



ANNUAL REVIEW 2005/06

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DID YOU KNOW, TV LICENSING

- in **2005/06** generated **£3,101 million pounds** revenue for the BBC
- sent out **61m items of mail**
- received **1.3m items of written correspondence**
- handled **10m phone calls**
- visited around **3m homes and businesses** who were listed as unlicensed on our database
- reduced estimated evasion to a record low of **4.7%**
- employs around **1,700 staff** in five offices
- uses several detection methods to catch evaders including a **database** of over 28 million addresses, **enquiry officers** on streets and a **fleet of detection vans**
- catches on average over **1000** evaders a day

TV Licensing* has delivered impressive results over the past year, generating more than £3 billion in revenue for the BBC's programmes and services. This Annual Review gives an overview of activity to the end of March 2006. It provides more detail on the work of the organisation and the reasoning behind some of our policies. I am pleased to see estimated evasion has continued to fall and is now at 4.7%. Collection costs as a percentage of income generated have also continued to drop as we become more effective and efficient at maximising licence fee revenue.

The BBC is the Licensing Authority and takes its responsibility seriously. We aim to treat both licence fee payers and those who do not require a licence with respect. We are accountable to the licence fee payer and the public in general, and we try to get things right first time.

TV Licensing's operations and marketing continues to receive industry recognition. Awards received this year include the Precision Marketing 'Grand Prix' and Marketing Effectiveness 'Campaign of the Year' for the student marketing campaign. I am also delighted TV Licensing's Customer Contact Association accreditation was retained this year.

We are not complacent about our successes, and continue to look for ways to improve. In addition to sharing and celebrating some of the achievements over the past year, this review also explains the issues on which we need to focus in the years ahead. These include managing changes in ways people receive television programmes and embracing new technologies to make collection more cost efficient.

While we recognise the importance of getting things right first time, given the scale of the operation, some mistakes do occur. Providing a good customer experience is one of our top priorities and, on the occasions where we do not get things right initially, TV Licensing works to correct them swiftly.

In the White Paper *A public service for all: the BBC in the digital age* the Government confirmed the licence fee will remain in place throughout the next BBC Charter period to the end of 2016. The Paper also proposed the BBC Trust should ensure that collection arrangements are "efficient, appropriate and proportionate". The Government also stated it will consider further proposals to divert offenders from the criminal justice system. We look forward to working with the BBC Trust and government departments.

Value for money is important to us. At the end of March 2006, we appointed PayPoint to provide over-the-counter TV Licensing services. This new contract is expected to save the BBC in excess of £100 million over its six year term, allowing more money to be used for programmes and services. In addition to value for money, we also carefully considered licence fee payers' convenience when choosing PayPoint, which has well over 15,000 outlets across the UK.

We aim to be open and accountable, and are always interested in hearing about your views on TV Licensing. Should you wish to get in touch, our contact details are included on the back cover.

Pipa Doubtfire

Head of Revenue Management, BBC

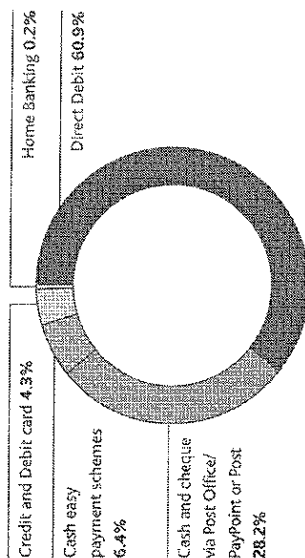
"I am pleased to see estimated evasion has continued to fall and is now at 4.7%"

* "TV Licensing" is a trading name used by agents contracted by the Licensing Authority (the BBC) to administer the collection of Television licence fees and enforcement of the television licensing system. The majority of the administration of TV Licensing is contracted to Capita Business Services Ltd, with the administration of cash easy payment schemes contracted to Revenues Management Services Ltd, and marketing and public relations activities contracted to the AMV Consortium.

MAXIMISING LICENCE FEE REVENUE

HOW CUSTOMERS PAY (PAYMENT METHOD)

All figures are for 2005/06 financial year



The text message reminder service for those on the Cash Easy Entry payment plan has reduced the number of people falling off the scheme because of missed payments by one third. Over 330,000 people are now benefiting from this service, which helps them to stay within the law and avoid potential prosecution.

There are around 25 million licences in force, which include approximately 3.9 million free over 75 licences and around 40,000 customers receiving a 50% blind concession. 6.4% of the licences in force are paid for cash schemes, designed for those on income-related state benefits.

Reported evasion of the licence fee is estimated at an all time low of 4.7%. Since the BBC took over as the Licensing Authority in 1991, evasion has dropped significantly from 12.7% to its current rate.

TV LICENSING COSTS OF COLLECTION

	2005/06 £m	%
Collection costs incl. call centres, field force, detection and over the counter services	115.6	75.4%
Depreciation of new systems	1.0	0.6%
Communications including reminders and information campaigns	22.4	14.6%
Postage	10.6	6.9%
Administration and contract management	3.8	2.5%
Total	153.4	100%

TV Licensing now offers an electronic licence to people who buy online, which also helps reduce collection costs.

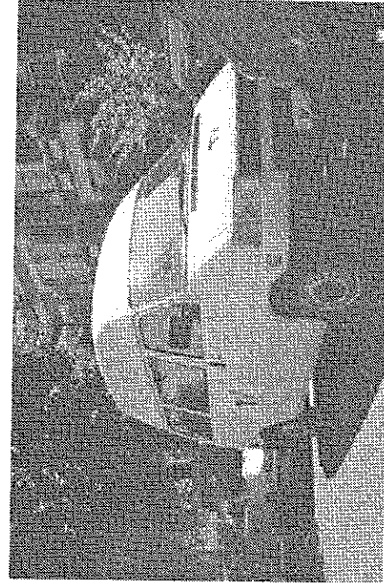
Using PayPoint to provide over-the-counter TV Licensing services, will save in excess of £100 million over six years. The transition of services from the Post Office™ has worked very well. As at September 2006, over 670,000 people had taken up the new TV Licensing Savings Card, which replaced TV Licence savings stamps, providing a more secure method of saving towards the cost of a licence. In addition, millions of transactions have been made at PayPoint terminals since the new services were introduced. Initial research also shows that awareness of the changes has been very high, with well over 90% of previous TV Licence savings stamps users aware of the changes. TV Licensing communications will continue throughout the year reminding people of the new ways to pay.

During the last year, 659,000 licences were sold using the web. This is an increase of 53% from the previous year, and the trend is expected to continue. The website provides a cost efficient and easy way for people to become properly licensed. People can pay by credit card, debit card or set up a Direct Debit. They can also inform TV Licensing of a change of address and there is a reminder service which university students can use to register before they know their term-time address.

TV Licensing aims to maximise revenue by collecting the fee in the most efficient way, to allow as much money as possible to go towards the BBC's programmes and services. The cost of collection as a percentage of income continues to fall and is now at 4.9%, or £152 million, down from 5.2% last year. New processes have been adopted to ensure collection and enforcement continues to work efficiently and effectively. There has been an increase in the take-up of Direct Debit as a payment method and as at March 2006, 60.9% of all licences in force, or over 12 million, were paid for this way.

Advertising, public relations and sending letters to homes are used to communicate the need to be licensed, the ways to pay, and the consequences of non-payment. Some people will only pay when they are reminded of their legal requirements and the penalties they might face if they evade. Research* showed 9 out of 10 people think it is appropriate for TV Licensing to highlight anti-evasion messages. Communications need to combine a range of messages. To those who pay promptly, the information is mainly on the range and ease of payment methods.

To those who delay or try to evade payment, TV Licensing communicates the possible consequences of evasion, including potential prosecution. In those communications, the tone is consistent with other organisations which have similar aims such as the Driver and Vehicle Licensing Agency (DVLA) when it is trying to cut down on road tax evasion and the Department of Work and Pensions' campaigns on benefit fraud.



Occasionally, for example, if people have moved into a new address and have not transferred their licence from their previous address, they might receive mailings designed for evaders. To prevent this, TV Licensing would recommend people transfer their licence as soon as possible when they move and to get in touch if they believe they are receiving mailings incorrectly.

TV Licensing also has an award-winning community relations programme, working closely with stakeholder organisations to promote the need to have a licence and to offer advice on easy payment schemes. TV Licensing worked with 40 umbrella organisations across the year including:

- Institute of Money Advisers
- Citizens Advice
- Money Advice Scotland
- Advice NI
- National Asylum Support Service
- British Federation of Race Equality Councils
- Northern Ireland Chartered Institute of Housing
- Royal National Institute of the Blind
- Age Concern
- Help the Aged

Martin Green, Chair, Institute of Money Advisers (formerly the Money Advice Association):

"We welcome TV Licensing's initiative in providing clear information on its payment options. In particular we welcome their willingness to offer a flexible payment method for those on income-related state benefits. We are happy to be working closely with TV Licensing and look forward to future work together."

Paul Herink, Director of Information Services at Citizens Advice Northern Ireland:

"Citizens Advice Northern Ireland is pleased to work with TV Licensing to ensure that our clients are kept informed about their options for making payments and in particular the arrangements in place for people who have trouble in paying the licence fee."

David Sinclair, Policy Manager, Help the Aged:

"At Help the Aged, we focus our work on supporting the two million or more socially disadvantaged older people in the UK. At a time when many older people are struggling with rising household costs, we welcome the free TV licence for the over 75s and look forward to continuing to work with TV Licensing to promote it."

* The TV Licensing National Tracker Survey (December 2004) showed 89% of people agreed it was acceptable to target evaders. The sample, taken across Great Britain, was made up of the average national proportion of payers, delayers and evaders.

CONNECTING WITH THE PUBLIC

John Azah, Chair of British Federation of Race Equality Councils and Director of Kingston Race Equality Council

"This new interpreting service is a welcome addition to the resources TV Licensing provides for those for whom English is not a first language. I'd encourage anyone with queries regarding TV Licensing to contact one of their telephone advisers or order a leaflet to find out more."

Paul Stanfield, Head of Contact Centres TV Licensing

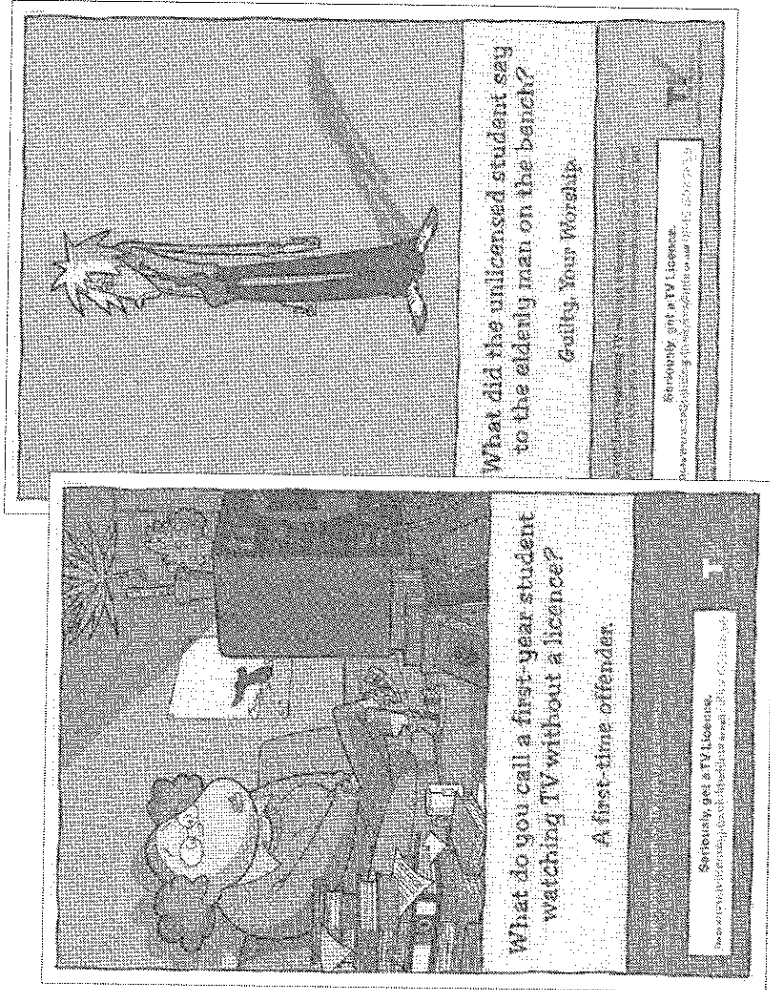
"People contact us with all sorts of questions, day in day out ranging from what they need to do when they move house to does their son or daughter need a TV licence at university. We're always happy to help, whatever the question and we'd genuinely prefer people contact us to answer their questions so they can get a licence if they need one, rather than face possible prosecution if they wrongly assume they don't."

Literature is produced in 21 different languages, to help those whose first language is not English to understand the law and give them information about the many ways to pay TV Licensing also provides an interpreting service in over 150 languages.

Information is often tailored to specific groups, for example, students. Research demonstrated the growing popularity of 'anti-humour' on student websites and this sparked an award winning campaign using jokes that were simply not funny, to reflect the fact there is nothing funny about being caught without a licence.

The award-winning "it's not funny" student campaign has contributed to annual sales of TV licences amongst this audience increasing by around 24%.

Examples of some of the jokes used in this approach include: "What do you call a first year student watching TV without a licence? A first-time offender", and "What did the unlicensed student say to the elderly man on the bench? Guilty, Your Worship".



Identifying and prosecuting evaders

TV Licensing's database of over 28 million addresses lists which addresses have a licence and which do not, and is a critical part of enforcement activity. Typically a number of letters will be sent to an unlicensed address which will remind people of the importance of being properly licensed and give information on the many ways to pay. The householder may also receive a phone call asking whether a TV licence is needed at that address. If there is no response, then the address will be selected for a visit from an enquiry officer. Visiting can provide TV Licensing with information on whether addresses are unoccupied or derelict, whether or not there is a TV on the premises, and a visit can result in evaders being caught. Last year, on average, there were more than 8,000 visits per day, 500 more per day than in the previous year, and an average of over 1,000 evaders were caught daily.

Though the preference is for people to be properly licensed, TV Licensing will prosecute persistent evaders. Detection equipment is expensive to deploy and is used selectively when other routes, which are more cost effective, are exhausted. The use of detection equipment is strictly regulated through the Regulation of Investigatory Powers Act 2000 and methods are reviewed by the Office of Surveillance Commissioners.

TV Licensing has no right of entry and officials will only enter a household with the consent of the occupier. TV Licensing can obtain a search warrant from the courts, and these are only requested if there is evidence of evasion and the customer refuses entry.

New technology

New ways for receiving television programmes continue to be developed. The public may not always know the licensing requirements for new technology, for example watching television on the internet or a mobile phone. This is why TV Licensing works with manufacturers and retailers to ensure information about TV Licensing is readily available, for example on retailers' websites. A TV licence is needed to watch television, but is not required for watching programmes which are downloaded after they have been broadcast. You can watch television anywhere on any device powered solely by its own internal battery, such as a mobile phone, as long as your main address is licensed.

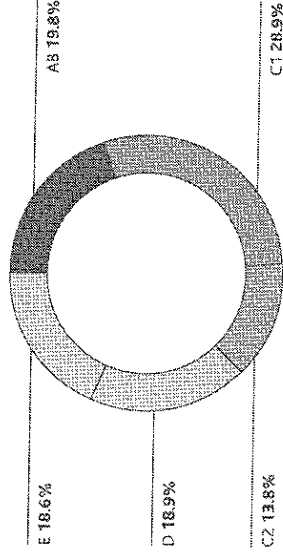
Prosecution and processing cases

Evaders risk prosecution and cases are heard in magistrates' courts, with up to a £1,000 fine being imposed, if convicted. It is important for magistrates to understand the steps that TV Licensing takes to encourage people to avoid prosecution by being properly licensed, which is why there is a contact programme with relevant court groups and umbrella organisations. No one can be imprisoned for TV licence evasion, but magistrates do have the power to impose a custodial sentence if court fines are not paid. Only 28 people were imprisoned for non payment of fines relating to TV licence evasion in 2004, according to the most recently available data.

It is in the interests of the BBC and TV Licensing to ensure the current effective deterrent for TV licence evasion is maintained and throughout the year we have been consulting with the Department for Constitutional Affairs and Her Majesty's Court Service on developments within the judicial system.

TVL EVADER PROFILE

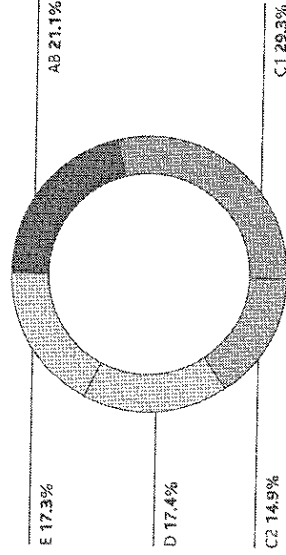
Distribution by social grade of 1.183 million properties that were not licensed on 31 March 2006



According to the Broadcasters' Audience Research Board (BARB), 98% of households own TVs.

SOCIAL GRADE DISTRIBUTION OF LICENSABLE UK PROPERTIES

Distribution by social grade of 25.7 million properties that required a licence on 31 March 2006



Evaders come from all walks of life

CUSTOMER SERVICE

Simon Foot, *Customer Experience and Operations Manager, BBC TV Licensing*:
 "With such a diverse customer base it is important our services reflect the needs of all of our customers. We need to ensure that when a customer finds that slot in their hectic schedule to contact us, they are able to complete their request first time, every time."

Sheffield Hallam University – November 2005
 Dr Simeon Yates, *a researcher into the effect of SMS technologies on human communication at Sheffield Hallam University*:
 "It's obviously best to communicate with people in the way most convenient to them depending on the circumstances. Texts have become a part of our daily lives and my recent research indicates many people find receiving text reminders less intrusive than phone calls and more informal than official letters. With this in mind, I think it is highly likely more and more companies will follow TV Licensing's lead and introduce SMS as part of their customer communications."

Customer contact

During the year, approximately 61 million letters were sent out. The call centre handled around 10 million calls, significantly more than the previous year, of which around 2.2 million were handled by the automated systems. Over 1.3 million items of correspondence were also received. The aim is to ensure everyone has an experience of TV Licensing that is quick, simple and convenient.

Some people prefer self-service methods such as the website and automated systems when they ring the call centres, so TV Licensing provides these options. A number of automated services have been introduced including voice recognition systems in call centres. These are used to handle various services including change of address and Direct Debit applications. Well over one million addresses were changed last year using this system and its success has resulted in the introduction of a round the clock automatic help line.

Customer satisfaction is consistently high at over 90% and TV Licensing aims to ensure the best systems are in place to handle queries, or any issues people have with the service they receive.

TV Licensing complaints have risen over the past year, to just under 23,000, but still remain a tiny percentage by comparison to the amount of activity which is undertaken. Complaints are significantly less than one complaint per 1000 customers and are around 0.01% of the total TV Licensing customer base. Nonetheless, TV Licensing tries to minimise complaints wherever it can.

Of the 1.3 million letters received, 18,000, or around 1.4%, were complaints, which all received a reply within the target of eight working days. Over the year 5,000 complaints were received via the telephone which equates to 0.05% of the total 10 million incoming calls.

The majority of the complaints received were in response to efforts to remind people of the need to be properly licensed, including letters sent to homes and businesses.

TV Licensing hopes no one has a complaint about the service they receive, but if they do, they can take the following steps. In the first instance please write to:

Head of Customer Relations
 Customer Relations Department
 TV Licensing
 Bristol
 BS98 1TL

If people feel their complaint was not handled correctly, and wish to escalate the complaint, the initial response given explains how this can be done. The BBC will not investigate a complaint against TV Licensing until it has been through TV Licensing's escalation process.

DEAR TV LICENSING ***

This section gives examples of the types of complaints received and of the responses given.

✓ I am licensed, why have I received a letter from you telling me to get a licence?

With a database of over 28 million addresses, mistakes can happen resulting in incorrect information on our database. We try not to make mistakes. We do ask people to contact us to let us know if the information we have is incorrect.

✓ I don't have a television, why are you writing to me?

According to the Broadcasters' Audience Research Board (BARB), 98% of households in the UK do own a television set. When someone informs TV Licensing they either do not have a TV receiver, or do not use it to receive TV programme services, we visit the property in order to verify this. Unfortunately, we have found around 50% of those people who claimed not to have a television, were found to be evaders when we checked the premises.

Our visits help us to identify genuine non-users of television so we can minimise future contact for a number of years. After this time we would only get in touch to check the circumstances have not changed e.g. people have not moved house. We believe we carry out this practice sensitively and professionally, and in the interests of all parties.

Research conducted by the BBC last year showed over 80% of people who didn't use TV and had received a visit from us to confirm this, felt this was a reasonable policy.

✓ Why are you persistently bothering me with letters that say I might be breaking the law?

It is not the intention of TV Licensing to harass. Some letters contain statements of fact about what unlicensed people should expect if they are breaking the law. These letters become stronger in tone if we do not have a response as we need to reflect the urgency and importance of getting a licence if one is needed. Some of our letters, therefore, contain messages designed to deter a possible evader.

However, we don't presume everyone is guilty of committing an offence. TV Licensing does try to ensure non-viewers are not overly troubled by our enquiries, which is why we ask people to contact us. We would sooner people are properly licensed than risk prosecution. Letters are sent in the interests of the honest majority who pay their TV licence.

✓ I thought my Direct Debit was going to be about £11 a month, and the first payments are actually about £22, why is this?

A licence is usually paid for annually, but the monthly Direct Debit scheme enables you to spread the payments for your first licence over the first six months. After this time, you will be paying in monthly instalments of around £11 per month.

✓ I bought a television recently and gave my address to the man in the shop. We have a licence, so why did I get a letter from you?

By law, retailers selling or renting television receiving equipment must give TV Licensing details of the name of the purchaser and the address where the equipment is to be used. If there is no licence at the address given, or if the name does not match that at the address on the licence, we will then send a letter to the address to ensure the address is properly licensed. This policy does sometimes result in licensed addresses being mailed but it also results in licence sales in other instances, and this activity generated £12 million last year.

We mail licensed addresses in order to ensure people are properly licensed. For example, it might be the case that the person we mail is living under a separate tenancy agreement to those already licensed, or the address might be made up of individual flats or living accommodation. The letters we send are courteous and ask people to contact us to let us know whether they need a TV licence.

✓ Why don't you use free phone numbers?

Like most large organisations, TV Licensing uses numbers that begin with 0870 and 0845. We do not make a profit from the use of these numbers, nor are they charged at a premium rate. A rebate is received from their use which reduces overall collection costs, which in turn benefits licence fee payers. The average call to TV Licensing is around 3 minutes, which on an 8 pence per minute rate would cost 24 pence, less than a first class stamp. Non-geographic 0870 and 0845 numbers also allow calls to be routed to whichever of our call centres can best handle the call at that time, providing a quicker service for the caller. It would not be cost effective for TV Licensing to use freephone numbers.

WE'D LIKE TO HEAR FROM YOU

We want to hear any views you might have on this annual review or of TV Licensing in general.

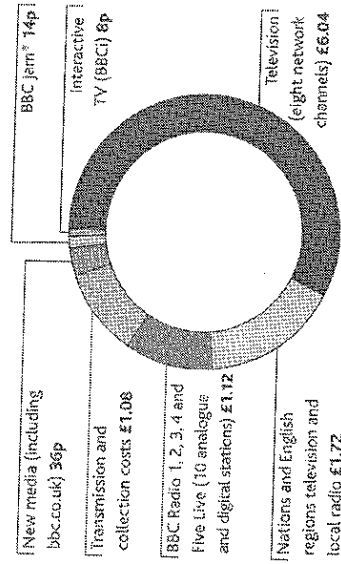
If you are a member of the public, please either call 0870 241 6468 or write to TV Licensing, Bristol, BS98 1TL.

If you are contacting TV Licensing on behalf of an organisation or in a professional capacity, please go through the Campaign Office on 0207 544 3116 or email campaignoffice@tvlicensing.info. Please note, the campaign office is unable to deal with individual enquiries.

Copies of this report are available in other formats by calling 0870 241 6468 or our minicom facility for the deaf or hard of hearing on 0870 575 8604.

Each household's colour TV licence cost £10.54 every month in 2005/2006. On average this is how the BBC used your money:

AVERAGE MONTHLY LICENCE FEE SPEND



*BBC Jam is a free online learning service for 5 to 16 year olds, linked to key areas of the school curriculum

Source: www.bbc.co.uk/info/licencefee.

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