

Annual Review

2007/2008

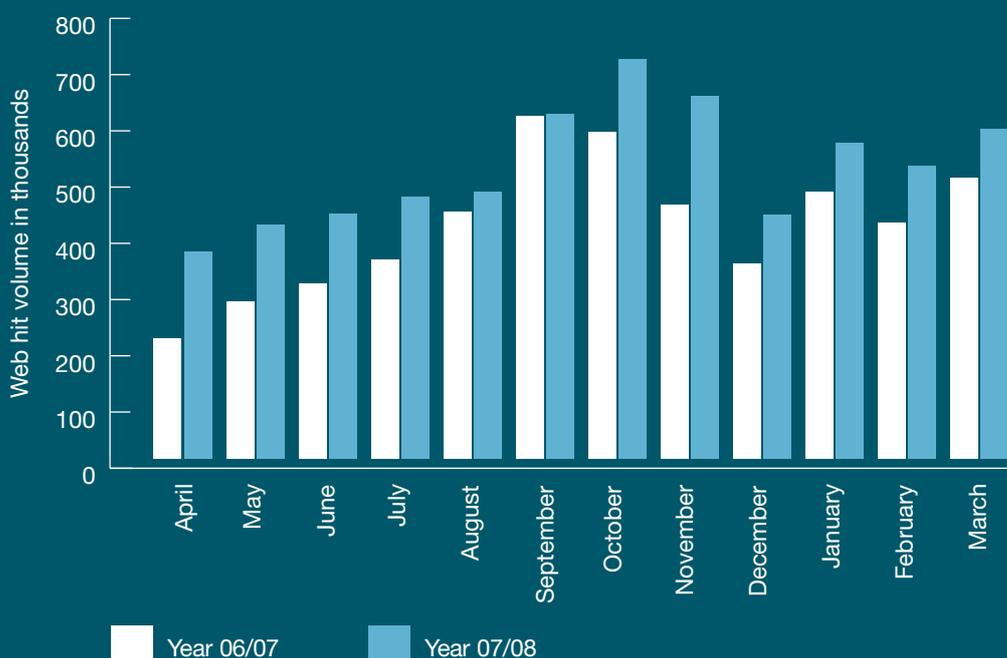
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Key facts

- TV Licensing collected £3.4bn in revenue last year
- Around 25m licences are currently in force, a record number
- Collection costs were £121.6m, just 3.6% of total revenue
- About 1.6m people now buy their licences online
- Evasion levels are stable at 5.1%, despite demographic changes
- Over 1,000 evaders are caught every day
- The TV Licence currently costs £139.50 for a colour television and £47 for black and white

Number of hits on TV Licensing's website



Foreword

Welcome to TV Licensing's fifth Annual Review.

First, I would like to thank the many organisations with whom we have worked in partnership over the last year, as we rely on them to achieve our aims. Without their help, we would reach fewer of those who benefit from our cash schemes or those entitled to concessions.

We aim to deliver the best value for the licence payer, ensuring as much money as possible goes to funding the BBC's programmes and services. We do this by minimising licence fee evasion and collection costs.

- TV Licensing collected £3.4bn in revenue last year, an increase of £125.4m on the previous year
- A record 25m licences are currently in force
- The annual cost of collection has fallen to 3.6% (£121.6m) of total revenue, down from 4.1% last year.

The ways in which people pay their TV Licence affect potential savings in collection costs. We have improved our website to make it easier for people to buy their TV Licence online. A total of 1.6m people now opt for this method. There has been a huge increase in buyers opting to receive their TV Licence by e-mail, with a 78% rise in these sales. By the end of last year, some 42% of people who bought their licences online opted to receive their TV Licence by e-mail. We expect this trend towards more online transactions to continue.

PayPoint has allowed us to cut collection costs further. The growing network of PayPoint outlets (around 20,000*) now accounts for an average of 8.9% of licence sales.

These measures have helped us keep costs down and, at the same time, we have kept evasion low at 5.1%, the same as last year. This has been achieved despite the challenges of evasion in urban environments with multi-occupancy residences and a changing population.

We always prefer people to pay their TV Licence rather than face prosecution, and we have developed various schemes to help people manage their payments. However, on behalf of the honest majority who do pay, it is only fair we pursue evaders.

In the last year our country-wide field force of enquiry officers has begun using small yet powerful handheld detectors, developed by the BBC's Research and Development unit.

Our innovative marketing campaigns continue to receive industry plaudits. This year we have won six awards and been a finalist or commended in four others.

You may have noticed our Annual Review has a different appearance this year. We have adopted a new trademark based on the power button design seen on many electrical devices. The previous one was over 20 years old and did not work well online.



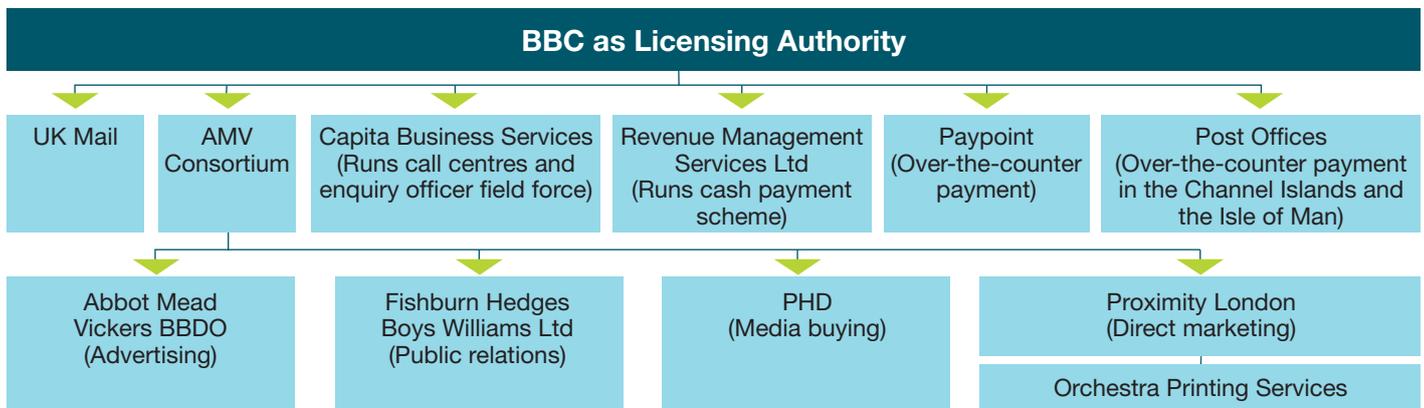
Despite the continuing challenges of keeping evasion and collection costs low, while collecting more licences than ever before, TV Licensing remains well placed to adapt to the ever-changing environment to maximise revenue for the BBC and help more people to become properly licensed.

I hope you enjoy this year's review. As always, we welcome feedback on our work. Our contact details are included on the back cover.

Pipa Doubtfire,
Head of Revenue Management,
BBC TV Licensing

*PayPoint operates in England, Scotland, Wales and Northern Ireland, but not in the Channel Islands or the Isle of Man.

Who we are and what we do



The BBC is the Licensing Authority which administers the collection of television licence fees and enforcement of the television licensing system. The BBC is a public authority in respect of its television licensing functions and retains overall responsibility.

“TV Licensing” is a trading name used by agents contracted by the BBC to administer the collection of television licence fees and enforcement of the television licensing system.

The TV Licence currently costs £139.50 for colour television and £47 for black and white. There are around 25m TV Licences in force, including 3.9m free over 75 TV Licences and approximately 40,000 licences for people receiving a 50% blind concession.

TV Licensing aims to maximise licence fee revenue by collecting the fee in the most cost efficient way. We inform people of the need to buy a TV Licence, send reminders to renew licences, and deal with queries, applications and payments.

Our database is the key tool in identifying premises without a valid TV Licence.

For a typical unlicensed address, we send letters reminding occupants of the importance

of being properly licensed and giving information on the many ways to pay. We may also contact the occupants by phone to enquire whether a TV Licence is needed there. If there is no response, the address will be selected for a visit from an enquiry officer. Visits also provide TV Licensing with information on whether an address is unoccupied or derelict, or whether there is no TV on the premises.

We deploy detection equipment to identify evaders, but only when other more cost-effective routes have been exhausted.

Innovations this year

We have implemented a number of changes to improve our service.

New trademark

Our new trademark was introduced in April 2008, replacing the previous one which was almost 20 years old and did not work well online. The new mark is based on the power button design seen on electrical appliances. As many of these devices are now able to receive TV, a TV Licence may be needed to use them. In the new mark, the power button is combined with a tick to convey the positive connotations of being properly licensed. We have also changed our typeface to make it bolder and more legible for visually impaired people.

Cash payment plan

The cash easy entry scheme was renamed the cash payment plan and made available to everyone in April 2007.

“We work closely with TV Licensing and have always found them to be forthcoming with clear information and advice, which our members – independent electrical retailers – can apply to their businesses.”

Bryan Lovewell, Chief Executive of the Radio, Electrical and Television Retailers' Association (retra)

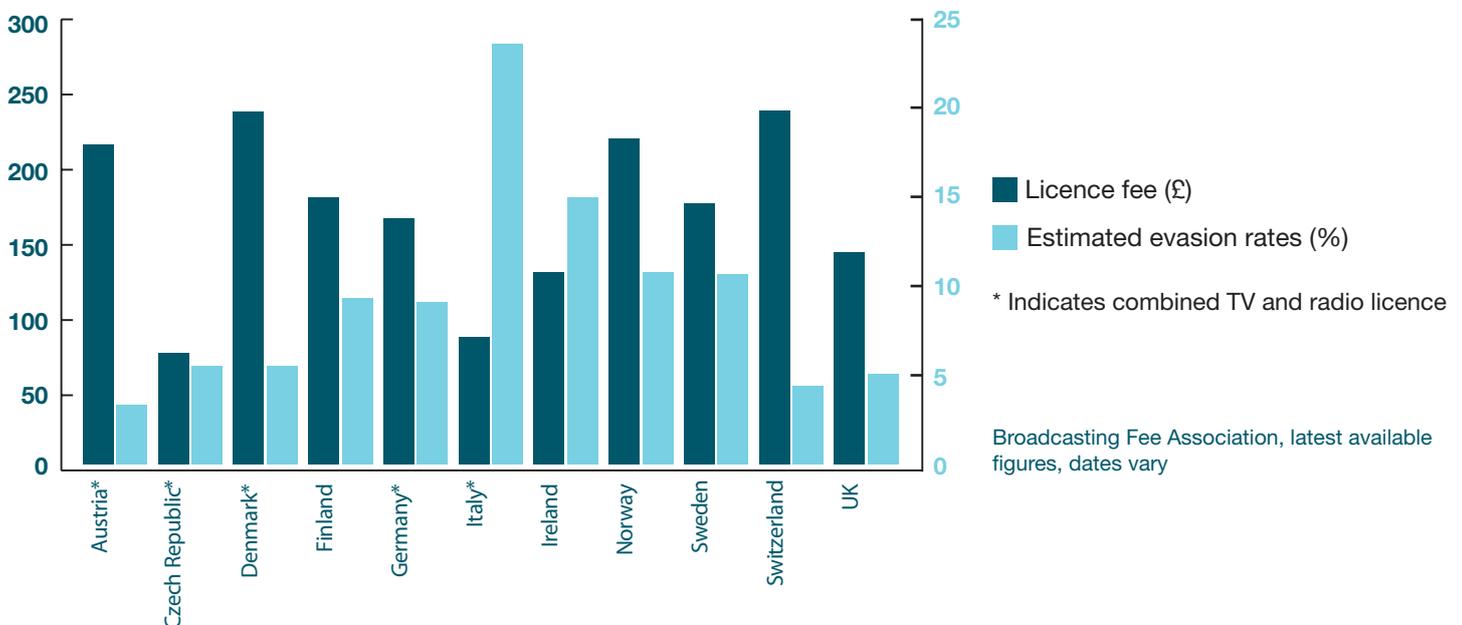
Handheld detectors

We introduced new handheld detectors in July 2007. These lightweight devices, little bigger than a torch, use the same technology in miniature as detector vans, which first made their appearance in 1926. The detectors, developed by the BBC's Research and Development unit, provide extra flexibility in identifying evaders and can detect within 20 seconds whether a TV is in use.

Beyond our shores

The BBC is a member of the Broadcasting Fee Association, founded in 2006, which is made up of organisations across Europe and beyond that collect and enforce TV Licence fees in their individual countries. While each licensing regulatory structure is different, there are also many similarities including the need to manage evasion.

Fee (in £) and evasion rates across Europe



"We are pleased to be supporting TV Licensing's important campaign again this year. With escalating living costs, a free TV Licence can really help many of the older people on a low, fixed income who struggle to make ends meet. Everyone over 75, or approaching their 75th birthday, should make sure they apply for their free TV Licence."

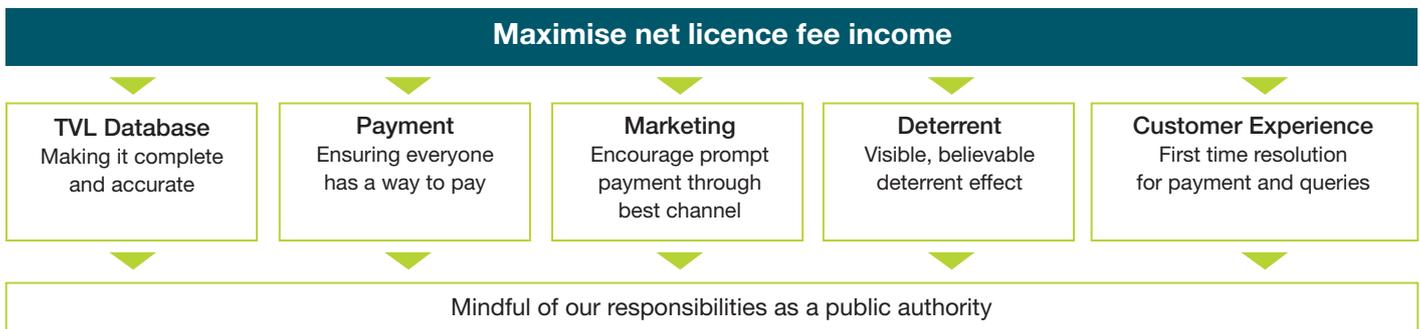
Robert Taylor, Chief Executive, Age Concern Cymru

Broadcast receiving licences: 1922 – 2008

Date	Radio	TV B&W (with radio)	TV Colour (with radio)	Date	Radio	TV B&W (with radio)	TV Colour (with radio)
1922	10s	--	--	1991	--	£25.50	£77
1946	£1	£2	--	1992	--	£26.50	£80
1954	£1	£3	--	1993	--	£27.50	£83
1957	£1	£4 *	--	1994	--	£28	£84.50
1963	£1	£4 *	--	1995	--	£28.50	£86.50
1965	£1 5s	£5	--	1996	--	£30	£89.50
1968	£1 5s	£5	£10	1997	--	£30.50	£91.50
1969	£1 5s	£6	£11	1998	--	£32.50	£97.50
1971	--	£7	£12	1999	--	£33.50	£101
1975	--	£8	£18	2000	--	£34.50	£104
1977	--	£9	£21	2001	--	£36.50	£109
1978	--	£10	£25	2002	--	£37.50	£112
1979	--	£12	£34	2003	--	£38.50	£116
1981	--	£15	£46	2004	--	£40.50	£121
1985	--	£18	£58	2005	--	£42	£126.50
1988	--	£21	£62.50	2006	--	£44	£131.50
1989	--	£22	£66	2007	--	£45.50	£135.50
1990	--	£24	£71	2008	--	£47.00	£139.50

* Excise duty of £1 imposed, not receivable by the BBC. * Excise duty abolished, BBC given full amount.

Optimising revenue collection



We aim to maximise the amount of licence fee money collected while minimising costs and evasion.

- Collection costs were £121.6m, a reduction of 8% from 2006/07
- These costs represent just 3.6% of revenue
- The evasion rate is 5.1% of the estimated number of licences needed
- This represents a loss of £181.9m to the BBC through evasion.

Collection costs

Collection costs were £121.6m in 2007/08, down from £132.6m in 2006/07, which represents an 8% reduction. As a result the BBC has an additional £11m to fund BBC programmes and services.

Since the BBC took over responsibility for collecting the licence fee in 1991, it has almost halved collection costs as a proportion of income, from 6.2% to 3.6% currently. During this period the number of licences in force has risen by 26% (from 19.6m to 25m).

Savings this year were achieved by:

- Completing the move of payments to PayPoint from Post Offices
- Cutting postage costs by using UK Mail.

Evaders

We have successfully kept evasion low, at 5.1%, the same as last year. This stability is a notable achievement against a backdrop of a changing population. An average of 1,000 evaders are caught every day.

The estimated evasion rate in the UK is calculated using a model maintained and enhanced 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 require a licence. The latter amalgamates a number of external data sources including government estimates of the number of UK households and the Broadcasters' Audience Research Board's estimate that 98% of households have a television.

Evasion rate and collection costs as a percentage of revenue

	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Evasion Rate*	5.7	5.0	4.6	4.7	5.1	5.1
Collection Costs	5.5	5.4	5.2	4.9	4.1	3.6
TOTAL	11.2	10.4	9.8	9.6	9.2	8.7

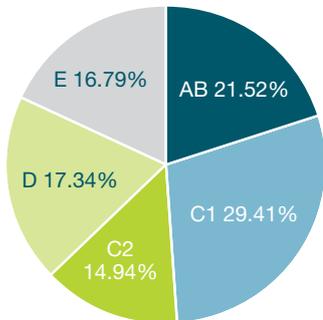
*Historical evasion, restated using latest assumptions

TV Licensing costs of collection

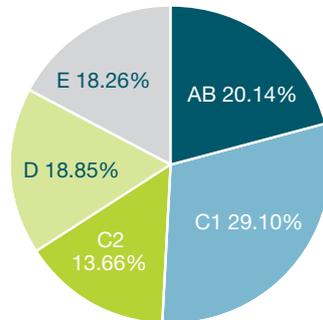
	2006 £m	2006 % of costs	2007 £m	2007 % of costs	2008 £m	2008 % of costs
Collection costs including call centres, field force, detection and over-the-counter services*	116.4	75.9	98.9	74.6	87.3	71.8
Depreciation of new systems	1.0	0.7	0.8	0.6	1.2	1.0
Communications including reminders and information campaigns	22.4	14.6	19.0	14.3	22.6	18.6
Postage	10.6	6.9	10.7	8.1	9.1	7.5
Administration and contract management	3.0	2.0	3.2	2.4	1.4	1.2
Total	153.4		132.6		121.6	

* Excluding income from government for over 75 licences

Evaders come from all walks of life



Social grade distribution of the 26.1m properties needing a licence – licensable base



Social grade distribution of the 1.3m unlicensed properties – evaders



PayPoint has allowed us to cut collection costs

Ways to pay

We offer a number of ways to make payment as easy as possible.

Over the year there have been changes in the way people pay following the decision to move over-the-counter payments from Post Offices to PayPoint outlets. Post Office sales, which are only available in the Channel Islands and the Isle of Man, now represent only 0.2% of sales.

About 28% more licences were sold at PayPoint outlets this year than last year, and cash schemes are increasingly popular. In addition, we now accept initial payments on our cash instalment schemes by debit or credit cards. Customers opting for this scheme can pay a proportion of the total cost in advance, which reduces subsequent instalments, helps people make regular payments and leads to fewer payers defaulting.

“We welcome the TV Licensing campaign to provide information and advice, through numerous channels, to such a wide range of audiences.”

Ian Mountford, Communications Officer, Hanover Scotland Housing Association Ltd

The web is an increasingly important payment channel.

- Some 1.6m licences were sold online, an increase of 334,000 on last year
- Those buying online can receive their TV Licence by e-mail. Some 42% chose this option by the end of the year
- TV Licences by e-mail have almost doubled to 486,000 in 2007/08 from 273,000 in 2006/07.

Percentage of licences collected by payment channel (excluding over 75 licences)

	05/06	06/07	07/08
Direct Debit (annual, quarterly, monthly)	60.9	64.7	67.0
Credit Cards	4.3	7.0	7.9
Cheque / Cash:			
-Post	4.0	6.7	6.0
-Post Office Counter Limited including savings stamps	24.0	5.4	0.2
-Savings card (introduced May 2006)*		2.6	3.0
-PayPoint	0.2	7.0	8.9
-Cash Payment Plans	6.4	6.4	6.8
Home banking	0.2	0.2	0.2

Direct Debit is still the most popular method of payment and accounts for £2,011m or 67% of gross sales (excluding over 75 sales). Credit/debit cards account for 7.9% of gross sales.

By contrast postal applications have decreased to 6%.

*The TV Licensing savings card replaced saving stamps. It was not possible to collect the data in previous years when savings stamps were in use.

Reaching licence payers

We communicate in several ways the need to be licensed, the ways to pay and the consequences if those requiring a licence do not meet their obligations. Our most frequent way to communicate is by letter to people's homes and businesses. The cornerstone of the operation is our database.

TV Licensing's database

We have the most comprehensive database of households in the UK. To keep details updated we use external data sources such as the Postcode Address File (PAF®) and other commercially available sources. Our field force of enquiry officers also check addresses and confirm whether properties are occupied.

Legally, the TV Licensing database can only be used for administering the television licensing system. Details on the database can be disclosed to third parties only if required or permitted by law. We comply with the Data Protection Act and all relevant industry standards.

We take very seriously the security of the information with which we are entrusted and we have comprehensive controls to protect it. Our Information Security Strategy comprises policy, procedural, technical and educational controls, and members of staff are frequently reminded of their personal responsibilities. Our strategy is compliant with the international security standard for Information Security Management.

"We are happy to work closely with TV Licensing to receive up to date information. We applaud TV Licensing's efforts through the cash schemes to make it as easy as possible for people on lower incomes to meet their TV Licensing requirements."

Caroline Siarkiewicz, Chief Executive, Institute of Money Advisers (IMA)

It's Not Funny student campaign: awards

We are proud this campaign – designed to engage students through imaginative presentation – has received so many plaudits. It included website elements, letters and stakeholder relations to drive sales among students.

2007

Marketing Society	Commended
DMA Awards	Gold: Business to Consumer Gold: Customer Acquisition Silver: Multiple Media
IDM	Diamond
Echo Awards	Finalist Communications & Utilities
MCCA	Best Integrated Communications Campaign Best of the Best 2007

2008

The Caples Awards	Finalist for Interactive category Finalist for Multimedia Campaign category
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Marketing, advertising and public relations

We put considerable effort into reaching a wide range of audiences.

We use direct mail, and we also communicate widely via advertising on TV, radio and the internet and through public relations. This year we launched a new advertising campaign featuring our new trademark. We plan to run this campaign, which began in April 2008, for two years. We assess all our communications work regularly, often against other organisations with similar aims such as reducing road tax evasion and benefit fraud, and also seek external evaluation through industry awards.

- Research shows that 88% of people who expressed an opinion thought it was important that TV Licensing sends out strong messages to evaders
- We balance our anti-evasion messages with a range of communications focused on raising awareness of the availability of easy payment methods

- In 2007/08 TV Licensing won the coveted DMA Gold Award in the Business to Consumer category and the IDM Diamond award for the “It’s Not Funny” student campaign
- Our award-winning community relations and stakeholder relations programme provides further support for those people who may struggle to pay the licence fee.

Social inclusion

We greatly appreciate the partnerships we have with stakeholder organisations, which help us reach a wide range of audiences.

We have worked with 33 organisations including:

Citizens Advice, Age Concern, Help the Aged, RNIB, RNID, Council of Ethnic Minority Voluntary Sector Organisations, British Federation of Racial Equality Councils, Institute of Money Advisers, Scottish League of Credit Unions, Money Advice Scotland, Chinese Community Partnership and the Northern Ireland Council for Ethnic Minorities.

Through this work we have:

- Distributed over 120,000 items of literature
- Received almost 1,800 calls from stakeholder organisations asking for further information
- Sent out “In Brief”, TV Licensing’s newsletter, to 3,000 stakeholders each quarter
- Produced literature in 21 different languages and offered 150 languages via translation services at our call centres
- Run special campaigns informing businesses when a TV Licence is needed
- Worked with homemovers to increase awareness of the need to notify changes of address. Research last year revealed 34% of people wrongly thought their licence moved with them when they moved house



Handheld detectors provide extra flexibility

- Given presentations to 10 courts, covering 110 magistrates and other courts’ staff, to explain the opportunities that people have to pay before they are prosecuted.

Enforcement

Our enquiry officers made approximately 3.5m visits in 2007/08, the same number as the previous year.

Enquiry officers operate under a strict code which requires them to:

- Prove their identity, be polite and explain why they are visiting
- Neither threaten nor intimidate
- Only enter a property if they are given permission
- Always leave the premises if asked to do so
- Take a statement, if necessary, signed by the interviewee, making sure the interviewee is aware of the consequences of a statement.

If permission to enter a property is refused, we may apply to a court for a search warrant or use detection equipment. Detection equipment is used only when other more cost efficient routes have been tried. The use of the equipment is regulated by the Regulation of Investigatory Powers Act 2000.

How we deal with the public

Capita TV Licensing call centres handled 10.1m calls last year compared to 11.7m the year before, a decrease of 13.7%. Some 6.9m (68%) of these calls were answered by an adviser, while 3.2m (32%) were handled via self-service channels, such as touch-tone and voice recognition.

Our pledge to the public is to:

- Be courteous
- Answer all communications quickly and politely, always aiming to 'get it right' first time
- Act fairly, equitably and consistently
- Process complaints quickly and even-handedly
- Undertake thorough and fair investigations
- Communicate in the language and format of a customer's choice, if practicable
- Inform people of their most appropriate method of payment
- Uphold the principles of the Data Protection Act (1998)
- Seek constantly to improve and maintain the quality of our activities.

Complaints

Our priority is to try to resolve complaints at the first opportunity and to use the experience to improve the ways we operate.

- There were 36,240 complaints in the last year, an increase of 4,850 (15.3%) on the previous year. This represents 0.15% of the total number of licences in force
- A new categorisation system now gives us a fuller picture of complaints and better analysis of the root causes of complaints.

TV Licensing is often asked about its policy for dealing with those who do not have a television. When notified about this, we make a visit to the property to identify genuine non-users of television. In 2007/08, when



Handling calls in one of TV Licensing's call centres

TV Licensing made contact with people on those visits, 27% of them did need a TV Licence.

After we have verified our records, we cease contact for a number of years for genuine non-users. After that time, TV Licensing will write periodically to check that circumstances have not changed (for example, that people have not moved house).

We believe this approach is fair, and research shows that 80% of those surveyed who were not using TV and had received a confirmatory visit from TV Licensing felt our policy was reasonable.

Review and Regulation

The BBC Trust, which oversees the BBC, came into being in January 2007. Its role in relation to TV Licensing is to "actively seek the views of, and engage with, licence fee payers".

Under the BBC "Charter and Agreement", the BBC Trust is given the specific function of "ensuring that arrangements for the collection of the licence fee are efficient, appropriate and proportionate".

The Trust approves the licence fee collection strategy of TV Licensing and, in 2008, will conduct a public consultation on the way in which the TV Licence is collected.

The remit of TV Licensing is covered in the main by The Communications Act 2003, combined with The Communications (Television Licensing) Regulations 2004 (as amended annually). This legislation permits the BBC to issue and revoke

TV Licences. It also describes what a TV Licence permits the holder to do.

We are also bound by the Data Protection Act (1998), the Freedom of Information Act (2000) and the Regulation of Investigatory Powers Act (2000).

We have a range of detailed policies which interpret the Regulations, developed by our policy adviser in liaison with specialist lawyers. The criteria used are whether the policies are legally correct, fair to the customer and appropriate and proportionate. We review significant policies at appropriate intervals. BBC staff work closely with TV Licensing agents to explain policies and discuss operational implications, often helping to develop customer information, training materials and work instructions.

Equality

In accordance with the BBC's commitment to equal opportunities and diversity, TV Licensing takes equality seriously.

We have three equality schemes in operation – race, disability and gender – with a working group which monitors compliance and implements action plans across all three schemes. (Details of these are available at www.tvlicensing.co.uk/aboutus/raceequality.jsp)

To ensure equality we have:

- Performed an Equality Impact Assessment on our Licensable Places policy and a sample of our communications and found no negative impacts. The needs of groups targeted by communications are met by activity already in place. For example, we have a translation service covering 150 languages, Braille and large print formats
- Developed a contact programme with key stakeholders such as Race Equality Councils to develop a dialogue on promoting licensing requirements
- Ensured that television trails are played out with British Sign Language between BSL programmes

Calls to TV Licensing requesting translation
(April 2007 to March 2008)

Language	Number of calls	Percentage of total
Polish	1164	39
Portuguese	218	7
Punjabi	145	5
Urdu	133	4
Bengali	128	4
Turkish	101	3
Somali	99	3
Arabic	90	3
Russian	83	3
Spanish	83	3
Slovak	67	2
French	63	2
Hindi	57	2
Mandarin	57	2
Lithuanian	51	2
Other	433	15
Total	2972	

- Carried out a website usability audit with help from disabled people
- Implemented a system to provide information on PayPoint accessibility via a telephone number on the TV Licensing website
- Sought advice from Mencap on how to provide an easy-to-read page on our website for those with learning difficulties
- Introduced a checklist to ensure equality is taken into account when casting actors for TV Licensing trails.

TV Licensing has also adopted the principle that in the conduct of public business and the administration of justice in Wales, it will treat the English and Welsh languages equally.

“TV Licensing’s provision of information translated into many languages is a great help in raising awareness among migrant communities in Northern Ireland. The materials are useful to clarify who needs to be licensed and the different payment methods currently available.”

Ola Sobieraj, South Western Migrant Workers Support Group Northern Ireland

What the licence fee provides

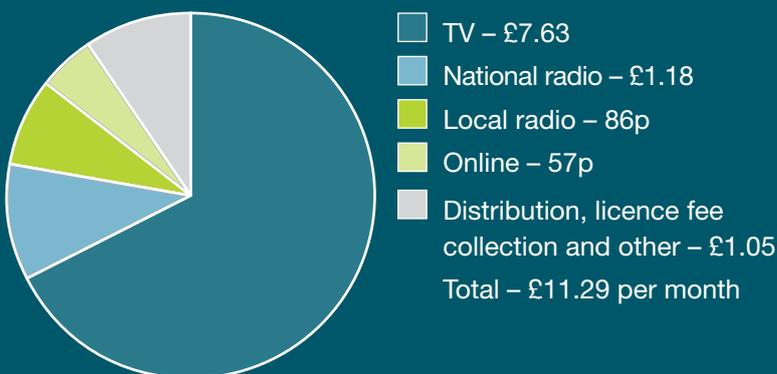
The BBC's domestic broadcasting services are paid for by the TV Licence. This allows it to run a wide range of popular public services for everyone, free of advertisements and independent of advertisers, shareholders or political interests.

The BBC provides:

- 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 1Xtra, 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.

How the licence fee is spent

Each household's colour TV Licence cost about £11.29* a month in 2007/08. On average this is how the BBC used your money:



*In 2007/08 the licence fee was £135.50 for colour and £45.50 for black and white.

Contact us

We like to receive feedback so please contact us with your views on this Annual Review or to comment on any aspect of TV Licensing more generally.

Members of the public should either call 0844 800 6790 or write to TV Licensing, Bristol, BS98 1TL.

For those 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 Braille on request by calling 0844 800 6790.

Our minicom facility for the deaf or hard of hearing is on 0844 800 6778.