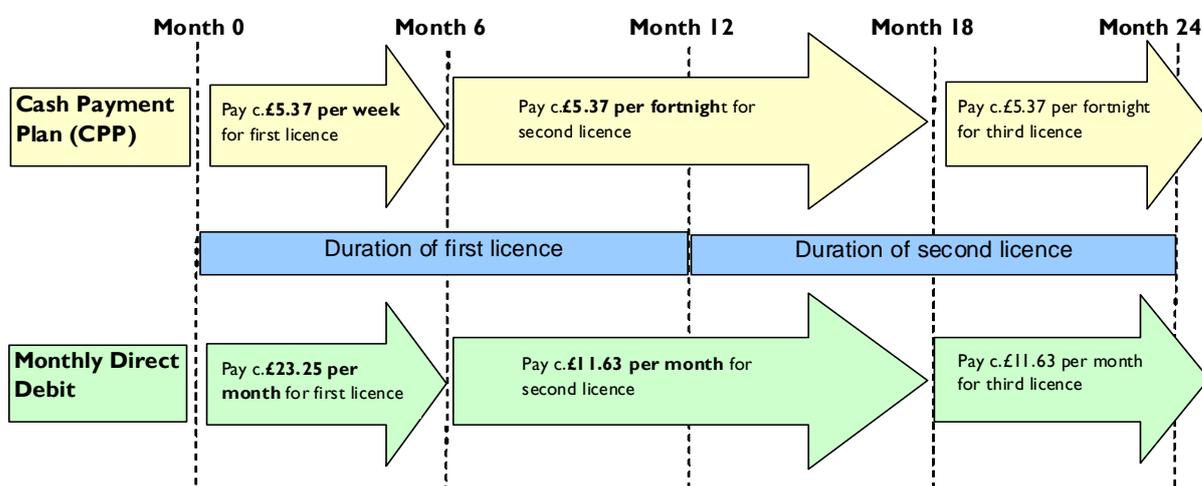
- 110. Licence fee payment policy is based on the principle that the TV licence is not a subscription service – it is an up front payment required by law to allow programmes to be watched as they are broadcast on television.
- 111. However, the law surrounding up front payment have been relaxed over the years to help people pay. Initiatives such as monthly and quarterly Direct Debit and the Cash Payment Plan have been introduced to ease the burden on the payer by allowing them to pay in instalments.

Cash Payment Plan & Direct Debit

- 112. The ‘Cash Easy Entry’ scheme was introduced in 1996 to help people on income related state benefits pay for their licence fee in cash instalments. Its name has recently been changed to the ‘Cash Payment Plan’ and the scheme has been extended so that all licence fee payers are eligible to pay for their licence via this scheme.
- 113. The Cash Payment Plan and monthly Direct Debit enable people to pay six months in advance and six months in arrears. This is achieved by collecting full payment for the first licence over the first six months and then spreading the cost of subsequent licences over 11 months as shown in Figure 11:

Figure 11: Monthly Direct Debit & Cash Payment Plan

(using the cost of the 2008/09 licence – £139.50)



(Source: BBC Trust)

- 114. Responses to our consultation have shown that many people do not understand the rationale behind the ‘front loading’ of costs in the first six months. Rather than see it as a positive alternative to paying the whole licence fee up front, they compare it unfavourably with other annual instalments schemes where payment is spread evenly over 12 months. Overall, just under one in ten responses mentioned a preference for a more flexible payment option or a feeling that there should be no premium or advance payment when paying by Direct Debit. For example, in our consultation respondents said

things like “*this is the only payment I have ever heard of where setting up a direct debit is more costly than the other form*”. Others told us that “*Switching to paying only for the current month as is more normal with council tax etc. would be a fairer method of Direct Debit*”.

- I 15. There was also some concern from the qualitative research that the initial payment over six months can be a problem for people on low incomes and could create a barrier to entry for those wishing to pay the licence fee but struggling to pay their bills. This barrier, coupled with a fear of having to make back-payments, was cited in our qualitative research as a factor which put off some unlicensed households who were otherwise keen to become licensed. In our public consultation, for example, one respondent told us that “*My daughter will struggle to pay the higher DD fee over the first six months,*” and another said: “*This hits people hard especially when setting up a first home.*”

Quarterly Direct Debit

- I 16. The quarterly Direct Debit payment plan differs from the other instalment options in that the payee does not need to pay six months in advance. On this plan one can opt to pay a quarter of the licence fee every three months which, based on the 2008/09 licence fee, will be approximately £35.
- I 17. However, in order to join this scheme the licence fee payer is required to pay a £5 annual charge on top of the licence fee because most of the payment for the licence is in arrears. This means that every quarter there is an additional charge of £1.25 added to the Direct Debit payment.
- I 18. It is not unusual for public organisations to charge a premium for instalments; for example, paying annual car tax in two six-monthly instalments costs £12 more than buying a 12-month tax disc⁴. Likewise the insurance industry commonly charges customers an additional amount for spreading the cost of an insurance premium. The income from the £5 premium for the quarterly payment plan generated £17 million for the BBC in 2007/08 which, to put this in context, is approximately the annual budget of BBC Radio Wales or 36 hours of original BBC drama.
- I 19. Clearly there is a complex balancing act to be performed in ensuring the revenue raised through payment schemes is protected and that such schemes are equitable between all licence fee payers. The Trust believes this is an area that merits further discussion between the BBC Executive, the Trust and Government to see if simplification is possible.

Recommendation 3

The Trust believes that the current payment plans could be simplified and more effort could be made to remove barriers to payment especially for people on low incomes. The Trust believes this is an area that merits further discussion between the BBC Executive, the Trust and Government to see if simplification is possible.

⁴ DVLA; based on 2007/08 cost of car tax for engine size not over 1549cc

Online payment

120. The web is becoming increasingly popular with licence fee payers as a means of paying for the licence. Some 1.6 million licences were sold online in 2007/08 which is an increase of 334,000 on the year before. Those buying online can also receive their TV licence by email. The number of people opting for this service has nearly doubled to 486,000 in 2007/08 from 273,000 in 2006/07.
121. In our qualitative research, licence holders who had mislaid their licence and had no record of the number, experienced some irritation over the fact that TV Licensing could not allow online change of address without it. This is also a concern for some people who contact TV Licensing via the telephone, although in telephone dealings TV Licensing may be able to establish the identity of the caller through other checks. Whilst we acknowledge the serious data protection issues that create such barriers we would encourage the BBC Executive to explore whether there are any options open to them that would allow more flexibility when dealing with licence fee payers through online mechanisms.

Equality and Diversity

122. In accordance with the BBC's commitment to equality and diversity, and its legal responsibilities under the public sector equality duties, the BBC Executive has a developing programme of stakeholder engagement, helping it to reach a wider range of audiences. Its Social Inclusion Programme involves regular dialogue with various organisations including the Citizens Advice Bureau, Age Concern, Help the Aged, British Federation of Racial Equality Councils and the Institute of Money Advisers.
123. Some positive examples where this engagement activity has resulted in collaboration and where policy decisions have been informed by these partnerships are shown below:
- Information in easy read text has been added to the TV Licensing website following consultation with Mencap in line with commitments in the BBC's Disability Equality Scheme. The BBC Executive's work here might be enhanced by inserting an easy read symbol on its homepage to promote the availability of this information to users. The Trust also notes that the qualitative research highlighted the absence of any information in British Sign Language (BSL) video making it difficult for BSL users to access. The Executive may wish to consider whether it can provide general information in BSL video for use online.
 - The BBC Executive decided not to use PIN numbers for the TV Licensing Savings Card following advice from Age Concern.
 - RNIB was involved in the development of TV Licensing's rebrand to ensure any logo, font, use of colour and contrast and other aspects of the redesign considered, and were responsive to, accessibility issues.

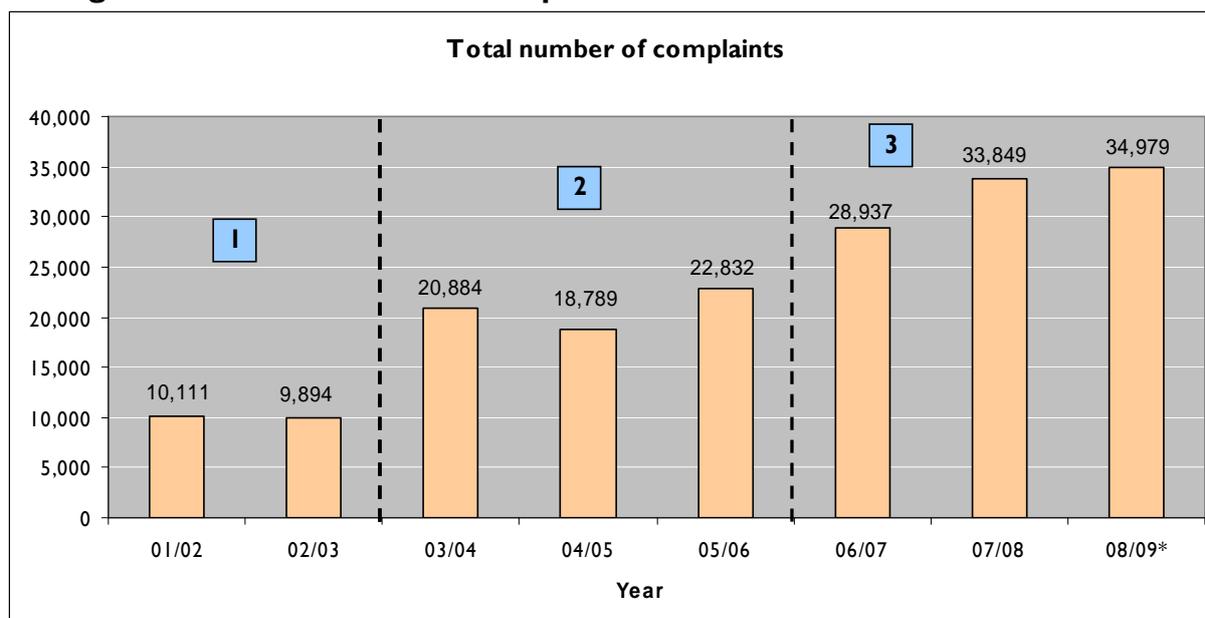
124. As part of the BBC's duty to promote equality, the Trust welcomes the BBC Executive's work to explore setting up an independent panel of people who can assist TV Licensing staff when planning new services by considering the potential consequences for different sections of the community.
125. We believe it is important that the BBC Executive continues to build on its stakeholder engagement work. The qualitative research with migrants new to the UK, and the Citizens Advice Bureau's (CAB) consultation response both highlighted difficulties in reaching new communities who are less likely to be online. TV Licensing provides information, available online and in leaflet form, in 15 languages other than English and Welsh. TV Licensing also uses Language Line to talk with non-English speakers and has developed regional strategies to distribute this information, tracking the volume of literature they distribute. However, this data cannot capture how effectively messages are delivered. For example, our qualitative research among new migrants also highlighted a lack of awareness of services via Language Line. In addition, the CAB suggested closer working between the BBC Executive and agencies working directly with new migrants and asylum seekers.
126. The Trust notes the work set out in the BBC equality schemes to monitor complaints, and welcomes the systems the BBC Executive is putting in place to track TV Licensing complaints that raise an issue relating to equality and diversity. However, in cases where no specific equality and diversity issue is raised, the BBC Executive does not monitor individual complainants according to their gender, ethnicity or disability. The Trust is conscious that while monitoring individual complaints could pick up some issues and trends, more patterns might be revealed by looking at trends among the whole population of complainants.
127. Separately, the Trust is also in conversation with the BBC Executive about how contractors who provide the BBC's audience services can find ways to collect this type of data appropriately when they are dealing with people who have a complaint about the BBC generally. While the challenges and solutions may not be the same in the two areas, the Trust invites the BBC Executive to consider whether it can also introduce an appropriate form of monitoring for people who complain to TV Licensing.
128. The Trust has a responsibility to monitor the Executive's performance against the commitments set out in the BBC's equality schemes. The Trust's Equality Duties Protocol sets out these monitoring arrangements. In addition to other mechanisms to monitor progress, the Executive reports on its performance annually in the Annual Report and Accounts. The Trust will use the information gathered through this review to inform its oversight of TV Licensing's performance against the BBC equality schemes.

Part 4 – Are the collection arrangements proportionate?

Complaints

I29. Figure I2 shows the number of complaints to TV Licensing for each financial year from 2000/01 to 2007/08:

Figure I2: Total number of complaints



(Source: BBC Trust analysis of BBC Executive data)

* 2008/09 data has been calculated by extrapolating 11 months of actual data from April 2008 to February 2009 since March 2009 was not available at time of report.

- I30. Section 1 in Figure I2 relates to the period when the Post Office was contracted by the BBC to undertake most of the licence fee collection operations including issuing licences, enforcement activity and complaint handling.
- I31. Section 2 in Figure I2 sees a significant change in the management of TV Licensing operations. Following a competitive tender in 2002, Capita Business Services Ltd took over responsibility for collection and enforcement operations and the AMV consortium took over the marketing and communications activity. Capita also became responsible for monitoring complaints.
- I32. During the period covered by section 3 in Figure I2 Capita changed the method of identifying complaints. Rather than encouraging individual agents to escalate only the issues they could not deal with themselves, a complaint was identified at source thus increasing the volume of complaints.
- I33. The Trust is concerned at the significant rise in complaints – the number has more than tripled from 2001/02 to 2008/09. The BBC Executive has been unable to specify exactly

why complaints have increased but believe that it is due in part to the new monitoring system described above in paragraph 132.

134. In order to analyse the data more fully Capita introduced a new system of categorising complaints in March 2008. The breakdown of complaints by type is shown in Figure 13 (note this data is for 11 months from April 2008 to February 2009):

Figure 13: Type of complaint

Type of complaint	Number of complaints
Policy	12,465
Third party	9,215
Contact Centre	6,027
Marketing	2,997
Field Visits	496
PayPoint	321
Web	306
Unattributable	237
Total (Apr 08 to Feb 09)	32,064
Licences in force (at Feb 2009)	24,834,180
Total complaints as % of licences in force	0.129%

(Source: BBC Trust analysis of BBC Executive data)

135. The eight complaint categories are as follows:

- Policy – areas of TV Licensing policy that an individual objects to such as mailings to unoccupied addresses and addresses that do not have televisions
- Third Party – complaints regarding other organisations/individuals involved in the licensing process (e.g. TV dealers involved in recording customer details following a purchase)
- Contact Centre – complaints resulting from customer contact with Call Centres including address duplication and the manner of the call centre adviser
- Marketing – the tone or wording of letters and incorrect detail recorded on direct communications
- Field visits – relating to the conduct and/or details of a field visit by an Enforcement Officer
- PayPoint – operation of the PayPoint payment system (e.g. technical problems with a PayPoint outlet)
- Web – issues connected to the technology and design of the website
- Unattributable – complaints which prove difficult to determine who or what the complaint is about.

In 2007/08, the BBC Executive commissioned a report to investigate TV Licensing complaints and created an action plan to improve complaint handling and manage numbers down. The Trust will be monitoring the progress of this plan in its annual review of the TV Licensing strategy.



LONDON IS IN OUR DATABASE. EVADERS WILL PAY.

IT'S ALL IN THE DATABASE

Communications

136. TV Licensing uses a range of marketing activities in order to raise awareness, remind people to pay, inform them of ways to pay and to deter evaders. They include television, radio and online campaigns, posters, media and community relations initiatives as well as more direct methods of contacting the public such as letters and telephone calls.

Advertising and marketing

137. TV Licensing has launched a number of high profile advertising campaigns in recent years which have focused on the database and its ability to identify unlicensed addresses. The current campaign, which began in April 2008, is called 'Circuit City' and contains the strap line *'it's all in the database'*. The TV trails have historically been aired on BBC channels, although we note that a small trial is currently under way using commercial TV stations.

138. Through our qualitative research, we found that for most people there was general approval in principle for TV Licensing communicating a mix of information and evader messages through TV trails and posters. The research indicated that there is a role for advertising in reassuring licence fee payers, as well as targeting evaders, and the general public groups felt that it was broadly fair that evaders should be pursued using the current style of communications. However, those on low incomes, who may be struggling to pay the licence fee, preferred the more conciliatory approach of some of the older campaigns, for example "we'd rather you gave us a call than a court gave you a fine".

139. Responses to our public consultation, on the other hand, indicated that many people (around 6 in 10 respondents) felt that the tone of TV Licensing's advertising and marketing was inappropriate. The main complaints were that the tone is overly heavy-handed and threatening. The Trust accepts that many of those who responded do feel strongly about these advertising campaigns. We have attempted to balance these concerns with the need TV Licensing has to communicate key messages to the public in order to fulfil its collection task.

140. It is not possible to measure directly the overall success of TV Licensing's advertising in terms of licences sold. The BBC Executive does, however, regularly monitor the impact of TV Licensing advertising in terms of awareness. We note that the latest tracking data available, which relates to a campaign called 'Sofa', indicates a decline in spontaneous awareness of the advertising since that campaign began in May 2006⁵. The research also shows that TV Licensing's advertising is better recognised by those who pay their licence fee than it is by those evading or delaying paying their licence fee.
141. The Trust is concerned that this decline in recognition of the campaigns may mean that there are fewer opportunities for TV Licensing to communicate important messages to the public. We ask the BBC Executive to examine how the decline in awareness will affect its strategic objectives, and to consider whether action should be taken to increase recognition of the campaigns.
142. The BBC Executive believes that the decline in national awareness of the advertising has two causes. First, since 2007 TV Licensing no longer uses national outdoor (poster) advertising but instead focuses resources on poster campaigns in areas of high evasion. The change of approach was made on value for money grounds: the revised strategy was designed to be a more effective way of targeting marketing spend in the areas where it was most needed. When measured in national gross rating points (GRPs), TV Licensing poster campaigns have been of a significantly lower weight since 2007.
143. The BBC Executive believes that the second reason for the decline in national awareness is that the proportion of airtime allocated by the BBC for TV Licensing trails has declined by 13% since 2004/05.
144. Although resources for the campaigns have decreased and there have been changes to the strategy to bring a more regional focus, TV Licensing's measurement of the impact of campaigns is carried out at a national level, against an unchanged set of key performance indicators which are used as benchmarks.
145. The campaigns are not currently achieving against these KPIs, and no formal action plan has been put in place by the BBC Executive to address this. The Trust also notes that achievement of KPIs is not linked to formal contractual targets for the advertising agencies who deliver the campaigns.
146. As well as awareness of the advertisements, it is also important to look at how successfully they convey important messages about TV Licensing to the public, including the need for a licence and the ways that people can pay for a licence. There was a high awareness of ways to pay the licence fee amongst respondents in our consultation and qualitative research (about 8 in 10 consultation respondents said they knew about the different ways to pay). Although the current campaign does not have a particular focus on ways to pay, the widespread awareness we found in our consultation suggests that the

⁵ Test research tracking data: Fieldwork for 'Sofa' campaign covers period May 2006 up to January 2008

overall communications strategy has been successful in conveying these messages over time.

- I47. Our research and consultation did, however, highlight other areas where TV Licensing could strengthen its communications. Many members of the public felt that the rules around when a TV licence is required for the use of PCs and mobiles were unclear and confusing. About one in three consultation respondents either said it was not clear when a licence was required, or mentioned particular areas of confusion in their response. Many people were confused about the law as it applies to watching live streaming (i.e. watching television on any receiver including PCs and mobiles at the same time as it is broadcast on television) which requires a licence; and watching on-demand television (i.e. watching a programme after it has been shown on television) which does not need a licence.
- I48. The Trust recommends that the BBC Executive adapts its TV Licensing marketing strategy to seek to improve public awareness of the TV licensing law surrounding the use of technology, such as the internet, to access television services.

Recommendation 4

The BBC Executive should agree a new set of key performance indicators which are correctly aligned with the communications strategy and are able to measure the impact of both national and regional communication campaigns. It should also take appropriate action to address any underperformance against the new agreed KPIs. When future contracts are negotiated with advertising agencies, the Executive should consider including formal incentives for performance against KPIs.

The BBC Executive should also seek to improve public awareness of the TV licensing law surrounding the use of technology, such as the internet, to access television services.

Advertising and communication to new migrants

- I49. Our qualitative research found that new migrants to the UK are not always aware that the law requires a TV licence for watching any television including watching their national TV programmes via satellite. The new migrants we spoke to suggested that the BBC Executive should do more to communicate messages to these communities in ways and places which are appropriate to them (e.g. specialist shops, community centres, websites for expatriate communities, via landlords and employers).
- I50. The BBC Executive already has a system of partnerships with stakeholder organisations which exist to help them reach a wide range of audiences. Its programme for new migrants includes grass-roots communications activity in local communities, contacting third-party groups who can pass on information to individuals, such as community groups, employers, local authorities and housing associations.

151. The BBC Executive is also in regular contact with housing providers via local campaigns, which included contacting over 90 housing associations and 70 estate agents as part of a concentrated push between July and September 2008, as well as via national representative bodies such as the National Housing Federation and Chartered Institute of Housing (Northern Ireland).
152. It has also recently piloted using employers as a means of distributing TV Licensing information to new migrants and will be rolling this activity out nationally next year. For example, during a local campaign in Ballymoney and Ballymena in Northern Ireland, TV Licensing gained permission from a food processing factory to distribute literature outside the factory gates, and from a manufacturer to include TV Licensing information in pay-packets. Both of these companies employ a high proportion of migrant workers, mainly from Eastern Europe.
153. The Trust welcomes these initiatives to provide information in ways and in places which are appropriate for new migrants. In light of the low awareness of licence fee obligations in our research, and the changing nature of the population in these groups, these activities should remain an area of focus for TV Licensing.

Direct Communications

154. In 2007/08 TV Licensing sent 83 million letters to households in the UK. These letters cover a wide range of information including payment reminders, Direct Debit statements and enforcement notices. Most letters are generated automatically by TV Licensing's database based on the classification of a property's details. For example, communications to a customer will be different depending on whether their property is classed as simply coming near to the expiry of a current licence; if a property has become unlicensed due to a home move; if the property does not have a TV etc. There are many different categories and many different cycles of standard letters. For this review we have concentrated on letters sent on the expiry of a current licence.
155. Direct communications by way of letters account for the main source of interaction between TV Licensing and licence fee payers, and therefore play a key part in the public's perception of TV Licensing. It is therefore important that they are balanced between encouraging payment and deterring evaders.
156. Using the results from the public consultation and exploring some of the issues in more depth in our qualitative research, we have studied the public perception of these letters to ascertain whether they are meeting the BBC Executive's stated aims of being 'clear and concise, polite but firm; they should not presume guilt but may explain the consequences of evasion'.
157. Responses to our public consultation strongly indicated that for most respondents the direct communications are not meeting these aims (only a third thought that they were doing so). The main complaints were that the tone of the letters was threatening and rude.

158. Many people also felt that they had received letters in error, possibly due to database errors or timings issues, and this exacerbated the issue of tone. For example, one respondent to our consultation had recently been the executor for the estate of their late aunt, and reported that, despite having notified TV Licensing that her property was empty and on the market, letters had continued to be received threatening prosecution. Other respondents reported receiving what they considered to be threatening and inappropriate letters despite being licensed. Strong resentment was expressed by many, for example one respondent told us: *“Your letters suck. Check your own database first before you harass people who have licences.”*
159. It should be noted that a large proportion of consultation respondents did not have a TV, and many of these people felt that any of TV Licensing’s standard communication with them was of itself unwelcome. This issue is explored in more depth in the section on households with no TV sets (paragraphs 191 - 205).
160. Our qualitative research found that for some groups in society TV Licensing letters can be too lengthy and complex to understand. Those with poor literacy skills or only a basic level of English felt that communications should be simpler with shorter text, fewer complex words and ideally involving a few simple bullet points.
161. The qualitative research also highlighted some concern about TV Licensing’s commitment to provide alternative formats for information (such as different languages, Braille and large print). The concern was that information regarding alternative formats was often buried within the letters and should be given more prominence; for example, utility companies often display this information in the top right-hand corner of mailings.
162. Capita is currently looking into using the Plain English Campaign to help with improving the clarity of some of its letters, although this is not currently directed at the standard letters sent out to most households. As part of a recent review into improving the simplicity and readability of standard campaign letters, Proximity used an external linguist to review the letters and suggest ways to make them easier to read. The results are currently being tested with audience groups.
163. Whilst we welcome the steps TV Licensing has already undertaken to improve the direct communications, the results of our public consultation and recent media comment also suggest that there is a public perception that TV Licensing is too harsh in its tone and assumes people may be deliberately evading payment in some of the letters they send out. For older and disabled people this can be a cause of distress.
164. Early reminders in particular should be polite and explanatory – it could be that payment has crossed in the post; that a home mover has not yet moved into an unlicensed property or simply that the person does not have a television.
165. We have also listened to public concerns about text visible through the window of certain early reminder letter envelopes. In some cases the text contained messages such as ‘renewal overdue’. This was viewed by some in our focus groups as a deliberate

strategy by TV Licensing to shame the householder in the eyes of their family and possibly even neighbours. The Trust believes that such visible wording is not appropriate on early reminders and it was removed by the BBC Executive in January 2009.

166. However, whilst we have identified room for improvement with some of the early reminder letters, the qualitative research we carried out suggests that there is also strong support from people who do pay the licence fee for TV Licensing's pursuit of deliberate evaders. The BBC Executive's own research also concluded that 88% of people who expressed an opinion on the matter thought it was important that TV Licensing sends out strong messages to evaders.⁶
167. We therefore believe that when balanced with polite, informative, early reminders, TV Licensing's collection strategy of increasing the strength of the anti-evasion messages the longer a property is unlicensed is appropriate and proportionate in order to collect the licence fee from those trying to avoid payment.

Recommendation 5

The Trust has found that TV Licensing's direct communications are not always meeting the BBC Executive's stated aims of being 'clear and concise, polite but firm'. The BBC Executive must work with its advertising agencies to revise the early reminder letters to ensure they are easy to read, polite and non-accusatory. Consideration should be given to ensuring the prominence of messages about what people should do if they have already bought a TV licence; if they do not own a TV or if they require the information in an alternative format.

However, the Trust also believes that the BBC Executive's policy of strengthening the messages in its letters the longer a property remains unlicensed is the correct strategy and is an important tool for deterring evasion.

Statistical errors contained in direct communications

168. In November 2008, as a result of a press enquiry, it came to light that incorrect information about the number of evaders caught had been used in mailings to unlicensed properties. Proximity London Ltd, the company contracted by the BBC to produce the TV Licensing letters, was asked by the BBC to conduct a full investigation into the errors. The BBC also conducted its own review of BBC actions in relation to these failings.
169. Proximity's investigation found that 41 of 265 campaigns to unlicensed households mailed out over a period of 35 months contained errors in the evader caught statistics. In addition, the investigation revealed this error had previously been identified as a result of a Freedom of Information request raised in 2006 and had therefore been the subject of an earlier investigation for which a report had been produced in November 2006. The BBC's own investigation showed that the correct BBC approvals procedure for TV Licensing letters was not being followed.

⁶ TV Licensing Annual Review 2007/08

170. The Trust has seen the conclusions and recommendations from the BBC investigation and is content that the appropriate action has been taken.

Telephone Services

171. In 2007/08 over 13.1 million telephone calls were made to TV Licensing using the 'low rate' revenue-generating 084 numbers.

172. Recently there has been increasing encouragement from Ofcom, and pressure from consumer advice agencies for public bodies to adopt 03 numbers. Calls to 03 numbers are guaranteed to cost no more than a national rate call to an 01 or 02 number and they also count towards inclusive minutes in phone contracts including landlines and most mobile phones. The BBC has already migrated many of its viewer and listener calls from 0870 to 03 numbers over the last year.

173. As part of the public consultation process we listened to representations from the Citizens Advice Bureau and have taken into account Ofcom's recent findings regarding its research into the declining use of landlines. In Ofcom's report on 'The Customer Experience 2008' it states that 'almost a quarter (24%) of the lowest income bracket (up to £11,500) live in households with access only to a mobile phone'. Therefore, the use of 084 numbers, which are not included in mobile phone contract packages, could mean that those people on the lowest income are paying the most to contact TV Licensing.

174. The Trust does not believe that a revenue-generating number, albeit 'low rate' is appropriate as the main contact number offered to households. TV Licensing relies on the public to help maintain the database with accurate and up-to-date household information. It therefore needs to ensure that the process by which it captures this information is transparent and allows the caller confidence in the cost of the call. The Trust believes that adopting the 03 range would satisfy these requirements. There will clearly be some financial implications to this and the BBC Executive should explore the most cost-effective path to transition.

Recommendation 6

The Trust wants to ensure licence fee payers' dealings with TV Licensing are as efficient and cost-effective as possible. We therefore recommend that TV Licensing follows the rest of the BBC's example and considers replacing, in the most cost-effective way, its 084 numbers with 03 contact numbers for its dealings with consumers.

Enforcement

175. TV Licensing's database of more than 29 million addresses is a critical part of enforcing the TV licence. Typically, TV Licensing will send a number of letters to an unlicensed address, reminding occupants of the importance of being properly licensed and giving information on the many ways they can pay. They may also contact occupants by phone, asking whether a TV licence is needed at the property. If there is no response, the address will be selected for a visit from an enforcement officer. Visits like this can provide TV Licensing with information on whether an address is unoccupied or derelict and whether there is a TV receiver on the premises. Visits can also result in evaders being caught.
176. In 2007/08 there were 3.6 million visits by enforcement officers. On average around 1,000 evaders are caught daily which is approximately 29% of all evaders based on the current evasion model statistics.
177. TV Licensing has the technology to detect when an unlicensed property is receiving a TV signal. As an addition to its fleet of detector vans, the BBC Executive invested in new hand-held detectors in July 2007. They are designed to provide greater flexibility in identifying evaders and can detect within 20 seconds whether a TV is in use. The Executive's current policy is to use detection equipment to identify evaders only when other, more cost-effective and less intrusive, routes have been exhausted. This is in line with the grounds on which an authorisation for use of detection equipment can be granted under the Regulation of Investigatory Powers Act 2000⁷.
178. TV Licensing officials have no right of entry and will only enter a household with the consent of the occupier. The only exception is when TV Licensing obtains a search warrant where there is evidence of evasion and the householder refuses entry. The number of warrants requested by visiting officers has doubled from 2005/06 to 2007/08. They are a last resort point in enforcement and TV Licensing does not have a specific strategy to increase the volume of search warrants obtained. However, the increase in the numbers of households withdrawing TV Licensing's right to visit is contributing to the increase in search warrant requests.
179. The Trust recognises the difficult and important work of enforcement officers. Over the last three years, cases of verbal and physical assaults have increased and in 2007/08 there were 129 cases of verbal and physical assaults on officers as shown in Figure 14:

⁷ Regulation of Investigatory Powers Act 2000 as modified for the specific purpose of authorising the detection of TV receivers by the Regulation of Investigatory Powers (British Broadcasting Corporation) Order 2001 (SI 2001/1057)

Figure 14: Assaults on enforcement officers

Year	2005/06	2006/07	2007/08
Verbal	40	45	72
Physical	46	50	57
Total	86	95	129

(Source: BBC Executive)

180. Capita, who manages TV Licensing enforcement, actively encourages staff to report incidents, but the verbal assaults figure is still believed to be understated. Many officers become hardened to verbal assaults over time and class them as part of the job rather than reporting them as an actual assault. An individual's tolerance level can also be very different. Capita has clear guidelines but is also working to set benchmarks for classification of verbal assaults.

Enforcement officers' contact rate

181. An enforcement officer typically makes on average 500 visits per fortnight (around 12,000 per year). In 2007/08, enforcement officers' contact rate (i.e. the likely percentage of finding someone at home when a visit took place) was 19% (681,000 out of 3.6 million total visits).

182. Sixty per cent of enforcement visits result in no contact being made with the occupant and without TV Licensing being able to confirm that the property is vacant. All these visits therefore require follow-up action. Annex I shows the detailed outcome of field visits.

183. Once contact has been made by an enforcement officer with an occupant of an unlicensed property there is over an 80% chance that that person will purchase a licence within 28 days. It is therefore important for the BBC Executive to look at ways of increasing this contact rate.

Recommendation 7

The Trust believes the enforcement model needs to be improved to increase the likelihood of an enforcement officer making contact with an occupant. The BBC Executive and its TV Licensing contractors need to use their research and knowledge of the characteristics and behaviour of evaders to revisit the enforcement model to develop ways of increasing the contact rate. By using the database to target those unlicensed addresses which are most likely to contain evaders, and by a means which is more likely to result in contact, the Trust believes TV Licensing could increase the number of licences sold at this stage of enforcement.

Prosecution

184. The BBC and TV Licensing would always prefer people to buy a licence rather than be prosecuted. However, TV Licensing does prosecute evaders to ensure the law is upheld and to act as a deterrent against further evasion.

185. Prosecutions progress according to a two-step process set out in the BBC Executive's policy for TV Licensing prosecutions. First is an evidence based test which ensures there is enough evidence to proceed with the prosecution. Second is a public interest test which looks at certain factors such as whether the evader is a repeat offender or whether a search warrant had to be obtained in order to gather evidence.

186. Figure 15 shows the outcome of when evaders are caught:

Figure 15: Prosecution statistics

YEAR	02/03	03/04	04/05	05/06	06/07	07/08
Evaders caught	406k	380k	373k	376k	375k	371k
Cases heard	149k	129k	145k	176k	154k	177k
Convictions	126k	105k	120k	146k	132k	150k
Second prosecution statement taken (repeat offender)	34k	22k	15k	15k	12k	9.8k
Total fines imposed	£13.7m	£11.6m	£13.6m	£17.6m	£17.1m	£20.4m
Total cost awarded	£5.4m	£4.5m	£5.3m	£6.5m	£6.3m	£8.7m

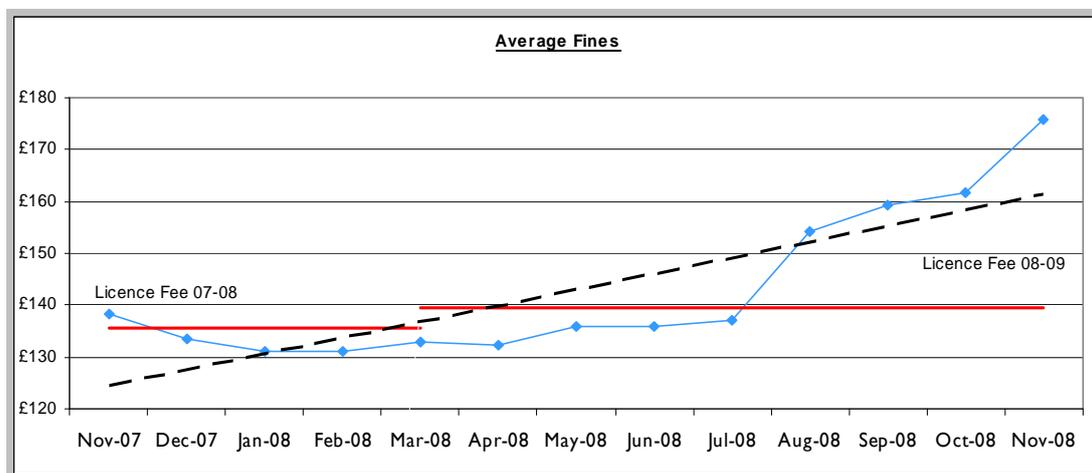
(Source: BBC Executive)

187. The number of evaders caught has generally been decreasing over the last six years. However, there is not a corresponding fall in the level of visiting. In 2003, TV Licensing introduced sales only visiting which allows customers the opportunity to buy a licence on the doorstep.

188. Despite the threat of a maximum £1,000 fine most evaders are faced with an average fine of the same amount as the cost of the licence fee itself. In 2007/08 only two people were ordered to pay the maximum amount. The average fine imposed on the 150,417 people found guilty was £135. Eight hundred and forty-one evaders were not fined at all.

189. New sentencing guidelines were issued by the Sentencing Guidelines Council in summer 2008 and have led to an increase in the levels of fines imposed by the courts. Figure 16 shows how the average fine has changed over the 12 months from November 2007⁸:

Figure 16: Average fines imposed



(Source: BBC Executive)

Households with no TV sets

190. Currently almost 3% of UK households do not have a TV set. These households do not have to let TV Licensing know that they do not need a licence. However, if households do not notify TV Licensing of their status, they continue to receive letters from TV Licensing and may be visited by an enforcement officer.

191. The treatment of those people who do not have a TV set or other such equipment that would allow them to watch live TV broadcasts has been an important part of this review. This is a group from which much of the more vocal criticism levied at TV Licensing is generated and the Trust itself has received letters on this subject from the general public and from MPs. The press also comments on this with some regularity.

192. The BBC Executive's strategy for dealing with households that do not own a TV falls broadly into the following categories:

- **Notifiers** – those who notify TV Licensing that they do not have a TV. Once TV Licensing receives notification that there is no set at an address an enforcement officer will visit the address to confirm. Following confirmation, TV Licensing will then place a guard against the address for a number of years so that no mailings will be sent. After that time, TV Licensing will write periodically to

⁸ Figures are based on TV Licensing's own records made from handwritten notes taken by TV Licensing court presenters when in court. There is obviously a risk of human error in recording these amounts. In some jurisdictions prosecutions are carried out by 3rd parties (the Procurator Fiscal in Scotland) which means that TV Licensing is not aware of the fines issued. This data may not, therefore, be consistent with court records.

check that circumstances have not changed (for example, that people have not moved house).

- **Non-notifiers** – those who choose not to inform TV Licensing that they do not have a set. When dealing with non-notifiers, it is not possible for TV Licensing to distinguish between them and deliberate evaders. They will therefore be subject to the same mailings as unlicensed households until such time as TV Licensing is notified otherwise.

193. Only around one in three of those who responded to our consultation felt that the current policy for people without a TV set is appropriate. Amongst those who considered it not appropriate, many felt that TV Licensing's policy meant people without a TV set were treated as being 'guilty until proven innocent'. Comparisons were drawn with other organisations who do not assume that every household is liable for a charge, for example road tax from the DVLA. One respondent told us: *"I don't have a fishing rod, car, boat or airgun. I'm not a bar, club or cinema. I'm not breeding dogs, nor do I own a CB radio. Where are the enforcement officers checking to see whether or not I have these things?"*
194. Our quantitative research amongst people who had no TV set provided the Trust with more insight on this difficult issue. The research found that only around 3 in 10 people without a TV thought it should be down to them to notify TV Licensing. There is currently no obligation for people to notify TV Licensing if they do not wish to, and the Trust supports this policy, since our research and consultation responses indicate that a requirement to notify would clearly be unacceptable to most people without a TV set.
195. Although views were mixed, our research also found that, on balance, a majority of those without a television could accept that it was reasonable for TV Licensing to continue to send standard mailings where the householder had not notified them of their status. Just over half of respondents in our research agreed that it was fair enough for letters to continue, compared to around one in five who disagreed. In light of this, and in the absence of any practicable alternatives, the Trust supports the continuation of TV Licensing's working assumption that households who do not notify TV Licensing of their status should continue to receive standard mailings.
196. A further area of concern expressed in our consultation related to the detailed experience of notifiers. Some felt that visits to check on their status after notification were a presumption of guilt and an invasion of privacy; they believed that TV Licensing should take those who notified TV Licensing at their word. There were also complaints that mailings were still sent after a notification (this was mentioned in around one in ten responses) and that the tone of the letters was inappropriate for those without a set.
197. Many of the criticisms expressed in the consultation about the detailed implementation of the policy were echoed in the quantitative research. We were particularly concerned that, of those who had notified TV Licensing that they had no TV set, only 44% were satisfied with the process and 38% were dissatisfied.
198. The quantitative survey found that although two-thirds of those who had notified felt that mailings had stopped for a reasonable length of time, a significant minority of one in five

said the mailings had not stopped at all. This had also been the experience of some of those people without a TV set who responded to our consultation. For example, one person told us: *“Let me tell you what really happens. When someone informs TV Licensing that they do not require a licence, TV Licensing continues to send exactly the same letters and leaflets about not paying, except now they get red. And this goes on no matter how many times you inform the authority.”*

199. The Trust will require the BBC Executive to look again at how communications work with those with no set, to find ways to make it easier and more effective for the individual whilst still providing appropriate checks to combat evasion.
200. The BBC Executive must consider ways to make it easier for people without TV sets to let TV Licensing know that they do not have a TV. These measures could be as simple as promoting the free phone number more effectively for notifying TV Licensing that a household has no set or, for those households that have previously indicated such status, providing a tear off slip for reconfirmation of status.
201. The BBC Executive should review the procedures in place to minimise the risk of errors when recording notification of no set from households.
202. In making changes to the tone and content of direct communications (recommendation 5), the BBC Executive must improve the acceptability of standard letters received by households that have not yet informed TV Licensing that they do not have a TV by increasing the prominence of messages about what to do if you have no set.
203. The Trust accepts that many people without a TV set who do not inform TV Licensing of their status also object to receiving more aggressive mailings targeted at people who do not respond to initial mailings from TV Licensing. However, the Trust is not convinced that there is a viable alternative to this, since TV Licensing cannot distinguish between evaders and ‘no set’ households without some sort of contact.
204. It is clear that a balance has to be struck between accepting and respecting the individual right not to own a TV set and the legal requirement to ensure that those claiming not to have a set do not need a licence. This is particularly relevant given that in 2007/08 enforcement officers found, through their visits, that 27% of those claiming not to require a licence did in fact need a TV licence. Although this means that the majority of those who reply to TV Licensing are honest, the proportion who are not has come down to 27% in recent years from 49% in 2004/05, so it is reasonable to suggest that there may be some deterrent effect in the policy. The Trust therefore believes that the current strategy of visiting notifiers is warranted.

Recommendation 8

The BBC Executive must consider ways to make it easier for people without TV sets to let TV Licensing know that they do not have a TV. In making changes to the tone and content of direct communications (recommendation 5), TV Licensing must improve the acceptability of standard letters received by households that have not yet informed TV Licensing that they do not have a TV by increasing the prominence of messages about what to do if they have no set.

The Trust will require the BBC Executive to look again at the way in which those who do not have a television are dealt with, to find ways to make it easier and more effective for the individual whilst still providing appropriate checks to combat evasion.

The future of licence fee collection

205. The technological advances of recent years have seen significant developments in the ways in which people may choose to access television content, not least the BBC's own iPlayer. In the immediate term, there needs to be clearer communication on the legal requirements for a TV licence (as noted in recommendation 4).
206. Some commentators have also predicted the licence fee will be undermined by new technology. Whilst not strictly part of this review the Trust has obviously considered this question and regularly reviews the impact of technology on audience behaviour. The licence fee collection is currently heavily reliant on the fact that almost 98% of households still use television sets (although this number has declined very slightly in the last year from 97.61% to 97.37%) and that viewing on new technologies tends to be supplementary to viewing on television.
207. It is not yet clear whether households are likely to switch to internet streaming as the sole method of watching television, avoiding the use of a dedicated television set. It is clear, however, that this is happening in some segments – research for the BBC Executive shows that 40% of students in halls of residence use a laptop as their main way to watch TV.
208. Households may also take the opportunity that Video on Demand (VoD) presents to forgo live television entirely, although the pull of live events may act against this.
209. Legislative change is likely to be required in order to reflect technology changes in the licence fee regulations and the Trust has therefore not explored this further within this review.

Annex I: Field visiting outcomes

The table below shows a summary of the outcome of TV Licensing Field visits over the last three years. The outcomes are summarised as 'Made contact' (i.e. someone answered the door), 'Contact not made' (i.e. 'no reply calls') and 'Property unoccupied / does not exist'. The column 'Visits' is the total visits by each outcome for the year. The column '% of Total' is each outcome type as a percentage of the total visits for the year. The column 'Visiting Sales Yield' is the percentage of visits that end up as a sale within 28 days. Note that Sales Yield is not applicable to some outcome codes and is not recorded for some outcome codes.

	2005/06				2006/07				2007/08			
	Visits	% of Total	Visit Sales	Visiting Sales Yield	Visits	% of Total	Visit Sales	Visiting Sales Yield	Visits	% of Total	Visit Sales	Visiting Sales Yield
Made contact												
Evader caught (statement taken)	399,424	13.5%	325,149	81.4%	407,040	11.6%	332,545	81.7%	403,357	11.3%	327,012	81.1%
Contact made - sale made ('sales only' visit)	70,540	2.4%	62,758	89.0%	112,701	3.2%	107,667	95.5%	107,656	3.0%	103,357	96.0%
Licence seen/held	68,708	2.3%		n/a	79,599	2.3%		n/a	67,900	1.9%		n/a
Confirmed no set	41,025	1.4%		n/a	57,344	1.6%		n/a	56,235	1.6%		n/a
Contact made refused to purchase	15,701	0.5%	1,976	12.6%	24,743	0.7%	2,898	11.7%	20,497	0.6%	2,557	12.5%
Business premise no set	18,196	0.6%		n/a	18,817	0.5%		n/a	15,587	0.4%		n/a
Contact made - no sale ('sales only' visit)	3,823	0.1%	1,412	36.9%	2,643	0.1%	850	32.2%	1,917	0.1%	579	30.2%
Confirmed mono set	998	0.0%		not recorded	858	0.0%		not recorded	590	0.0%		not recorded
Made contact - other outcomes	17,537	0.6%		not recorded	9,192	0.3%		not recorded	7,486	0.2%		not recorded
Total Made Contact	635,952	21.5%	391,295	79.9% *	712,937	20.3%	443,960	81.1% *	681,225	19.0%	433,505	81.3% *
*Contact not made												
Total Contact not made	1,722,929	58.4%	129,294	7.5%	2,106,820	59.9%	152,381	7.2%	2,147,483	60.0%	156,925	7.3%
Property unoccupied / does not exist												
Premise unoccupied	555,346	18.8%		not recorded	665,556	18.9%		not recorded	715,525	20.0%		not recorded
Premise non existent	38,124	1.3%		not recorded	34,243	1.0%		not recorded	33,474	0.9%		not recorded
Total Property unoccupied / does not exist	593,470	20.1%		n/a	699,799	19.9%		n/a	748,999	20.9%		n/a
Sales from field force letters following enforcement visit			13,266				12,754				13,133	
Total Visits	2,952,351	100.0%	533,855	18.1%	3,519,556	100.0%	609,095	17.3%	3,577,707	100.0%	603,563	16.9%

* of those recorded
(Source: BBC Executive)

*When a visit results in no contact being made with the occupier, further action will take place depending on the categorisation allocated by the visiting officer. This categorisation includes 'confirmed occupied', 'unable to access - intercom', 'detection visit required', 'search warrant requested' and an 'unresolved' category.