

House of Commons
Committee of Public Accounts

**COLLECTING THE
TELEVISION LICENCE
FEE**

First Report of Session 2002–03

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TELEVISION LICENCE
FEE**

First Report of Session 2002–03

*Report, together with
Proceedings of the Committee, Minutes of
Evidence and Appendices*

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Committee of Public Accounts

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Footnotes

In the footnotes of this Report, references to oral evidence are indicated by ‘Q’ or ‘Qq’ followed by the question number; references to the written evidence are indicated by the page number as in ‘Ev’.

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FIRST REPORT

The Committee of Public Accounts has agreed to the following Report:

COLLECTING THE TELEVISION LICENCE FEE

INTRODUCTION AND LIST OF CONCLUSIONS AND RECOMMENDATIONS

1. The television licence fee is collected by the BBC and used to fund public service broadcasting throughout the United Kingdom. A television licence is required for the installation or use of any equipment for the purpose of receiving television broadcasts in the United Kingdom.¹ The current cost of a colour television licence is £112, and a monochrome licence is £37.50.

2. The licence fee money collected by the BBC is passed to the Department for Culture, Media and Sport (the Department) and then surrendered to the Exchequer. The Department issues a grant to the BBC, in practice equivalent to the licence fee income collected, less the Department's costs.² In 2001–02 the licence fee income collected was £2.5 billion. While the BBC is responsible for issuing licences, collecting licence fees and enforcing the licensing system, the Department retains an overall responsibility for licence fee policy including setting the level of the fee.

3. On the basis of a Report by the Comptroller and Auditor General,³ the Committee examined the Department and the BBC on the level of licence fee evasion; catching evaders; the penalties for evasion; and the BBC's accountability to Parliament.

4. Our main conclusions are:

- Television licence evasion reduces the money available for programme making and potentially increases the cost of a licence for those who do pay. The BBC has made good progress in reducing the evasion rate, from an estimated 12.6% in 1990–91 to 7.9% in 2001–02. But with some 2 million evaders, costing the BBC over £200 million a year, evasion remains a significant problem.
- The BBC should reduce the number of wasted visits made by enquiry officers. Enquiry officers made 3.5 million visits in 2001–02 but caught only 459,000 of the two million suspected evaders, and four out of every five visits resulted in no customer contact. Enquiry officers visited some 657,000 properties that were vacant, under construction or did not exist, and 71,000 properties that were already licensed. Improving the quality of data should be a priority, preferably through specific surveys rather than as a by-product of enquiry officer visits. Visits could then be better targeted to yield more licence sales.
- The current situation where the Comptroller and Auditor General has no right of access to the BBC to examine how more than £2 billion a year of taxpayers' money is used, and to provide independent assurance to Parliament, is anomalous. The consideration being given to regulation and oversight of the BBC in the context of the Communications Bill is an opportunity to correct the position and we have pressed the Department to do so.⁴ In addition, the BBC should look for ways of minimising the inconvenience it causes by pursuing people who do not have a television.

¹ C&AG's Report, paras 1–2, 1.2

² Ibid, para 1.4

³ C&AG's Report, *The BBC: Collecting the television licence fee* (HC 821, Session 2001–02)

⁴ Ev 25

5. Our further conclusions and recommendations are:

- (i) It has taken four years to revise the statistical model for estimating the evasion rate. In the meantime there has been no reliable estimate of evasion, and it now turns out that in the past the evasion rate has been as much as one and a half times greater than reported. The Department and the BBC should keep the model up to date by checking each year that the baseline data (such as the number of potentially licensable places) and underpinning assumptions (such as the proportion of households with a television) remain valid.
- (ii) As the BBC's financial planning is linked to assumptions about future sales of licences, it should make sure that its targets for reducing evasion are realistic and set clear milestones so it can monitor progress.
- (iii) The BBC has contracted out the bulk of licence fee collection, so contingency plans for maintaining licence fee income are needed in the event of contractor default. As the appointment of the current contractor took at least 15 months, it is not clear that the BBC would be able to appoint another quickly enough to avoid a break in licence fee collection.
- (iv) The accuracy of the BBC's database of licensable properties, which is central to the enforcement effort, is being reduced by the failure of some television dealers to comply with the statutory requirement to notify the BBC of sales. Up to 40% of sales are not being notified, and the licence sales lost as a result could be over £7 million a year. The BBC should work with dealers to see what can be done to make the notification system more efficient and effective, for example by extending the use of electronic notification, which could also reduce the administrative burden on dealers.
- (v) Prosecution is having no effect on large numbers of television licence evaders. More than half of those convicted for evasion are not paying the fines imposed by the courts, and around a third of those convicted are prosecuted a second time because they continue to evade. In our separate Report on the *Collection of Fines and other Penalties in the Criminal Justice System* (HC 999, Session 2001–02), we make a number of recommendations to the Lord Chancellor's Department including the implementation of management information systems to facilitate proper debt management and assist magistrates when sentencing; reviewing the scope for incentives or penalties to encourage prompt payment of fines; and widening the sentencing options available to the courts when dealing with defaulters.

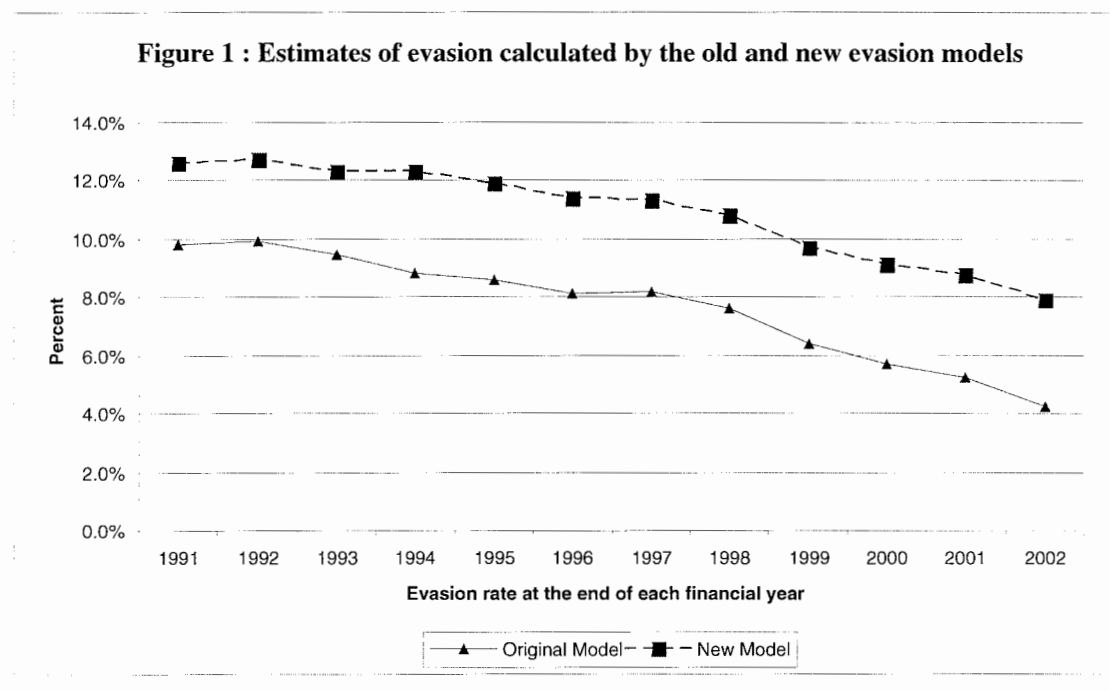
THE LEVEL OF LICENCE FEE EVASION

6. In 2001–02 the BBC issued 23.7 million television licences and collected income of £2,533 million. Although there had been a downward trend in evasion there were still some 2 million evaders and an estimated £ 218 million was lost through evasion. This was equivalent to an evasion rate of 7.9%, compared to an estimated 12.6% in 1990–91, a figure the BBC expected to reduce to 4% by the time its current Royal Charter expired in 2006.⁵

7. The estimated evasion rate was based on an updated statistical model the Department and the BBC had been revising since 1998. The new model assumed the proportion of households or business premises with televisions had increased from 97.25 to 97.6%, and included previously excluded properties such as second homes, student halls of residence,

⁵ Qq 6, 88

military establishments, hotels and hostels.⁶ **Figure 1** compares the evasion rate since 1990 under the new and old models and shows that under the old model, which was used until early 2002, evasion was understated.



Note: The original model does not continue beyond 2001. However, for the purposes of comparison, the evasion rate in 2001–02, calculated on the same basis as the original model would be between 4.0 and 4.5%. For the purposes of illustrating the trend, the midpoint of this range, 4.25%, is shown for the original model for 2001–02, and the figures for the new evasion model have been extrapolated back to 1990–91.

CATCHING LICENCE FEE EVADERS

8. The bulk of the collection and enforcement is contracted out to the TV Licensing agent, historically the Post Office and its subsidiary companies. In 1998 the BBC opened up the contract to competition and the contract was awarded to Envision Licensing Limited—a special purpose consortium of the Post Office (then Consignia Customer Management Limited), the marketing agency WPP Limited and Bull Information Systems Limited—for seven years from 1 April 1999.⁷

9. However, Envision did not achieve the sales expected in 1999–2000 and 2000–01 and as a result experienced financial difficulties. The shortfall also meant that, had the trend continued, net revenue to the BBC would have been an estimated £200 million lower than planned over the period 1999 to 2006. To maintain continuity of licence fee collection the BBC and Consignia entered an agreement whereby Envision would continue to administer the licence fee regime until March 2001, when the contract was terminated. The BBC then set up interim arrangements with Consignia while it re-competed the contract. Capita Business Services Limited was appointed for ten years with effect from 1 July 2002. The

⁶ Qq 88, 175, 236–237; C&AG’s Report, Figure 10

⁷ Q 69; C&AG’s Report, paras 3, 1.7, 2.23, Figure 4

BBC confirmed that it had investigated reported instances of poor performance by Capita on other contracts before making a decision, and were confident that Capita's was the best bid.⁸ Given the abortive exercise with Envision and what the Committee of Public Accounts established when investigating Capita's role in administering Individual Learning Accounts, where significant fraud occurred, the Committee suggests that the BBC should set in place continuous and rigorous controls on the performance of this company in collecting licence fees.

10. To identify potential evaders and plan enforcement activity, including visits by the TV Licensing agent's field force of enquiry officers, the BBC has a database of licensable properties and licences in force. But inaccuracies in the database arise as properties are built, demolished or converted to new uses such as separately licensable self-contained flats, and as people changed address.⁹ There have also been design problems with the database, including the limited amount of data that could be stored.¹⁰ The BBC was looking to the new TV Licensing agent to deliver a new version.

11. At 3.5 million, the number of visits made by enquiry officers in 2001-02 far exceeded the estimated 2 million total number of evaders. They caught 459,000 suspected evaders, but over 2.9 million visits, almost 84%, did not result in customer contact. Moreover, some 594,000 visits were to properties vacant or under construction, and a further 63,000 visits were to properties that did not exist (**Figure 2**). The BBC said that it had been necessary to visit some properties more than once, and that visits had a deterrent effect. But there had also been no other way of knowing which of the unlicensed properties on the BBC's database required a licence.¹¹

Figure 2: The Outcome of Enquiry Officers' visits in 2001-02

Enquiry Officers made 3.5 million visits and caught 459,000 suspected evaders. Of the 3.5 million visits:

2.2 million (62.7%)	— occupier not at home or did not answer the door
594,000 (17%)	— property vacant or under construction
63,000 (1.8%)	— property did not exist
14,000 (0.4%)	— householder moved or gone away
71,000 (2%)	— property properly licensed
44,000 (1.3%)	— confirmation of no set or that there was a monochrome set as claimed
59,000 (1.7%)	— no confirmation of no set or that there was a monochrome set as claimed.

Source: BBC

⁸ Qq 15-19, 69-70, 150; C&AG's Report, para 3, Figure 4

⁹ Qq 8, 153; C&AG's Report, paras 11, 2.12, 3.16-3.17

¹⁰ Qq 153-154

¹¹ Qq 7, 92

12. In addition, some 115,000 enquiry officer visits were to properties which they found to be properly licensed or did not require a licence. The BBC's duty was to enforce the law and to try to ensure that the honest majority was not disadvantaged, and as one in five people who claimed not to have a television did in fact have one, the only way to be sure was to visit. The BBC had no automatic right of entry so it asked for co-operation and insisted only if it had a search warrant.¹²

13. Another way of keeping track of licensable equipment is the statutory requirement on television retailers to notify the BBC of sales. But up to 40% of sales are not being notified, and in 2000–01 this could have cost £7.7 million in lost licence sales. The BBC had been taking action to strengthen the arrangements for ensuring compliance by visiting television dealers, and some 4,200 dealers had been visited in the previous year. It was also prosecuting dealers who failed to comply, and nine prosecution statements had been taken in the last year. To improve the notification process, one company now used electronic point of sale notification as a result of being prosecuted.¹³

14. Keeping up with emerging technologies, and defining what constituted licensable equipment, was a challenge. The Government was looking at ways to preserve the principle that those who receive services should pay, and personal computers capable of receiving television signals through an aerial already required a licence. There were currently no proposals to require licences for signals received through the internet but there will have to be provision to define dealers and television sets in different ways in the future, to keep up with the challenge ahead.¹⁴

THE PENALTIES FOR EVASION

15. Decisions about whether to prosecute evaders are made within an overarching policy of providing those who are caught every opportunity to pay, and prosecuting those who consistently refuse to pay. The BBC only prosecutes as a last resort, so although some 366,388 prosecution statements were taken in 2000–01 only 151,312 cases were heard. The level of fine, within a maximum of £1,000, was a matter for the courts, and the 128,894 people convicted had been fined a total of £12,923,610—an average of £100.26. In addition the average costs awarded were £40.57.¹⁵

16. However, over the last three years some 56% of fines had not been paid, and conviction did not mean that the offender automatically bought a licence. In 2000–01 40,000 people were prosecuted a second time because they continued to evade after being convicted, and in 2001–02 the figure was 44,000. The Department thought confiscation of televisions would be problematic because the licence was for an entitlement to receive the service and the BBC did not own the equipment. Replacement televisions could also be bought quite cheaply second hand.¹⁶

17. The penalties for licence fee evasion were being considered in the light of the October 2001 report on the *Review of the Criminal Courts of England and Wales*. That report, prepared for the Lord Chancellor, the Home Secretary and the Attorney-General, had recommended that the use of a television without a licence should be dealt with in the first instance by a fixed penalty notice, discounted for prompt purchase of a licence and payment of penalty.¹⁷

¹² Qq 21, 30–31, 33–34, 124, 129

¹³ Qq 9, 77–78, 196; C&AG's Report, paras 14, 2.18–2.20

¹⁴ Qq 11, 44–46

¹⁵ Qq 191, 215; C&AG's Report, paras 3.21–3.22

¹⁶ Qq 134–135, 138–139, 157–158, 186

¹⁷ Q 136; C&AG's Report, para 3.35

THE BBC'S ACCOUNTABILITY TO PARLIAMENT

18. The Comptroller and Auditor General has access to the BBC to examine the arrangements for the collection of the television licence fee. He also has access to examine the use made of the grant the BBC receives from the Foreign and Commonwealth Office to support the World Service. But he does not have access to the BBC to examine and report to Parliament on how taxpayers' money in the form of the Department's grant of more than £2 billion a year is spent.¹⁸

19. Arguments in favour of extending the Comptroller and Auditor General's rights of access to the BBC have been repeatedly and forcefully advanced by this Committee, by the Culture, Media and Sport Select Committee, by Lord Sharman in his review of audit and accountability for central government and by Members of Parliament on both sides of the House. Gavyn Davies, before he became Chairman of the BBC, advocated the Comptroller and Auditor General having access to the BBC.

20. The Department said that access was a matter of policy for Ministers to decide, and that Ministers were looking at the regulation and oversight of the BBC generally in the context of the Communications Bill and the creation of the new regulator, the Office of Communications (Ofcom).¹⁹ The Committee therefore wrote to the Department about the lack of access to the BBC by the Comptroller and Auditor General so that Ministers could take account of the Committee's concerns. The Committee's letter is published here as Appendix 2.²⁰

¹⁸ C&AG's Report, para 1.16

¹⁹ Qq 13, 228

²⁰ Ev 25

MINUTES OF PROCEEDINGS OF
THE COMMITTEE OF PUBLIC ACCOUNTS

SESSION 2001–02

MONDAY 1 JULY 2002

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Bacon	Mr Brian Jenkins
Mr Ian Davidson	Mr David Rendel
Geraint Davies	Mr Gerry Steinberg
Mr Frank Field	Jon Trickett
Mr Nick Gibb	Mr Alan Williams
Mr George Howarth	

Sir John Bourn KCB, Comptroller and Auditor General, was further examined.

The Committee deliberated.

Mr Brian Glicksman, Treasury Officer of Accounts, was further examined.

The Comptroller and Auditor General's Report on The BBC: Collecting the television licence fee (HC 821), was considered.

Ms Sue Street, Permanent Secretary, Department for Culture, Media and Sport, was further examined; Mr Greg Dyke, Director-General, Mr John Smith, Director of Finance, Property and Business Affairs, and Ms Zarin Patel, Head of Revenue Management, British Broadcasting Corporation, were examined (HC 1034-i).

The witnesses withdrew.

* * * * *

[Adjourned until Wednesday 3 July at Four o'clock.

* * * * *

SESSION 2002–03

MONDAY 25 NOVEMBER 2002

Members present:

Mr Edward Leigh, in the Chair

Mr Ian Davidson	Mr Nick Gibb
Geraint Davies	Mr Brian Jenkins
Angela Eagle	Mr David Rendel
Mr Frank Field	Mr Gerry Steinberg

Sir John Bourn KCB, Comptroller and Auditor General, was further examined.

The Committee deliberated.

Mr Brian Glicksman, Treasury Officer of Accounts, was further examined.

* * * * *

Draft Report (Collecting the Television Licence Fee), proposed by the Chairman, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 and 2 read and agreed to.

Paragraph 3 read, amended and agreed to.

Paragraph 4 read and agreed to.

Paragraph 5 read and postponed.

Paragraphs 6 to 8 read and agreed to.

Paragraph 9 read, amended and agreed to.

Paragraphs 10 to 20 read and agreed to.

Postponed paragraph 5 again read, and agreed to.

Resolved, That the Report, as amended, be the First Report of the Committee to the House.

Ordered, That the Chairman do make the Report to the House.

Ordered, That the provisions of Standing Order No. 134 (Select Committees (Reports)) be applied to the Report.

* * * * *

[Adjourned until Wednesday 27 November at half past Four o'clock.]

MINUTES OF EVIDENCE

TAKEN BEFORE THE COMMITTEE OF PUBLIC ACCOUNTS

MONDAY 1 JULY 2002

Members present:

Edward Leigh, in the Chair

Mr Richard Bacon
Mr Ian Davidson
Geraint Davies
Mr Frank Field
Mr Barry Gardiner
Mr Nick Gibb
Mr George Howarth

Mr Brian Jenkins
Mr Nigel Jones
Mr George Osborne
Mr David Rendel
Mr Gerry Steinberg
Jon Trickett
Mr Alan Williams

SIR JOHN BOURN KCB, Comptroller and Auditor General, further examined.

MR BRIAN GLICKSMAN, Treasury Officer of Accounts, further examined.

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL:

The BBC: Collecting the television licence fee (HC 821)

Memorandum submitted by the British Broadcasting Corporation

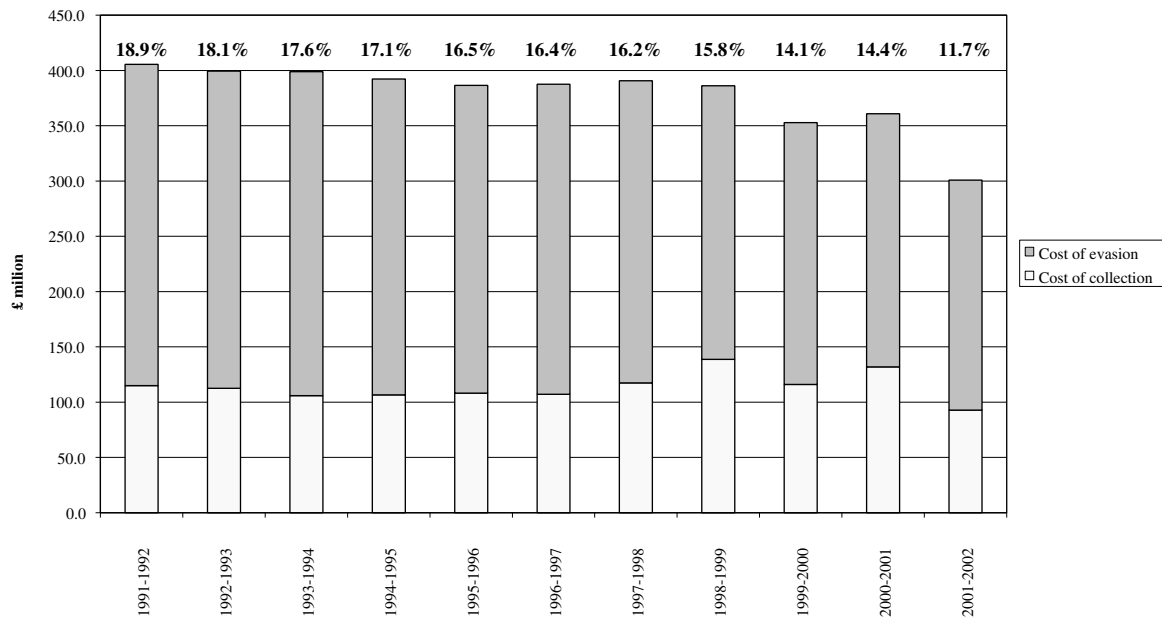
This memorandum updates the C&AG's Report: *The BBC: Collecting the television licence fee* (HC 821, Session 2001–02).

<i>Reference</i>	<i>Material in Report</i>	<i>Update</i>
Paragraph 1, page 1	Number of licences issued	23.7 million licences in 2001–02
Paragraph 1, page 1	Licence fee income received	£2,533 million in 2001–02
Paragraph 1, page 1	Revenue uncollected through evasion (per <i>old</i> evasion model)	Under the <i>new</i> evasion model which has been recently completed the estimate of revenue uncollected through evasion is £218 million at March 2002, equivalent to an evasion rate of 7.9%
<i>Note: The old model does not continue beyond 2001. However, for the purposes of comparison, the BBC estimates that the evasion rate in 2001–02, calculated on the same basis as the original model, would be between 4.0 and 4.5%.</i>		
Paragraph 6, page 2	Total cost of collecting the licence	£95.4 million in 2001–02 (including £20 million compensation from Consignia)
Paragraph 6, page 2	Cost of collection as percentage of revenue collected	3.8% in 2001–02
Paragraph 8, page 3	Evasion rate (new model)	The new evasion model which has been recently completed and is due to be published shortly shows evasion has fallen again in 2001–02 down from 8.8% at the beginning of the year to 7.9% at March 2002
Figure 17, page 31	The outcome of enquiry officers's visits	In 2001–02 Enquiry Officers made 3.5 million visits and caught 459,000 suspected evaders (13.1% of visits) On 2.2 million of the visits made (62.7%) the occupier was not at home or did not answer the door On 594,000 visits (17%) the property was vacant or under construction On 63,000 visits (1.8%) the property did not exist

Reference	Material in Report	Update
		On 14,000 visits (0.4%) the householder had moved or gone away On 71,000 visits (2%) the property was properly licensed On 44,000 visits (1.3%) there was confirmation of no set or that there was a monochrome set as claimed On 59,000 visits (1.7%) there was no confirmation that there was no set or that there was a monochrome set as claimed

This is a revised version of Figure 6 in the NAO report which has recalculated the cost of evasion on the basis of the new evasion model

Figure 6 (restated from new evasion model): The cost of collection and estimated cost of evasion at 2000-01 prices and licence fee rates

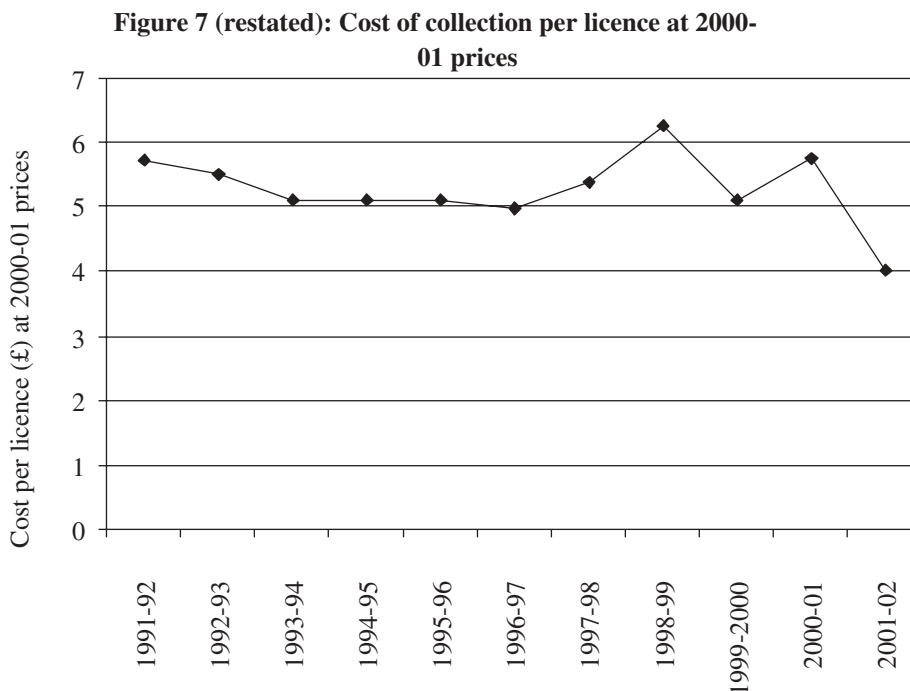


Note: Percentage figures shown are total of the evasion rate and the cost of collection expressed as a percentage of income
Note: Evasion figures before 1996 are from the new evasion model where they have extrapolated back to 1990 as explained in the note to figure 9
Note: The cost of collection for 2001-02 is £95.4m, as reported in the BBC report and Accounts. This includes a £20m one-off compensation payment from Consignia to the BBC.

1 July 2002]

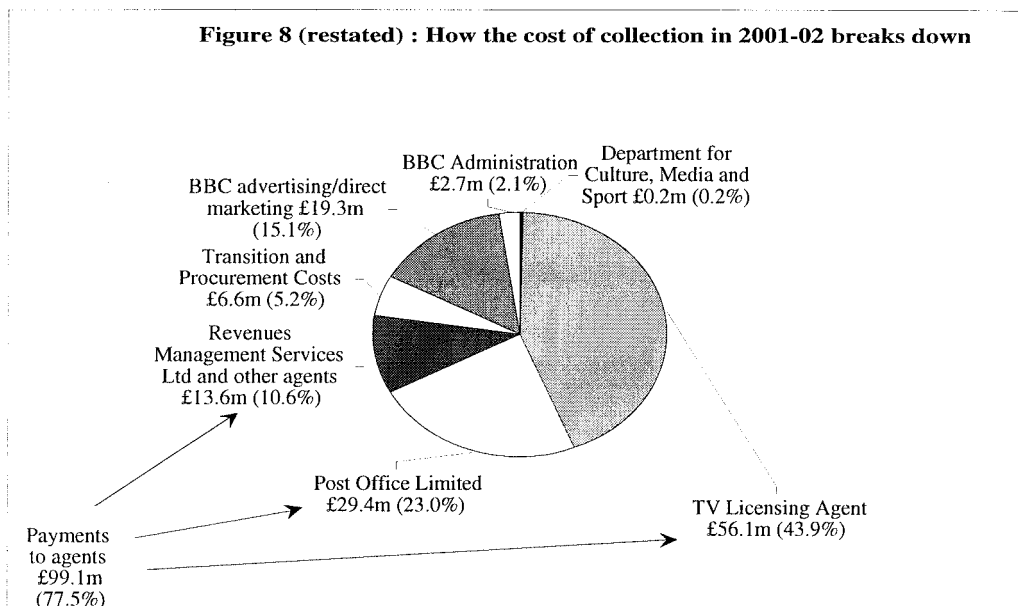
[Continued

This figure repeats Figure 7 in the NAO Report with a new data point for 2001-02.



Note : this figure is based on the total cost of collection of £95.4m as shown in the BBC Annual Report and Accounts. This includes the £20m one-off compensation payment made by Consignia to the BBC.

This is an updated version of Figure 8 in the NAO Report showing the cost of collection for 2001-02 (rather than year 2000-01)

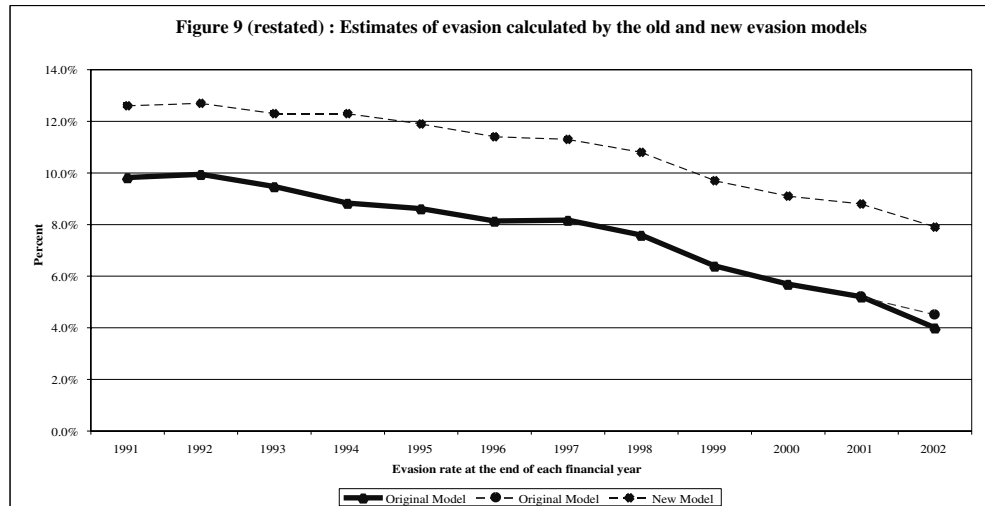


Total operating costs are £127.9m which includes £6.6m cost of procurement and transition to new TV Licensing contractors. The BBC Report and Accounts will show total collection costs of £95.4m which includes a one-off payment of £20m compensation from Consignia to the BBC, release of £8.6m provision for potential liabilities arising on the change to the new TV Licensing contractor and £3.8m interest earned.

1 July 2002]

[Continued

This is a revised version of Figure 9 in the NAO report showing the same data for the old evasion model but updated figures for the revised model.



Note: The old model does not continue beyond 2001. However, for the purposes of comparison, the BBC estimates that the evasion rate in 2001-02, calculated on the same basis as the original model, would be between 4.0 and 4.5 per cent. For the purposes of illustrating the trend, the figures for the new evasion model have been extrapolated back to 1990 when evasion was first measured.

This figure revises Figure 11 in the NAO Report to show the estimated evasion rate in different parts of the United Kingdom at March 2001 and March 2002 calculated using the revised evasion model:

Country	Evasion rate at March 2002	Evasion rate at March 2001
England	7.3%	8.1%
Scotland	9.8%	11.4%
Northern Ireland	20.0%	21.2%
Wales	7.9%	9.1%
United Kingdom (total)	7.9%	8.8%

Examination of Witnesses

Ms SUE STREET, Permanent Secretary, Department for Culture, Media and Sport, MR GREG DYKE, Director-General, British Broadcasting Corporation, MR JOHN SMITH, Director of Finance, Property and Business Affairs, British Broadcasting Corporation, and MS ZARIN PATEL, Head of Revenue Management, British Broadcasting Corporation

Chairman

1. Good afternoon and welcome to the Public Accounts Committee where we are discussing the collection of the television licence fee. We are delighted to welcome Mr Greg Dyke, Director-General, and Ms Sue Street once again to our Committee. Mr Dyke, do you want to introduce your two colleagues?

(*Mr Dyke*) John Smith, who is Director of Finance at the BBC and Zarin Patel, who is Head of Revenue Management.

2. The Clerk has scheduled this Committee with great skill because today I think Capita are taking over from Consignia in terms of collecting the licence, are they not, Mr Dyke?

(*Mr Dyke*) That is the case, at 9 o'clock this morning.

3. We are very much up-to-date and no doubt colleagues may have one or two questions on that subject. I will start by referring you, Ms Street, if I may to paragraph 2.4 on page 19 of the report. I would like to get straight to the heart of what we are talking about today. If you read that, you will see that there are widely differing estimates of evasion.

1 July 2002]

MS SUE STREET, MR GREG DYKE,
MR JOHN SMITH AND MS ZARIN PATEL

[Continued

[Chairman Cont]

The revised model shows that evasion cost £199 million at March 2001 compared to £141 million estimated by the old model. Can you explain this?

(*Ms Street*) Yes, certainly. The new model is now in place and in fact the final model that was introduced is slightly different from the revised model at the time the NAO reported because we made some further adjustments. I have to advise the Committee that the final figure is £218 million.

4. So, for the purposes of today, we are going to ignore the figure of £141 million and ignore the figure of £199 million; we are up to £218 million.

(*Ms Street*) The final figure for evasion, the latest figure of May, is 7.8%. The difference arises because adjustments have been made to take into account some significant areas like student halls of residence and second homes. Then the final validation has included an 0.4 percentage point uplift for hotels and lodgers and a 0.3 percentage point uplift for business premises. As the report very clearly points out, all of these are guesstimates, not measures. We are being advised by the Royal Statistical Society on maintaining the model now as near perfect as we can, but it will never be perfect. On any model, the evasion rate is falling and the 7.8% measure as at May, if you looked back to say ten years ago in May 1992, would have been 12.7%. So on any measure it is falling. Of course, as the NAO point out, the sensitivity to the estimates is high. We have used the BARB data for good reasons. None of this is cash itself not coming in to the BBC but it does illustrate the size of the challenge for collection.

5. May I carry on asking you, Mr Dyke, on this similar theme. If you look at paragraph 1.9 on page 15, you will see there it is headed, "The cost of evasion and collection". It says there that you are intending to achieve an evasion rate of 3.5% by 2006. I would like to know how you are going to achieve this. It is quite a difficult target, is it not, because the evasion rate in March 2001 was between 5.2 and 7.6%, depending on the model used. How are you going to achieve this relatively low evasion rate?

(*Mr Dyke*) The 3.5 relates to 5.2. It is because, if you look at the trend over the previous decade on that statistical model, we have reduced evasion by 50% and it is our belief that we will continue to do that. We have done so further this year. That is shown on the computer. Of course, now there is a different model, the 3.5 equates to 5% or something.

6. So you are pretty confident that you can go on making progress, although it is going to become more and more difficult?

(*Mr Dyke*) That is the view of the people who are responsible.

(*Mr Smith*) Very briefly, the trend over the ten years is important because it shows an improvement year on year every year. It continues to come down, even after the year that has just ended, and we expect it to carry on doing that. Many innovations in the way in which we go about the assignment, including introducing new methods of payment for people, new payments channels, and indeed changes of contractor, work towards ensuring that the rate continues to go in the right direction. There are two final points. One is that our actual target for the end of the Charter on the new model as opposed to the

old model is 4% evasion; that is what we are aiming to achieve. The final point is that this report I think validates very many things that we have been doing, and I hope we will be able to continue to do things like that in the remaining years between now and then.

7. Mr Dyke, can I ask what you are going to do to stop your enquiry officers visiting properties that do not exist. There were 70,000 such visits in 2000–01. That is a lot of wasted time of enquiry officers. I think 600,000 properties were visited which were under construction and which obviously were not going to be paying the licence fee. What are you doing to stop this waste of your enquiry officers' time?

(*Mr Smith*) We are making 3.5 million visits into homes every single year. The report talks a lot about the impact of those visits in terms of houses that do not exist, houses that have been demolished, and so on. From my point of view, the important thing about the visits is the deterrent effect it has, as well as the fact that large numbers of people do get caught. We are catching 459,000 in the year just ended from those visits. As well as the people who are caught and who then pay up, the deterrent effect is phenomenal. I have been out with television licence enquirers myself and visited housing estates. The effect it has when you turn up in an estate with people on the estate knowing that you are there to enforce the television licence collection system is quite substantial because people talk about why you are here, what you are doing, what it is all about. It is a criminal offence. There is a fine of up to £1000. Those visits, together with our marketing campaigns—posters and so on—help in the general message that is given to people that it is a bad thing not to pay and it is better to cough up, which is what we want people to do. So we would never expect every single home visit to result in a sale, of course, but we do expect that each of those home visits has some use.

8. So it does not matter too much if they are visiting a property that is under construction or does not exist because people are seeing you walking down the street; that is what you are saying?

(*Mr Smith*) I am saying that the deterrent effect is absolutely critical and, in addition, we leave paperwork behind at homes when people are not in, encouraging them to pay even when the enquiry officer has not made contact with them. We are also using the visits as a means of getting the database updated. It is the biggest database in Britain for homes, and there is no central register anywhere of whether or not homes are going to be built, demolished, whether houses have been turned into flats and so on. We use our visits as a means to get our database as accurate as we possibly can.

9. Mr Dyke, when dealers sell you a television they are supposed to notify the authorities of what has happened obviously, but up to 40% of sales of television equipment are not being notified to the BBC at a cost of up to £7.7 million a year missed licence sales. What are you doing to strengthen the dealer notification system?

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[Continued

[Chairman Cont]

(Mr Dyke) We take legal action against certain dealers. There is one prominent dealer due in court tomorrow. No doubt that will be reported in the press the day after. We can take action against the dealers. I think the figure is slightly exaggerated.

(Mr Smith) The figure is correct, and I have no complaints about it. It includes second sets in single homes, and of course if the premises has already got a licence, we cannot issue another licence just because they have another television set. It also includes some types of equipment that legally do not necessarily need a television licence. We have got to get to the absolute truth in terms of how many sets are being sold. I should say that there are 17,000 dealers registered with us, sending in every single month details of how many sets they have sold. In the last year 7.5 million have come to us. We are not in any way suggesting that the NAO Report is incorrect. Already we are working with Capita when they started today looking at what we can do to make sure that the data we do get is accurate but 17,000 dealers sending in data every single month is quite a large operation. As I say, some of the sets that have been sold are second sets and they do not require an extra licence.

10. Ms Street, are you worried about the relatively high up-front costs of direct debit and cash-easy entry schemes deterring people from joining those schemes, particularly as many will be on state benefits and these schemes are supposed to help people and they may be deterred by these large, up-front costs?

(Ms Street) The Director General and I have discussed it and I think that we ought to have a look in particular at the cash-easy entry system. We have arranged for our teams to make some recommendations to us by the end of October about what could be done specifically in relation to cash-easy entry because that is for those people by definition who have the least ability to pay. For direct debit, I would be interested in views that I am sure will be expressed this afternoon. My approach is to look at the business case. I think what we have now is 49% of people already on direct debit, which is not bad compared to the utilities. If, for example, you are offering some sort of incentive along the lines of the gas suppliers, which would be 8%, that would be costing the BBC £100 million, so I think you have to be very sure that it is necessary to give that initial incentive, given that we are already at 49% and the BBC is hoping to get 55%. I am less certain about direct debit. I do think—and I know that the Director General agrees with me—on a cash-easy entry system, which is already used by three-quarters of a million people, so one does not want to damn it, that there may be things that we should do to make sure that they are addressing the areas of greatest need. Perhaps also worth pointing out, as the report does, is that only 0.2 of people said that they could not find an option for payment that was possible for them. The strategy is right, which is to have 17 different ways of paying and 26,000 outlets, so that it would be very difficult for people to say that they cannot find some method of payment, and indeed they are not saying that.

11. The last couple of question I want to ask you, Ms Street, open it up a bit. You can already, I think, receive broadcasts through your personal computer.

There are emerging technologies which are opening up huge possibilities that were not even considered when television was invented. I know you cannot give a very startling answer to this question: is this not a rather old-fashioned system, employing armies of people going around trying to chase up people who are not paying their television licence fee? With all these emerging technologies, should we not be looking at some way of financing the BBC that is based on grant in aid?

(Ms Street) One can certainly look at different ways of financing, but essentially the point you make is about the different technologies and how are we going to know in future what constitutes a television set; what is a dealer; what is the sort of apparatus? That is clearly very challenging. I was listening to a talk this morning by the maker of *Big Brother* explaining how that was actually available on seven different bits of multimedia, so this is a huge challenge. The way we approach it, with the opportunity of the Communications Bill, is to provide there for subordinate legislation by which the Secretary of State could make orders which would define dealers in different ways and television sets in different ways. I do think we will really need that provision to keep up with the challenge ahead.

12. Mr Dyke, do you want to make a comment on that or are you happy with that reply?

(Mr Dyke) One of the problems with all these technologies is the distribution cost. The way we have done broadcasting historically is fundamentally by a cheap form of distribution; you pump in a signal and a lot of people can take it. What we have discovered through, say, internet radio, is that the distribution costs of internet radio are very expensive compared to traditional broadcasting. So there is a limit to how many people will ever be able to use the internet for television just because of the broadcasting cost. We worked this out a year ago, and it has come down a bit now, and the cost for radio stations was something like 23p per listener per hour if you broadcast across the internet. Therefore, you have to limit the numbers who could ever receive on the internet or it would bankrupt the Corporation. Everybody talks about emerging technologies, but actually traditional broadcasting is a cheap form of distribution.

13. Ms Street, the last question is something that you are probably fearing that we might ask you and I cannot let you get away without giving you an opportunity once again to give us the answer as to why it is that whilst the Comptroller and Auditor General has some access to the BBC, an organisation spending £2 billion a year; why has the Comptroller and Auditor General and Parliament no power to examine how this £2 billion a year of taxpayers' money is used. We have made this point again and again in this Committee and in Parliament; Lord Sharman, as you know, an independent person, made the point that the Comptroller and Auditor General should have rights of access. Gavyn Davies, before he became Chairman of the BBC, was an advocate for us having rights of access. Can you explain to us once more why we should not have, as the guardians of taxpayers' money, a right of access to BBC accounts?

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[Continued

[Chairman Cont]

(*Ms Street*) The question is not a surprise, of course, Chairman, and I do know and I have read the transcripts and I very much realise the strength of feeling in this Committee. The position is that this is a matter of policy; this is for Ministers to decide. I think it is very timely to point out that we are now consulting on the Communications Bill. In that wider context, Ministers are looking at all sorts of questions of regulation and oversight of the BBC and the Governors. The Government will want to look at all of this in the round, and they will do so, but, as you rightly say, the Committee knows that the Government has looked at recommendations recently, both in the light of the Davies and Sharman reports, and considered that there was not a case for change. Worth also bearing in mind is that the BBC is already subject to an absolute battery of audit and scrutiny. I know John Smith could give further details. Provisions in the Charter have been supplemented since February 2000 by a number of additional provisions, which I would be happy to read out for the record if you want me to do so, which include, for example, an independent review of the BBC's financial projections, an independent external auditor of their fair trading functions and so on.

14. That is all very well but it is not mentioned in Parliament.

(*Ms Street*) No, I appreciate that but it is necessary to ensure that their proceedings are transparent and validated.

Chairman: Thank you for that. I am glad you have not come up with the usual argument we hear that Sir John is somehow going to compromise the editorial independence of *Blue Peter* and programmes like that. Thank you anyway for being relatively open with us and saying that the door is not completely shut in our face.

Mr Field

15. Could I just ask one question about Capita? They made a very big push some years ago to win a contract for housing benefit and one authority, not a stone's throw from here, which was by far and away the best authority for running housing benefit, under Capita has been reduced to average performance, which is hopeless. Housing associations in the area now have emergency overdrafts because Capita is so poor in delivering on the big sell that they made. Could I therefore ask: who made the decision it should be Capita and did anybody before that contract was awarded check up with what Capita's poor performance was in delivery as opposed to selling itself?

(*Mr Dyke*) The answer is: yes, we did. John can go into some more details. I presume you are referring to Lambeth.

16. No, to Westminster, which was by far and away the best authority. Lambeth has always had, poor old Lambeth, applications for housing benefit stuffed in cupboards and God knows where. Capita has managed to reduce Westminster to that level of performance. That is what I am talking about, the very best in the country has now been reduced to average, which is hopeless. That is why I was asking whether you checked up on them.

(*Mr Smith*) We obviously, when taking on a new contract of such significance—and 98% of all our income comes from this source—do not want it to go wrong. We have checked up on any known instances of Capita not performing well and went to visit several organisations where there had been bad press about Capita, which is what you would expect us to do. Our own feeling is that several things matter: firstly, no two contracts are alike. The situations for Westminster or Lambeth, or any of the others where they had the occasional bad press, are not the same as applies here to the BBC. Secondly, Capita were already working with the BBC. They run our call centres in Glasgow and Belfast perfectly well to a level of service with which we are very happy. Thirdly, Capita win one out of two of every bid they put in. They are a FTSE 100 company with a turnover of £3 billion. They service something like 85%, one way or another, of the top 300 companies in Britain. They are a smart, capable outfit, providing the contract that they are working under is sensible and that the contract is then well managed. I cannot see any reason why they cannot perform at least as well as anybody else. In this particular case, they put the best possible bid in for us.

17. Do you understand how they work? They filter off the very best staff they take over and take them into the main company, so that if the authority then wants to take the contract back, it is only left with those poor souls who can hardly read or write to run the department. These are some of the reasons why authorities do not go to the press because they are rather ashamed of what they signed up to.

(*Mr Smith*) I understand the concern. I am not sure it applies here, largely because a very large number of the field force working on this particular assignment transfer from one contractor to another. It is a different management that takes over, a different series of contractor incentives and targets and so on, but actually the large number of people who are doing the job on the ground continue to be the same people, so I am not sure that is right.

18. So when we have you back in four years' time, the trend of non-payment will be above the average trend which the Permanent Secretary described today as occurring every year anyway?

(*Mr Smith*) I would need to make sure I understood that question absolutely correctly.

19. The Permanent Secretary told us that the non-payment was a falling proportion of your receipts. That is without you embracing Capita. I am asking you, when you come back in four years' time, do you expect to exceed the trend rates or do you think Capita will have failed to exceed that?

(*Mr Smith*) If we could carry on the trend rate, we would be doing extraordinarily well and that is what we would like to do.

Mr Gibb

20. Can I ask you about visits. I start by addressing this question to Ms Street. When a TV licensing officer visits a premises, do they ask for access to those premises?

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(*Ms Street*) I do hate to pass the buck but, with the Chairman's agreement, it is probably not a matter for me.

(*Ms Patel*) Enquiry officers do not have automatic right of entry unless they have a search warrant.

21. Do they ask for access to premises?

(*Ms Patel*) Yes, they do but they make it clear, and most of their visiting is done on the doorstep because they need to ask questions about whether there is a television in the house. Where they need to inspect whether there is a television, for example when someone does not have a television, on a confirmatory visit, they will ask. They will not insist on entry unless they have a search warrant.

22. They do ask people if they can enter their premises?

(*Ms Patel*) Only if they have to inspect whether there is a television in the house.

23. What is the procedure if the recipient says he or she does not have a television and is refusing entry to their home?

(*Ms Patel*) The enquiry officer will then leave.

24. Then what do you do—give up?

(*Ms Patel*) No, we write again to the particular person explaining to them why we need to make a confirmatory visit to check that they do not have a television as they are claiming. Once we have made that confirmatory visit, we then do not go to talk to that person for another two years.

25. What if he or she still refuses to give you access to that private home?

(*Ms Patel*) We would then think hard about whether we have reasonable evidence that there is the use of television on that premises, and we would then look at whether detection would be a sensible use of our resources.

26. What do you do to find out whether somebody is using a television in a particular home?

(*Ms Patel*) We use external evidence; an aerial on the house would be a give-away.

27. And if there is no aerial, then what do you do?

(*Ms Patel*) If there is no aerial, we would then look at whether we have enough of a suspicion that there is use of television and whether it is acceptable to use detection. That is a judgment I have to make, if there is not enough evidence. For example, if a person has written to us a few times before saying they have not got a television, you would probably say there is no need for detection.

28. What does detection mean?

(*Ms Patel*) Detection means we use a detector van that tries to detect whether there is a television in use at that moment.

29. Do detector vans actually work, and they are not just some bogus thing? They are genuine?

(*Ms Patel*) Yes, they do.

30. Do you think it is right that in pursuit of your commercial interests you should be requesting entry to somebody's home for somebody who does not receive your service?

(*Ms Patel*) This is about our duty to enforce. We have an obligation to make sure that we fairly and consistently enforce the regulations. Our experience

shows that one in five people of those who claim they do not have a television set in fact does have a television set. I think in those circumstances we would not want to disadvantage those that pay by not checking up.

31. You know that we have corresponded on constituency cases. I have a 92 year old resident who does not have a television and felt intimidated by being asked for entry into her home. Do you think it is right that your commercial interest could result in one of my constituents being intimidated, or feeling she is being intimidated, on the doorstep? Are you aware of any other private sector organisation or commercial organisation that does provide a service where it can ask for entry into a person's home?

(*Ms Patel*) We do not ask for entry. We ask for co-operation of the honest majority to be able to check whether people have a television set when they claim they do not. It is not about our commercial interest. We do have a duty to enforce the licence fee enforcement system. We have no way of knowing—

32. Are you saying that you do not ask for entry into people's homes?

(*Ms Patel*) We do not force entry into people's homes.

33. I never implied that. Did you say that you do not ask for entry into people's homes?

(*Ms Patel*) Let me try and get this correct. When we do an unconfirmed no set visit, which is to visit someone who claims they have not got a television, we do ask to be let in to check that fact. If people refuse, we do not insist on it because we have no automatic right of entry.

34. Do you think it right that you as a commercial organisation should be asking for entry into people's homes when they do not receive your service? Eastern Electricity do not have any right to ask me for entry into my home. I live in the south of England. What right have you got to enter my constituents' homes if they do not receive your service?

(*Ms Patel*) I am saying we have a duty to enforce the law and not to disadvantage the honest majority that pays.

35. I will not go any further with that. Can I move on to something else? In the direct debit quarterly payment scheme, what premiums are paid? It says in the report that a premium is paid. How much extra do people pay over and above the licence fee to be able to pay by direct debit quarterly?

(*Ms Patel*) That figure is £5 per year.

36. Is that right?

(*Ms Patel*) Back in 2001 when we had the licence fee reviewed, we had written to all scheme members at that time to ask them to migrate to other schemes where they did not have to pay the £5 premium. Some of them did migrate on to other schemes, but others have chosen to stay.

37. Why are you charging people extra for paying quarterly?

(*Ms Patel*) The underlying principle of the licence fee payment is that you pay the fee annually in advance. For those who pay in arrears, you want to try and make sure that they have equivalent treatment. So someone who pays annually in

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advance should not be disadvantaged for that and the £5 was thought to be a reasonable estimate of the interest foregone for people paying in arrears.

38. It seems to be a draconian measure to penalise people who cannot afford to pay all at once. What about the cash entry scheme; is there any premium for those people?

(Ms Patel) No, there is not.

39. Right, very good. Can I ask you in what year it became a requirement for people with second homes to have a TV licence in each home?

(Ms Patel) In 1997, I believe.

40. What was the reason for that change?

(Ms Patel) I believe it had been a concession granted by the Postmaster General in the past and it was regularised in 1997 in the regulations.

41. Could you send me details of those regulations and when they were put before the House?

(Ms Patel) I will.¹

42. Ms Street, in answer to the Chairman's question, you said that as a result of the consultation for the Communications Bill the Secretary of State may be given powers to make orders to re-define what constitutes a licensable set or piece of equipment. Have I understood your answer correctly?

(Ms Street) Yes: to define television receivers, that is the apparatus that needs to be licensed; to define what is a television dealer; and also what constitutes a set, which is the equipment, the sale of which needs to be notified.

43. The Chairman in his question was citing the example of a computer that can receive *Big Brother* and all kinds of things. Are you saying that as a result of this in the Communications Bill the Secretary of State, the Government, may be given power by order to define a computer screen as a licensable set, so that we will all have to buy a TV licence for our computer? Is this what you were implying in your answer to the Chairman?

(Ms Street) I certainly did not mean to imply that. All I am saying is that at this stage the challenge of keeping up with the advanced technology is tremendous and what the Government is minded to take, subject to parliamentary debate, in the Bill are powers to look at preserving the principle that those who receive over the airways or by other means the BBC service should pay.

44. You are saying that many people can receive *Big Brother* through their computer screen so you are saying this includes a computer?

(Ms Street) I am certainly not implying that the ownership of a computer screen would require a licence, certainly not, but one would have to look at how to capture the principle of preserving the use of the service.

45. You have not allayed my fears. You have confirmed them, I am afraid. Can anybody do better?

(Mr Smith) Would it be helpful, Chairman, if I make one small interjection to clarify this? If a PC is capable of receiving a television signal, i.e. it has a TV receiving card in the back, then it already requires a licence.

46. Yes, but if you received a TV signal for a programme through the internet, are you saying there is no chance of you requiring a licence fee for that? Can you rule that out?

(Ms Street) I cannot rule it out but it is certainly not in the proposition that is currently being considered.

47. That was an implicit part of your answer to the Chairman.

(Ms Street) I cannot rule it out.

48. I ask this question of Mr Dyke. What are people paying for when they purchase a TV licence?

(Mr Dyke) They are paying for the right to receive a television signal, as I understand it.

49. Why should they have to pay for that right in a free society?

(Ms Street) That is a much bigger argument than the collection of licence fees.

Chairman: It is still very interesting. Can you make a stab at answering it?

(Mr Dyke) As you know, the money is used entirely to fund the BBC. Parliament has decided over many decades that it thinks that is something that is worthwhile.

50. It might have been worthwhile in the Fifties but is it right in today's modern society to have to pay a fee to have a TV set to watch Channel 4, to watch ITV, to watch cable and Sky, particularly if you do not watch the BBC?

(Mr Dyke) There are not many people who do not at some stage watch the BBC during the week. We have all those figures in our reach. Above 90 odd% of people use some of our services. You could have a very long and open-ended discussion on that. Personally, I happen to believe that it is well worth the money but I recognise that some in society have an ideological view against it, and that is quite a small number. There are people who are struggling to pay it, and I understand that. You must look at what the BBC delivers to our society for £112 a year. I ask people at all the public meetings I ever go to if they would like the choice of losing everything that the BBC gives them from Radio 4 right the way through and they all vote overwhelmingly to keep it. Those would be the sorts of people who come to public meetings.

51. That is fair enough. In that case, if 90% watch it and come to public meetings and say people are very happy with it, why do you not encrypt your signal and then charge people to decode that signal?

¹ *Note by witness:* It has always been necessary for second homes to have a TV licence as the licence, as spelt out in the Regulations, only covers a "single place". However, the BBC inherited a concession (which the Post Office had been implementing since 1972) whereby an additional licence was not needed for use of a television at a second home. The issue came to light in October 1995 when counsel advised that the concession was *ultra vires*. Discussions with the Department for National Heritage were held and following further advice from Presley Baxendale QC in March 1996, the *ultra vires* 'concession' was removed, those affected notified and the legally correct requirement for a licence implemented. A press release was issued and the revised policy took effect on 28 March 1996.

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(Mr Dyke) I believe the single most important element of the BBC is that it is universally available, that actually everybody can get it, rich or poor, north or south, black or white.

52. Including licence fee evaders. You are very happy for licence fee evaders to receive this signal?

(Mr Dyke) I think that is part of the price one pays for having a universal service. I think universality is essential. If ever there was an interesting time to discuss it, it is in the last couple of months. What is the purpose of the BBC? One of its major purposes is that it brings the nation together, our nations together at certain times, at times of joy, sadness and celebration. You can take the Queen Mother's funeral, the Jubilee and the World Cup, and they alone will give you a reason for the BBC.

53. You are quite happy then for 5.8% of TV licence fee evaders to receive the signal?

(Mr Dyke) I did not say I was happy with 5.8%. I have already said I would like to get the figure down further.

54. If you want to get it down further, then you are reducing the universality of the service, are you not?

(Mr Dyke) No, I am not saying they cannot receive. The technology is not around to stop them receiving.

55. Why can you not encrypt the code? I do not understand why you cannot do that.

(Mr Dyke) It is because 50% of the homes in this country would then not receive any television at all because they have not got the systems to de-encrypt.

56. You cannot encrypt a signal through the aerial?

(Mr Dyke) No. If you go back to the Peacock Report, a long time ago, that recommended that everybody should have a scart socket in the back of their television, and then that would become possible. However, even then, even if it was technologically possible, there is an argument about the value of what the BBC does which is about that universal availability. You would fundamentally change what the service is if you say it is only available to those who can afford to pay.

57. Only 4 or 5% do not pay. We are talking about 95% of the population that does pay the licence fee. I am asking why you do not encrypt it because then—and I take the technological point—if you put all this extra equipment on the television, you would avoid having hundreds of people wandering around the country collecting TV licence fees and the huge cost of the TV licence fee collection arrangements could be avoided.

(Mr Dyke) If people could not receive, you would switch them off and then I think therefore the cost of collection and the cost of people who do not pay—and we would like to reduce that figure—is a price worth paying for universality.

58. The BBC is not exactly water or food, is it? I could live without the BBC for a week or two.

(Mr Dyke) We have to ask what the advantages and the disadvantages are to our society. Overall, I think parliamentarians have taken a view over the years that the advantages it brings outweigh the disadvantages. As you say, quite clearly the system is open to abuse but in a sense it is abused by comparatively few people

Mr Gibb: Perhaps it was important in the Fifties. I am not sure it is quite so vital now.

Mr Steinberg

59. I was going to go down this line at some stage as well but I will follow on for the moment. I understand that digital television comes in during the next X number of years. What is the objection to doing what Nick was saying? Presumably, if I want to watch the sex channel on BBC, it could be switched on and switched off if I do not pay the money. Why can somebody who has not paid their television licence, getting their service through digital television, not just be switched off? Presumably that can be switched on and off.

(Mr Dyke) In 50% of homes—

60. I did not say that. What is the plan?

(Mr Dyke) The Government's proposal is to switch off the analogue signal some time in this decade.

61. I thought it was a lot nearer than that.

(Mr Dyke) It is between 2006 and 2010. However, at the moment less than 50% of homes have digital television. Therefore, it strikes me as a brave Secretary of State who is going to switch off the analogue signal so that half the people in this country cannot receive television. I would not like to be that Secretary of State. I do not know about you.

62. That is not the point. What we are saying here is that if someone does not pay their television licence, it should be quite easy just to switch that off, so that they cannot see it. I cannot see how you can argue universality on that.

(Mr Dyke) That is not the position, which is available. We do not know who in this population has digital television and who does not. We have no means of knowing that. Sky obviously knows who has their service.

63. That is the point I was trying to make. Sky know what I have got and they can switch off if I do not pay.

(Mr Dyke) Sky could clearly do it but they certainly would not tell us their customer base.

64. When you have this facility, would you use it?

(Mr Dyke) That would be up to your decision, not ours. It would be for Parliament to decide whether we should change the arrangement.

65. Surely they would if somebody did not pay?

(Mr Dyke) Personally, I doubt that you will ever get a digital system in this country where every set is addressable by somewhere, which is what you would need. You would have to address every set and I doubt whether that will happen. I think you will get a digital system which quite clearly is addressable and some on satellite is addressable, because it has been encrypted, but on digital terrestrial I think it is unlikely.

66. In the past clearly the BBC has contracted out the bulk of its collection and enforcement to the private sector but an amazing statistic we have been given is that the BBC has changed these arrangements three times since 1999. Why have you done that?

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[Continued

[Mr Steinberg Cont]

(Mr Dyke) John can explain in more detail. I will say that in 1999, having had one contractor for a long time, they re-advertised it and opened it to tender and someone else won that so that it could be done cheaper—the sort of thing Mr Field referred to—and achieve a lower rate of evasion. They have achieved that but in the process they have not made any money. What they have said to us at the end of the day is, “We do not want to continue this contract because we cannot make any money out of it”.

67. So they are happy for you to finish it?

(Mr Dyke) That was the case. Yes.

68. Why did you replace the Post Office?

(Mr Dyke) Because they were the people who packed it in.

69. Why did they pay £20 million compensation?

(Mr Smith) That is correct. I will amplify that. We have had the Post Office in one guise or another I think ever since the licence fee has been in existence. I cannot speak for earlier than the decade just ended. Certainly in all the period the BBC has been in charge, i.e. from the Nineties onwards, we have had the Post Office involved in this in one guise or another: either their subsidiary Subscription Services Ltd or Post Office Customer Management or eventually Envision. Right up until 1996, we had never, and the Home Office before us had never, tendered the contract, opened it up to competition, to see who else was out there in the marketplace who might do this differently or better. We decided in 1996 that it was time to do that. We were looking for three different things: firstly, we wanted a different incentive system to operate within the contract so that the contractor was incentivised to achieve a higher level of sales because, after all, that is the thing that matters for us. So we looked for a different type of contract that had different incentives in it. Secondly, we wanted a completely fresh approach to marketing on the grounds that there must be a point when you are constantly reducing evasion where, to go any further, you need a completely different approach to the messages that go out to the public, and we need a different approach to the marketing with more data segmentation, et cetera. Thirdly, we felt, and have felt for quite some time, that we needed a new database. The database that is there is known as LASSY. It has been there a very long time, at least ten years. It is not the most flexible based database or the most informative. We wanted those three things and we tendered and Envision won it in a fair and square tender.

70. Why did Consignia have to give you £20 million compensation?

(Mr Smith) The next stage was that Envision was then formed which was the Post Office, Bull and WPP; we wanted a computer system and a new marketing approach. They formed Envision together and ran it for a while. I think two things did not work perfectly during that short period. One is the level of very aggressive sales improvements which they have forecast, which we would have liked. They discovered they could not achieve those aggressive sales forecasts. Because the contractual incentives they had proposed assumed that they would make those forecasts, we found and they found that they were starting to make losses on the contract. We were

not making losses on the contract. They were making losses on the contract. From their point of view, they were not willing to carry on.

71. So one public sector paid another public sector compensation. The private sector would not have got away with that.

(Mr Smith) This is the commercial reality of tendering contracts.

(Mr Dyke) Surely we did exactly what you would encourage to do. We got the opposite. Actually, we got a very good deal which they could not afford to deliver.

72. Is there a clause in the Capita contract if they do not deliver?

(Mr Dyke) Of course.

73. What is that?

(Mr Smith) If you would forgive me, Chairman, could we let you have details of the contact in confidence?²

74. All right. Let us move on to something which is not quite as big an issue as that. It interests me because it happened to me and it is to do with the conversion of a big property into a number of flats. 2.12 refers to this problem. I understand that if a flat is converted you will have problems unless people tell you the addresses of those flats. I had a flat which had three addresses: 17, 17A and basement. Consequently, I kept getting three demands for a television licence. I can understand that. What annoyed me intensely was that I kept phoning up the help line and telling whoever it was that my address was the basement flat but the demands still kept coming. This was an absolute waste of time. They just did not seem to change the record. Surely that is a waste of resources, is it not?

(Mr Smith) Yes, and it should not happen.

75. I can assure you it did happen three times.

(Mr Smith) Would you be willing to let us have the details of that?

76. I have moved! I thought I would get out as they were harassing me for a TV licence. It should not happen, should it?

(Ms Patel) It should not happen. You should complain and we should turn that round quickly.

77. The Chairman touched on this subject as well and you gave an answer, Mr Dyke, which was fair enough. I still do not think it was robust enough. It was to do with dealers and the fact that in the report it states that something like 40% of sets sold are not reported by the dealers. The answer was given that second sets are bought, and you gave a high figure of the number of dealers who do this, but what about the dealers who do not respond and do not give you the information? What do you do about them?

(Mr Dyke) We prosecute them, if we can.

78. How many have you prosecuted?

(Mr Smith) First of all, we visited 4,200 dealers in the last year and took prosecution statements from nine, from some fairly high profile companies.

79. Who does it? Is it Comet or Dixons, these sorts of people?

² ‘Commercial in Confidence’ note not printed.

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[Continued

[Mr Steinberg Cont]

(Mr Smith) It is interesting that you mention Comet and Dixons. Because they are such high retailers of television sets, they send us their data electronically every month. To be honest, they are so accustomed to selling sets, that is what they do, that it works pretty smoothly. It is with the more irregular vendor of television sets where things can go wrong because they are not used necessarily to selling television sets in the way that Comet or Dixons are. We have prosecuted: Argos, Sainsbury's and Big W, which is part of Woolworths, and Safeway will be up in Loughborough Court tomorrow for a similar matter.

80. You do have a robust prosecution policy?

(Mr Smith) We have visited 4,200 dealers. When we visit, our aim is to check what records there are and, in so far as they are selling sets, that they are notifying us of that. That is what we do.

81. Presumably it is an easy system, that every television that is sold could have a form inside and all they have to do is send that back?

(Mr Smith) There is a form and it has to be filled in and it has to be sent by the dealer. You would expect the occasional hiccup. Occasionally you get the form and when it arrives it says, "Sold to Mr M Mouse".

82. I return to the earlier question about flats, that the non-change of addresses was a waste of resources. I return to what the Chairman was talking about on page 31 at 17. Let us look at this page. Although I can understand that you do have difficulties, it looks as though a very wasteful exercise takes place. At the end of the day, the number of evaders that was caught was 12.3% of the visits made. The statistics show that no contact was reported with the person on the database; something like 57% of the occupiers were not at home or did not answer the door; 20% of the properties were vacant; 2% of the properties did not exist; 0.6% the householder had moved or gone away. It goes on to say that 3% the enquiry officers confirmed that, as claimed, there was no set at the property, so that was a waste of time as well. Then 1.5% of householders claimed to have no set and the enquiry officer was unable to confirm that. Something like 80% of the visits were basically a waste of time. That seems to me to be very wasteful. There must be some better way of doing it.

(Mr Smith) The point about the deterrent I made at the start is so important for us. I cannot repeat all of that unless you want me to do so. It is so important for us to have the visible deterrent effect on the ground with people going around knocking on doors. It is amazing what a difference it makes. Having done it myself, I know that is the case. The other couple of things are that 460,000 people were caught last year by our enquiry officers. By the way, that is an update of the figures we sent to the Committee. 460,000—that's over 1000 people every single day of the week are getting caught by that operation. Bear in mind, as Mr Dyke said earlier, that we cannot turn the signal off in the way that some of the utility companies can. We cannot do that. We do not have that many levers to pull but one of them is going out visiting on the doorstep.

83. How effective is the van? Presumably the van is more effective than somebody trailing the streets. If a van comes down the street, surely that is going to be more effective?

(Mr Smith) It is fantastically effective.

84. Why is that?

(Mr Smith) It is all about a mixture of different things that make it absolutely clear that lots of things are going on to catch people. For example, if there were only the vans, if you lived in a street and never saw one, you might start to think: oh, well, I am never going to see one, so I am not going to worry about it. But when there are vans, posters, the person knocking on the door and things coming through the door, your neighbours, et cetera, all those things go together to build a picture of you not wanting to be caught. I think the report refers to our own market research about how people feel in terms of the likelihood of getting caught and 82% of people feel quite uncomfortable about the idea that they are going to be caught by this operation. That is really important.

85. Finally, the statistics show something like 32% of people who are prosecuted then do not get a licence. They then get a statement of prosecution again. We had something like this last week when we were talking about people not paying their fines in magistrates' courts. It seemed to me that you might just as well not pay your fine because nobody is going to do anything about it. What do you do about it? If somebody has been fined for not having a television licence, and then does not get another one, what do you do?

(Mr Smith) We have a 100% follow-up policy for people who then do not pay, having been convicted. We will continue to re-prosecute until such time as they pay.

86. Are they fined exactly the same amount again?

(Mr Smith) We cannot set the level of the fine, of course.

87. What is it?

(Mr Smith) I think I am right that our experience is that magistrates tend to take a dimmer view of people who are up before the court twice than of people who are only up once. We do not set that level. That is a matter for the magistrates' court.

Jon Trickett

88. I am a great admirer of the BBC, although I think there might be other ways of funding it which would be more cost-effective. I accept there are risks involved in that as well. I am not necessarily a fan of the way in which this process is managed. I would like to ask some questions to see whether I understand how it is managed. The first thing is that the figures are difficult to get a grip on because, for example, you give the number of evaders identified as a number but then you give the overall estimate as a percentage. My first question is: what is your estimate of the number of evaders in the country? We have this percentage figure which has changed today, has it not?

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[Continued

[Jon Trickett Cont]

(*Mr Smith*) The figure is 2 million, and that is not just households; it includes business premises. On the model, the critical difference between the old and the new model is that the new model reflects all sorts of premises that require a licence, which traditionally would not have had one.

89. The way I see it is that you were working previously on a figure of 5.2% and it is up to 7.8%, so there is a 50% increase on the original estimate—2.6%.

(*Mr Smith*) It is probably important to be absolutely pedantic about this: the evasion rate under the old model at the end of the last financial year, which is March 2001, was 5.2%. Using exactly the same methodology, at the end of this financial year, March 2002, it would be somewhere between 4 and 4.5%.

90. You are anticipating a line of questioning which I am not going to pursue. I am trying to say that management depends on management information. Frequently in this Committee we discover that management information systems are not as strong as they ought to be and it is very frustrating for management as well as for this Committee and others. It seemed to me that the estimate of the number of people evading is increased by 50% and 5.2% is 7.8%.

(*Mr Smith*) I think you are comparing two different years.

91. No, percentages are percentages. I think our methodology has changed and you go from 5.2% to a more accurate estimate of 7.8%, unless I am misunderstanding.

(*Mr Smith*) The absolutely latest figure of May 2002 on the new model is 7.8%, that is correct. But the difference between the two models is not that more people are evading but that more premises are now included in the calculation.

92. I understand but they were evading previously. I think I have established the point, Chairman, even if Mr Smith does not acknowledge the point I am making, that you were estimating round about 1.3 million of properties were unlicensed through evasion. Now you have got a more accurate estimate, it is 600,000 or 700,000 more properties than previously. That does not mean that there has been a change in the number of criminals or that you are less effective; it simply means that you have a more accurate estimate. There is one thread of questions which I wanted to follow, with which we have struggled with everybody so far, so let us hope we can try to understand each other better. Perhaps I need to brush up my communications skills. You have 3.5 million visits a year. Until just today you were working on 1.4 million properties not paying their licence fees, and now it is 2 million, but even that is substantially less than 3.5 million visits a year. Why are there so many visits when there are only 2 million unlicensed properties, even by today's upgraded estimate? What are all these people doing? Why are we visiting almost every property twice?

(*Mr Smith*) Some properties do get visited more than once, no doubt about that.³

93. It is a mathematical fact, is it not, that every single property which is evading has been visited twice, according to these figures? It is a mathematical fact.

(*Mr Smith*) I cannot argue with that.

Jon Trickett: Why—

(*Mr Smith*) As I say, because some people do need visiting more than once a year. Do not forget there is household churn of about 9% a year. It is important because people do not write to us and tell us.

94. You mean they move house?

(*Mr Smith*) Yes, or buildings which were not flats are turned into flats and we are not necessary notified of that. The base from which we are calculating the evasion rate gets bigger each year as well.

95. I still think it is a remarkable fact that there are so many visits relative to the number of properties. Remember you were thinking that there were only 1.4 million unlicensed at the time you were making 3.5 million visits. In management terms, that strikes me as somewhat curious, even though people are moving all the time, and I accept that. Normally you catch people by writing to them when they move.

(*Mr Smith*) We do write.

96. Let us just look at the distribution of the evaders. Not only do we know that if you add stratification, that is reflected to some extent in non-evaders. Also, there is the vast geographical differences between their areas. How do you manage your people who are chasing these evaders? Do we have more evaders per head of population in Scotland or in Northern Ireland?

(*Ms Patel*) Because of the security situation in Northern Ireland, we have always had consistently higher evasion, even though we have brought that down over the last ten years. The security situation there makes a difference. In Scotland, we do have a higher proportion of evaders but the prosecution process is different as well there.

97. I am going to ask you about that in a minute. The question I asked you was: do we have more people per head of population in Scotland chasing evasion than we do in England?

³ *Note by witness:* We were correct when we stated that some of these visits were repeat visits to the same address but not all the addresses on TV Licensing's database require a licence. However, there is no way of TV Licensing knowing which those premises are. In the financial year 2000–01, our database held over 28 million addresses yet there were only 23 million licences in force. The gap between the 5 million addresses and the 2 million genuine evaders is made up of "unlicensable" addresses, for example vacant premises, and business and domestic addresses where no TV is installed. An additional factor is that the evasion model which calculates the number of evaders does not include addresses which have failed to renew their licence and would not have bought a licence without a visit. In 2000–01, 700,000 of these addresses were available on TV Licensing's database for visiting.

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[Continued

[Jon Trickett Cont]

(*Ms Patel*) We have more enquiry officers working in Northern Ireland and in Scotland over the last few years because we are trying to tackle evasion in those areas. I do not have that particular statistic to hand. We could pass that to you later.⁴

98. The answer is yes, but you do not know what the figures are off the top of your head. I do not expect you to know that. I have a final set of questions. Boiling down these 3.5 million visits a year chasing what was estimated to be 1.5 million unlicensed properties, we are told in the paper that 300,000 odd properties were identified; you now say it is 460,000. But only 100,000 odd—it was 50% and it is now quite a lot less than 50%—actually result in prosecutions and of those prosecutions, a substantial number, about a quarter, are not even successful. What is happening in relation to all this, so that I can try to understand whether or not you have actually analysed this and tackled it as a management issue?

(*Mr Smith*) To make sure we are clear on the figures, 459,000 people were caught and of those who are caught 72% then end up buying a licence. So we are dealing with the 28% who don't.

99. Would you say that every single person who does not pay up is then prosecuted?

(*Mr Smith*) We will take a prosecution statement immediately for the people who have been caught. If they then buy a licence, we will not go to court. Mostly we are interested in them buying a licence, not to get people into court. If they buy a licence, that is the end of it. For the people who do not buy a licence, we then end up taking them to court and we prosecuted 135,000 people in the year just ended. As I have already said, if they then still do not buy a television licence, we will re-prosecute until they do.

100. Can you understand why I am struggling with the numbers because there are substantially more visits than there are unlicensed properties. You are not visiting them not just once a year but two or perhaps three times a year every year. This is not just a one-off process.

(*Mr Smith*) It is not necessarily the same houses either.

101. No, but the figures are not really reducing very substantially either. They are going down but not dramatically down. Of those people we find who have evaded, we are generous, and probably rightly so, enough not to prosecute all those statements taken. Only 100,000 prosecutions are taken; 30,000 or so of those are unsuccessful. Yet there are still 2 million people not paying a licence the following year.

(*Mr Smith*) They are potentially different people.

102. Are they different people?

(*Mr Smith*) They can be. That is the point. As I have already mentioned, at least 9% of these people move house and there is about 0.9% household growth, just new houses. With our new model, we are introducing all sorts of premises that previously were not covered. So there is a whole load of new places we are pursuing.

103. Somehow I feel that this is like one of those reels in a cage where you see a rat which is running round and round. The rat is actually getting something beneficial out of it; it is probably burning off its energy. I am not sure that you are burning off energy in any productive way because we have twice as many visits as are merited by the number of properties, a fraction of those actually in terms of prosecution, but really a steady decline—not a huge decline—and visiting another 3.5 million properties again the following year. I am struggling to think of any other business or commercial operation which is so ineffective in terms of 3.5 million visits to 1.5 million properties resulting in only 100,000 odd successful prosecutions. I do not know whether I judge, at the end of all this questioning, that this is an effectively managed process.

(*Mr Dyke*) If you took the position over a decade on the old statistics, evasion has halved while the cost of collection has stayed exactly the same. You could argue the opposite, you could argue that it is a remarkably efficient organisation and the staff have done pretty well. How many students every year leave halls of residence and go into their first flat? None of those has a television licence.

104. When I was a student, I paid for my licence. The estimate of the continuing reduction has now been upgraded by the same 600,000 properties. What you lose with one hand you lose with the other hand as well. We are going to see the same decline but it will be to a higher base than it was previously because the base is higher now. 600,000 more properties are still going to be uncollected than previously. Is this to be a statistical projection forward of the current trend or is there some scientific management behind this? Are you going to introduce some new system? On what basis have you made this estimate? You are predicting a continuing decline and I got the impression you have simply extrapolated. Some statistician, probably with an 'O' level in maths could easily project a continuing decline on the present trend. Is that what you have done?

(*Mr Smith*) No, although I will do that and see what it looks like. It is our estimate informed by looking at the tenders that came in for all the people who bid for the contract, informed by a whole range of market research, informed by the calculations that go into the model. It's our estimate of what we think we can get the evasion rate down to, and that is 4%.

Mr Jenkins

105. I think the BBC is very good value for money. The only grumble I get from my punters is they felt slightly let down by the BBC in so far as when they lost the sports events they said they would rather have paid more on the licence than be forced to pay a lot more for having to use satellite dishes or cable television.

(*Mr Dyke*) We have begun to win back some of the sports events that were previously lost. Largely because we decided to divert some of our resources into doing that two years ago.

106. Value for money, especially on the radio, is unsurpassed. If I were you, I would be very pleased to get the good information out and get Sir John in to audit the books and show what good value you get in

⁴ Note by witness: Yes. TV Licensing has nearly twice as many enquiry officers per potentially licensable place in Scotland and Northern Ireland, than in England and Wales.

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[Continued

[Mr Jenkins Cont]

this country. When we look at television licences, we have two million properties where they evade licences. One of the first things I did was to check the number of households in the country. We have 24.1 million households as the census of 2001 and we have 23.6 million licences and that is very good but that encompasses business and students. I thought, "There is something wrong here" and I will tell you why. If I was at home and my three children were watching television in the house, in their own room, I would be paying one licence. Is that correct?

(Mr Dyke) Yes.

107. They go off to university and take their televisions with them and now I have to pay four licences. Why can I not come to an arrangement to buy a joint licence so they have a copy of my licence that says they are part of a household temporarily using a television away from home? Would this not cut down particularly the number of students and people like that? Is this possible?

(Mr Dyke) Not within the Act as it exists, no, but if you would like to amend the law I am sure it is possible. Here is one interesting fact I discovered from a person who was writing to me about this. If one of your children took your television set and left you without one, they can use your licence.

108. If you have two homes and Monday to Thursday you are in London; at weekends you are back at home, you can only watch one television at a time but you would have to buy two licences because it is the receiver and not the person watching it, so you get resistance. Do you have much resistance with regard to people buying two licences for two homes of that nature?

(Mr Dyke) We get some correspondence about that. I am not sure there is a mass feeling of sympathy in society for them.

109. There never is but if these people can avoid paying it is not just necessarily the poor that avoid paying the television licence, is it?

(Mr Dyke) No.

110. Do you have any statistics as to the ability of the evader to pay the television licence?

(Mr Smith) It breaks down into socio-economic analysis. A and B socio-economic class evading is about 23% of the total and C1, C2, D and E is about 77%.

111. You do not categorise it down as a separate category?

(Mr Smith) The approach of the new contractors is to stratify the data in that degree of detail to work out what anti-evasion measure makes most sense in different types of household.

112. I would contend that the poorest people in society tend to be the regular weekly payers of their bills and they do not normally fall behind if they can possibly help it.

(Mr Smith) There is still the licence saving stamp scheme. £174 million-worth of stamps were sold last year.

113. All these schemes are the same. There is not one government scheme as yet that I am aware of that has worked from day one without falling over because of large numbers. Have you thought about getting a

scheme in place where you have more of a regional approach, a local approach, to running your databases?

(Mr Smith) It needs some degree of coordination because people move house and don't necessarily stay in the same area and the different payment methods are national schemes available across the whole of the UK. You need quite a degree of central coordination. The database itself is best run as a single entity where you have common standards, common policies, common computers and so on. The local anti-evasion activity is best done on a localised basis which is why our contractors have officers around the country rather than all being done in one place.

114. One of the things we did recently in the last couple of years is, on the road fund licence system, where there were vehicles without a road fund licence, we clamped the car and if they did not pay it we crushed the car. When we did it in one or two parts of London, the local Post Office ran out of forms for the renewal of excise duty. When you go into an area, how many people remember and run down to the Post Office or wherever and start to renew their licence?

(Ms Patel) The word on the street is that when an inquiry officer is visiting a street we put it in the local paper so people know they are coming and you do get a mass run on the local Post Office. You also get a lot of word of mouth along a street.

115. Have you ever analysed the blip?

(Ms Patel) Only on a local level. For example, in Birmingham, when anti-evasion officers were going in to check people watching the World Cup at home, we grew sales in one month by 23%.

116. I do not know if Birmingham is a good or a bad area but where is the worst area for evasion?

(Mr Dyke) Belfast. It was not the most popular job being a licence fee collector on the Falls Road.

117. How many people do pay in Belfast?

(Mr Dyke) Northern Ireland is now 20% evasion.

118. 80% pay?

(Mr Dyke) Yes, which is considerably better than it was five years ago.

(Mr Smith) It's halved over the same period.

(Mr Dyke) The peace process clearly helped.

Mr Jenkins: 80% in that environment is quite good. It is probably the highest payment rate they make anywhere in that area. It is better than other things that they acquire.

Chairman: It is better than the tax paid on petrol anyway!

119. They do not pay tax on petrol! Which is the worst area on the mainland?

(Ms Patel) The highest number of evaders caught are in Glasgow, London, Manchester, Edinburgh and Birmingham, the top five.

120. Big cities? Is that where the main problem is?

(Ms Patel) It is spread. The others are London south, Liverpool, Cardiff and Leeds.

121. The profile of an evader is they are urban dwellers. They live in a particular type of accommodation. They are young. We have a lot of people in this country who avoid paying road tax and insurance on their vehicles and is this a profile also that fits into people who do not pay their TV licence?

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[Continued

[Mr Jenkins Cont]*(Ms Patel)* Yes.

122. You have a major problem to try and push this down. Like everything else, the first 50% is easy. When we do our identification, once you get to 75%, it is a damned sight harder because there are people who are never in and you wonder if they do live there at times.

(Mr Dyke) You are always going to have a percentage who do not pay. You just try and reduce it to as few as you can.

123. There is a cut off point, is there not?

(Mr Dyke) We have not found it yet. If you look at the last 10 years, we are not there yet.

Mr Rendel

124. I am surprised that no other Member has raised this yet but I am sure all Members have written to you about this. We do get people who write to us and say they have had a letter saying do they have a television because they ought to be paying for a licence if they do. These are people who often do not have a television at all and they get rather annoyed that they have to write back to you and spend time, effort, not to mention a stamp, to keep you off their backs when there does not seem to be any reason why a citizen should have to say whether they have a television if they do not have a television. What are you doing to reduce the harassment factor?

(Ms Patel) Our experience has shown that when we visit people who claim not to have a television set, one in five do have. Hence the verification visit. After that, once we have verified a person does not have a television, we do not write to them for a further period of two years, and I am looking at extending that to four years.

125. How many letters do you send before you do a visit?

(Ms Patel) Typically, about four.

126. If somebody has not got a television, they get four letters in a row saying, "You have not paid up yet"?

(Ms Patel) If someone does not talk to us, we send them four.

127. Why should they talk to you if they have not got a television? They have to spend time, effort and a stamp to tell you something that is none of your business, in a sense.

(Ms Patel) It is about our duty to enforce the law equally across the country. Is it fair to those who pay that those who do not pay get away with it? The only way that we can verify that people do not have a television set is to do a visit and we are reliant on the cooperation of the vast majority to do that, to catch the one in five who don't.

128. Should you not at the very least perhaps consider a policy of sending them a reply paid, return card so they can simply sign the bottom and send it back to you saying, "I do not have a television"?

(Ms Patel) We will definitely look at that. We do that in quite a variety of circumstances⁵.

129. I have had cases where people have had up to four letters when they simply have not had a television and did not see why they had to tell you they had not got a television. It seems to me to be a strong case for saying that if you are to enquire of people who maybe have nothing to do with you, to force them to pay even just a stamp to reply to you and to take the time to reply to you, why should they, when they have not got a television?

(Ms Patel) The policy of changing contact from every two years to every four years will help that.

130. What about the over 75s? Now that they do not have to pay for their licence, do you still enforce in exactly the same way?

(Ms Patel) They still have to register for a licence, but we do not prosecute anyone. We help them fill in the paperwork and explain that they have to register for a licence.

131. Even if you find out they are over 75 via a visit, for example, you still go through the same process of enforcement?

(Ms Patel) No. We help them fill in the paperwork. We will not prosecute someone who is over 75. We explain that they need to register for a licence, even though they do not have to pay. It is not an enforcement visit.

132. If you find an evader and you prosecute but you then do not go to court because they pay up, is the licence backdated to when the evasion started?

(Ms Patel) Licences cannot be backdated, but we cover the period of unlicensed use and short date the licence. For example, if you had your licence today but had not had a licence for the last two months, we would not give you an annual licence from here on; we would only give you a short licence.

133. At the cost of an annual licence?

(Ms Patel) Yes.

134. Of those who are fined by magistrates for not paying as a result of a prosecution, have you any idea how many pay their fines?

(Ms Patel) Something like 56% has been uncollected over the last three years.

135. It is something of a worry, is it not, that a large proportion of those who you are prosecuting are ending up not paying anything as a result of that?

(Ms Patel) The collection of fines is a matter for the magistrates' courts.

136. Have you suggested any other way of dealing with people who are not paying?

(Ms Street) We await the response to Lord Justice Auld's recommendation for fixed penalties with some inducement or incentive for paying up quickly, which we in the Department think is a good idea. I have spoken to policy officials in both of the Criminal Justice Departments concerned and they have some sympathy for it. The position at the moment is that the Home Office is about to trial fixed penalties for disorder offences and they are starting work at the same time on them and there have been discussions with the BBC and ourselves about whether the fixed penalty would help.

137. The fixed penalty is a quick way of dealing with this but it does not necessarily get better paid than anything else.

⁵ Note by witness: We would like to confirm that if we write to people in those circumstances and ask them to respond to us, then we always enclose a reply paid envelope.

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[Continued

[Mr Rendel Cont]

(*Ms Street*) It does not necessarily get better compliance. I think it is the element of incentive that might, which would be new, but you are right. At the end of it, you are dealing with a group of people who have not paid for their licence and have not paid their fines.

138. Has anyone ever looked into the possibility of confiscating televisions?

(*Ms Street*) I think that has been looked into. I asked the same question myself. I understand the legal position is that the television remains the property of the person who bought it. It is the receiving of the service which they need to pay through the licence. There appear to be some difficulties with that. They have the right to their television because they have bought the piece of equipment. The licence entitles them to receive the service.

139. Are you saying it would be impossible in some way, under human rights legislation or something, to introduce legislation that gave the BBC the right to confiscate a television where the service was not being paid for?

(*Ms Street*) It would give us difficulties under the ECHR. I do not think it would be impossible. I would have to take advice. The issue is would it really work given that people can buy second hand televisions for very small amounts of money, sometimes at or below the cost of the licence. The effectiveness might not be as one would first think.

140. I am sure it would not be totally effective but it seems a worthwhile idea to consider. How do you track businesses that may need more than one licence? If you have a business that has several different buildings, they need a licence each, do they?

(*Ms Patel*) Every separate site needs a separate licence. There is plenty of commercially available data about businesses' names and addresses to be able to find them.

141. How do you define a different site? For example, I have a multinational headquarters in my constituency which is going to be in seven different buildings but all on the same site.

(*Ms Patel*) That would probably count as one licence.

142. They need one licence for 4,000 people?

(*Ms Patel*) It is the site that gets the licence.

143. How does the cost of collection vary between direct debit licence holders and others?

(*Mr Smith*) Direct debit is the cheapest by a long way because we don't have to pay the collection agent.

144. What is the rough average cost in both cases?

(*Ms Patel*) Probably something like 12p versus 26p, if you pay over the Post Office counter.

145. The rest of the costs of collecting a licence fee is the cost of enforcement, is it? We are talking about £5, on average?

(*Ms Patel*) Yes. The 12p is the charge you pay to the bank for doing the transaction. The 26p is the charge you pay the Post Office for doing the transaction.

146. That is not very much of a reduction on the overall average cost. Nevertheless, it surprises me that the increased number of direct debits has not brought down the cost of collecting a licence fee. You seem to be very proud of the fact that you have exactly the

same costs now for collecting licence fees as you had ten years ago. As far as direct debits are concerned, I would have expected them to bring down the cost.

(*Mr Smith*) Pound for pound, it has or it will have done but overtaking that will be other efforts introduced to give new people new ways of paying in order to get the evasion rate down. What we really want is the combined cost of the two to come down. Remember, 1% improvement is £25 million a year to the BBC, so it's quite a big thing for us.

147. Were you aware when you chose Capita to run your new scheme that they were the people in charge of running the ILA scheme?

(*Mr Smith*) Yes.

148. That did not affect you?

(*Mr Smith*) No.

149. Despite the fact that this is probably this government's greatest disaster so far?

(*Mr Smith*) I do not want to get into the debate about the relationship between Capita and the government on the ILA scheme but no two contracts are identical. What we are asking them to do is not what the government asked them to do.

150. Are you really saying that because your contract is a different sort of contract from the ILA scheme or any of the other schemes that Capita have been running you did not pay any attention to the fact that Capita had failed so badly in a number of other major schemes?

(*Mr Smith*) No, as I said earlier, it is not a question of not paying any attention because we went and visited any place where we felt that there was a direct read across between their experiences in one place and experiences of the BBC. We formed a judgment that the circumstances in that case, like two or three others that have received high profile negative press, did not apply to us, just because of what we are asking them to do and the way in which the contract is structured and the controls and protections which are available to the BBC if the performance is not good.

151. What plans does Capita have to improve on the past performance of Consignia?

(*Ms Patel*) First, very well managed, modern contact centres that conform to industry best practice. There has been significant under-investment in technology. They will give us longer opening hours to meet customer needs, better customer service levels, a much better spread of contact centres across the country. We will now have contact centres in Belfast and Glasgow to tackle high evasion in those areas.

152. Contact centre means call centre?

(*Ms Patel*) Yes.

153. Does it matter where that is?

(*Ms Patel*) Yes. Knowledge and voice will help a great deal in Northern Ireland to tackle evasion. The other thing they give us is a culture of performance and innovation in staff. We have high sickness and absence rates. They will tackle that. There are very good industrial relations practices and they give people training and development opportunities so people matter in this way. The last thing they give us is modernising technology where there has been significant under-investment in the past. There will be a new system of one technology platform. Currently we have had many which adds to complexity and cost.

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[Continued

[Mr Rendel Cont]

We get a new database which allows us to find these unlicensed premises and target them better so people pay on the first contact.

154. That database is superior to the Post Office database, although the Post Office have a universal requirement to deliver—?

(*Ms Patel*) It is the information that the database has. At the moment, the database has only one year's history for any one particular address. We cannot tell whether a person is an habitual evader. If we have that knowledge, we can make them pay at the first contact. For example, if someone will only pay if an inquiry officer visits and we know that, we would go straight to that rather than writing letters because we know that does not work. It is what is in the database that matters. Also, the other bit of modernising technology is hand held technology for the field, which allows faster turn round both to them and from them back into the office and modernising the back-office, the document imaging and workflow and so just a complete modernisation programme.

155. How will they update their database in terms of new buildings being built?

(*Ms Patel*) Our marketing organisation AMV will do that. We have access to the electoral role register where we will match addresses. We will buy external, commercially available sources of data particularly for business, students, lodgers and second homes, so it's about buying better data.

156. What incentive are Capita going to have, if any, to try to increase the number of people paying by direct debit?

(*Ms Patel*) They do not have any direct contractual incentives, but it helps their cost base if they can get as many people as possible to pay by direct debit because it's cheaper for them.

157. Mr Smith, you said we catch people who then pay up. A lot of people do not pay up as a result of being caught. Paragraph 3.23 makes it plain that you followed up prosecution follow-up visits of 47,963 people or homes and took out a second prosecution statement in 32% of cases. My understanding was that roughly one in three follow-up visits were all to people who were known not to have started to purchase the licence after they have been prosecuted and found guilty, so only a third of those merited a second prosecution. Is that because the two-thirds had got rid of their televisions?

(*Mr Smith*) Two thirds of the people we catch in the first place buy a licence straight away.

158. Therefore, you only do a prosecution follow-up visit to 47,000, which is a third, but of those you only prosecute a further 32%, as I understand it.

(*Mr Smith*) Because they then pay up on the second visit.

159. Two-thirds of those that you visit on a follow-up pay up?

(*Mr Smith*) Yes.

160. Presumably their licences are backdated to the prosecution?

(*Mr Smith*) Yes.

161. 17,000 dealers sent in details, you said. How many do not send in details, given that about 40% of sets do not have to be notified?

(*Mr Smith*) The 40% includes some pieces of equipment that do not need a licence and second sets in a home that is already licensed.

162. It is not 40% not notified; it is 40% that do not have to be notified?

(*Mr Smith*) Indeed.

163. What publicity do you give to firms that do not send in details?

(*Mr Smith*) We would publicise the fact locally, if we prosecute.

164. You have publicised the fact that you prosecuted, for example, Sainsbury's and Argos?

(*Mr Smith*) Yes.

165. How much did they get fined?

(*Ms Patel*) The average fine is about £350 per offence.

166. What is an offence? For each piece of equipment not notified?

(*Ms Patel*) For each offence of not notifying the BBC that they have sold or rented a television.

167. Is it the number of televisions they have not told you about?

(*Ms Patel*) No. It is the number of notifications they have to make, rather than the number of televisions. The offence is not notifying.

168. A firm the size of Sainsbury's and Argos may end up with a fine of 350 quid?

(*Ms Patel*) For each offence and they are usually typically prosecuted for five or six at a time.

Geraint Davies

169. The figures have dramatically changed in terms of the proportion of evaders from something like 4 to 8% and I am wondering what level of confidence we can have in the new figures versus the old figures if there is such a change?

(*Ms Street*) We take responsibility for the model. As the NAO makes clear, it is an estimate, not a measure. We are pretty confident that this is robust and the reason percentage points have gone up is because we have now adjusted it to take account of student residences and so on.

170. It is an enormous quantum change, is it not: twice as much?

(*Ms Street*) It is between 2 and 3%. When you were at five%, it has gone up to 7.8%. The other big assumption that has changed is that we now assume 97.6% of households have TV sets in working order.

171. If you were doing 3.5 million visits a year and you thought that was the right number of visits for the number of evaders you thought were occurring, presumably if it got to twice as many you would do six million visits and the cost of collection should have risen proportionally, presumably from 100 to 200 million. You should really be spending a lot more money to collect from a lot more people. Is that right?

(*Ms Street*) The point is that on any mode—this is a model that is very sensitive to assumptions—the evasion rate is dropping very effectively and the costs of collection have not risen.

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[Continued

[Geraint Davies Cont]

172. I know that but the percentage which we thought was 4 or 5% for people evading is now about 8%. If you had known that, would you have increased dramatically the number of visits and indeed are you going to because of that?

(*Mr Smith*) The model reflects what we have been doing anyway. We have not waited for the new calculations to work out that there are businesses premises, hotels and so on that we can pursue.

173. If you are running a business, the marginal value of investment depends on what you think the prospective return is going to be. If there are nearly twice as many people out there who could be paying this money and this was disclosed in new data, you might change your activity but you seem to be saying, "Not really. We are already doing what we have to do."

(*Mr Smith*) 3.5 million visits is a much higher number because we are doing some of the things that the model suggests we ought to be doing.

174. You were doing that before the new data.

(*Mr Smith*) Because we had already done research.

175. When did you know that these figures were wrong?

(*Mr Smith*) We have been pursuing these categories since 1998.

176. Since 1998, you knew you were underestimating all the reported figures?

(*Mr Smith*) As far as we are concerned, once we know that a premise exists that might need a licence, it is included in our catchment and we start pursuing it.

177. In terms of these 3.5 million figures, on figure eight, the pie chart where the costs of collection are, what is the cost of these 3.5 million visits? It does not seem to be there. In figure six we have a cost of collection of about £100 million.

(*Mr Smith*) I cannot give you the exact figure but it is within the figure that says 'TV Licensing Agents', 65.3 million. That figure includes the database, the 14 million mailings a year, the phone calls and the enquiry officers.

178. So it is a subset of 56.1 million?

(*Mr Smith*) Yes.

179. You have these 3.5 million visits and people have mentioned that 80% of these are wrong, when somebody does not answer the door or they do not appear to be in. Do you think a high proportion of people know it is you so they simply hide behind the curtains and keep on watching the television? What do you do about that?

(*Mr Smith*) Some people do try and evade—

180. I know but is there anything you can do about it? Is it obvious who you are, knocking at the door?

(*Mr Smith*) Unless and until we get a search warrant, the only thing we can do is what we actually do.

181. Is it obvious who is at the door?

(*Mr Smith*) To them or to us?

182. To them.

(*Mr Smith*) Our guys wear a uniform.

183. All you have to do is just not answer the door to the bloke or woman in the uniform. Do you not have plain clothes or something? It seems a ridiculous use of public money.

(*Mr Smith*) I have to stand by what I said at the start, which is the deterrent effect of those guys going into housing estates with a uniform, really matters.

184. Surely people talk. "They are in the area? What are we going to do?" "Well, just watch the telly and do not answer the door." This is ridiculous and you are wasting all these millions of visits.

(*Mr Smith*) We will go for a search warrant if we feel we have enough evidence that somebody is watching a television set and not answering the door. In that situation, we will put something through the door that says, "We came today. You did not answer the door. If you have a television set, you need a licence."

185. I am sure you do. I think Ms Patel said that one in five people who say they do not have a TV do. What is happening here is that the four out of five who do not have a TV you continue to harass, do you not?

(*Ms Patel*) The proportion of visits we carry out to confirm no sets is a very tiny proportion, as it shows in that table. The great majority of the 3.5 million visits are to those who are unlicensed.

186. You are knocking on the door and people are hiding in their houses. We found 460,000 people were caught evading licences. 72% of those pay. The other 135,000 are prosecuted and we were told 56% pay. Obviously, nearly half do not pay. What do they do? They continue not to pay and say, "I told you last time, Magistrate, I am not paying." What do you do with them and how many of them are there who are habitually consistent, repeat offenders who are not paying the fines?

(*Mr Smith*) The figure in the NAO Report for the previous year was 40,000 people who were prosecuted a second time and, in the year just ended, that was 44,000 people.

187. Were they the same people broadly? What was the overlap between those years?

(*Mr Smith*) I do not know.

188. Does the NAO know the cost to the taxpayer of 44% of the 135,000 prosecutions simply not paying again and again? The cost to the magistrates' courts must be more than the licence fee. Maybe we can have some information on that because these are public bodies wasting public money, taking people to court that they know will not pay.

(*Sir John Bourn*) That links up with the discussion the Committee had last week about the problem that arose from the fact that only about two-thirds of the fines levied by the magistrates are paid.

189. The BBC is feeding all these people in who they know will not pay. Have you databases of people you send to court who you know have not paid? Do you still continue to send them to court in the knowledge that they never pay?

(*Mr Smith*) If somebody does not pay the first time round, we have a 100% policy of re-prosecuting.

190. It is a 100% policy of wasting public money. We know from the reports from the magistrates that these people do not pay.

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[Continued

[Geraint Davies Cont]*(Mr Smith)* Are you suggesting we let them off?*(Mr Dyke)* Is that not a fundamental dilemma of every court system? If people decide they are not going to pay, do you therefore not let them not pay?

191. Perhaps we should think of something else. Maybe you should go into dialogue with the government about how to deliver this. This is something that we are investigating but you should be saying to the government that these people will not pay. Perhaps you need another strategy.

(Mr Dyke) We only prosecute people as a last resort. If they will pay their licence fee, we are happy.

192. What I do not understand is why we have 3.5 million visits. Why cannot we just use vans? Would that not be more cost effective?

(Mr Smith) No. What you really need is a whole package of things that add to the picture of making people feel uncomfortable.

193. You seem to have that as a policy objective, making people feel uncomfortable.

(Mr Smith) No, not at all. Our policy objective is to get people to pay. The fundamental difference in the ten years or so that we have been running this from the picture before is that our policy objective is to encourage people to pay. We don't want to take people to court.

194. If 80% of the time there is nobody in or the house does not exist, would it not be better to send vans out and you can see straight away if there is a house there and find out whether there is someone watching the television and then target that house rather than all the other houses? Would that not be more cost effective?

(Mr Dyke) Vans are much more expensive than individuals. You send the van round after the individual has been.

195. Do you have hand held technology so that you do not need the van?

(Mr Smith) The BBC's R&D department has developed a device that can be taken round in the hand which the enquiry officers have and that will detect whether or not a television is being used.

196. With Argos, Sainsbury's and Safeway, do you find these big operators regularly going to court and paying a few quid here and there; meanwhile saving thousands of pounds?

(Ms Patel) A good example is Tesco, where they have now gone to electronic point of sale notification as a result of the prosecution we undertook, so they do not want to go through this process. They would rather notify and obey the law.

197. The second homes, students, halls of residence, homes of lodgers and all these people who have not got licences and that is double the amount of non-payment: is there a new action plan to combat that or is it the same as before? Has it led to some operational change?

(Mr Smith) Yes. These are the new premises that we have been pursuing for some years.

198. We noticed the Post Office was fined £20 million for not delivering. There were problems with Envision and there was a consortium with the Post Office but were they fined? You lost much more

because they did not fulfil their sales target and they lost their commission. Is that right, or did you fine them?

(Mr Smith) In a contract of this nature you do not get, nor would you ever expect to get, a contractor guaranteeing a level of licence fee sales when the ratio between the cost of the operation and the cost of the income is so phenomenal. It is not in their favour. What you have with a contractor is a series of incentives, penalties and deadlines, measures and mechanisms to ensure that the evasion rate keeps coming down and the cost of collection doesn't go up.

199. One of your reasons for switching from Consignia to Capita was that you were already constantly reducing evasion rates and therefore you needed a fresh pair of hands and new marketing so you switched. That seemed to me completely on its head logic.

(Mr Dyke) That was the first switch. The second switch was not of our choice. The company did not wish to continue because they were losing too much money in the process.

200. The Capita switch was requested by Consignia?

(Mr Dyke) They were losing too much money doing it.

201. They were giving the business away?

(Mr Dyke) Effectively, yes.*(Mr Smith)* They reported losses in their accounts of £67 million.**Mr Howarth**

202. Ms Street, on page 20, figure ten, it shows you the difference between the ways of estimating how many potential licence payers there are. It does give a brief explanation. I am interested in the revised model. In the notes underneath, it gives a brief explanation of how that is arrived at by simply adding in more licensable places. How is that additional information arrived at? What data is used?

(Ms Street) We used the British Audience Research Board data because it is the largest survey available and it is the industry standard. What this chart shows is what the sensitivity is if you use different kinds of data and that is quite important because it tells us it is an estimate, not a measure.

203. Presumably that particular survey does not give you information about addresses? It simply gives you information about people who watch?

(Ms Street) That data is not the only data that is used. Relative to these other columns in the chart, we use the BARB but this has been in revision since 1998 and it is supervised by the Royal Statistical Society. It is pretty complex but in the end one has to take a view.

204. It must be based on information somewhere along the line which relates to addresses of properties rather than the number of people in a given area who should hold a licence.

(Ms Street) Yes, it certainly does. We are looking at 26 million properties, rather than individuals.

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[Continued

[Mr Howarth Cont]

205. Where do you get the information about the addresses of those properties from?

(*Ms Patel*) Our data is derived from two very comprehensive, commercially available sources. One is the postal address file which the Royal Mail keeps for all our letters. The other is the electoral roll. We also buy other external sources of data—for example, businesses where we are partnering with a company called Blue Sheet to provide names and addresses and sites. Hotels would be another kind of partner. It is a combination of commercially available sources and the electoral roll where we actually find people's addresses.

206. Have you built into the model the potential effect of people being able to exclude themselves from the public electoral roll?

(*Ms Patel*) No. That is something we are addressing at the moment with the recent proposed regulations on the electoral role, but with the postal address file and other sources of data the loss of the electoral role may not be significant.

207. It should have some impact.

(*Ms Patel*) It would have some impact, I suspect.

208. I realise there are difficulties about data protection but have you thought of data sharing with other utilities and local authorities?

(*Ms Patel*) Indeed we have. Home Movers, which is a website with changes of address, we have an arrangement with them. We cannot share our data because we are obliged not to do so by our transfer of undertakings responsibilities. That is an unequal partnership. Why would British Gas share their data with us if we cannot share ours with them?

209. Has your sponsoring department considered getting some legislative change to enable you to do that?

(*Ms Patel*) We will talk about that.

(*Mr Smith*) It is a good idea.

210. Moving on slightly to the regional variations, I assume that the trend as shown in the chart on page 22, figure 11, is the same. In other words, those regions are all relative to one another the same. The figures will have changed?

(*Ms Patel*) Yes.

211. Mr Dyke said specifically that it was specifically the city of Belfast.

(*Mr Dyke*) It is Northern Ireland. That 17.6 figure used to be 31%, so it has come down. We have targeted Northern Ireland in particular.

212. Have you had any dialogue with the electoral registration officer for Northern Ireland about this, about whether or not factors he has to take into account are relevant to this figure?

(*Ms Patel*) I do not think we have but that sounds like an interesting idea.

213. The reason I say that is that there is a particular problem with electoral fraud—ie, there are more people on the register than exist in Northern Ireland. It may be that that inflates the figures you are using. They may be able to help you to see whether your statistics are effective. Ms Street, in responding to the problem about the penalties available, referred to the review of the criminal courts in England and Wales which was undertaken by the Lord

Chancellor, the Attorney General and the Home Secretary and the possibility of fixed penalty notices. I know she has considerable experience of the criminal justice system, not as a victim or a perpetrator of crime but in her Home Office experience. Surely she should be able to offer an opinion as to whether she thinks that would be a sensible route to pursue?

(*Ms Street*) I do not know if you would like me to offer a personal opinion?

Chairman: Yes, please.

(*Ms Street*) I am quite keen to pursue these discussions with the LCD and the Home Office but I do not think it is the only answer. I would like to look particularly at the DVLA model, but we are a long way from registering our televisions in the way we register our cars. There is quite a lot of innovative policy thinking that we could do around Lord Justice Auld's recommendations, not least because it would remove some business from the courts which might help them to be more efficient.

214. On the general question of licence evasion and the relative ineffectual way the magistrates' courts deal with these cases, have any representations been made to the Lord Chancellor about that?

(*Ms Street*) I do not think I would want to go on record as saying that magistrates have been ineffectual in any way.

215. I would.

(*Ms Street*) I have spoken with the Lord Chancellor's Department about what more could be done. In the end, the possible fine is £1,000. The level of the fine is a matter for the magistrates. It is probably worth noting that even the average fine with costs is still considerably more than the cost of the licence and many people are in severe difficulties in paying that £140.

Mr Williams

216. Coming back to the mysterious situation about the unacceptability of the NAO to the BBC as an auditor, Mr Dyke, your opinions are sought by the government on a wide range of issues. On how many occasions in the 18 months since you have been director general has the overseas service complained to you that the NAO has interfered with the editorial freedom of their activities?

(*Mr Dyke*) That has not occurred.

217. Ms Street, how long have you been at the Department?

(*Ms Street*) Barely six months.

218. In that six months, I assume you have not had any complaints that the NAO has been a threat to the editorial freedom of the overseas service.

(*Ms Street*) Categorically not.

219. I would like you to go back to your Department and for Mr Dyke to go back to the BBC and each of you to tell us how many complaints you have had in, say, the last six years that the NAO has in any way by auditing the overseas service represented a threat to the editorial freedom of the overseas service. All I am asking is whether you have

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[Continued

[Mr Williams Cont]

had any complaints in the last six years on that subject. Will you bear with me and get that information?

(*Ms Street*) I certainly will and I am sure, if it is anything at all, it is not going to be large.⁶

220. This is what puzzles me. We are told by ministers and I was told either by your immediate predecessor or his predecessor—I have been on this Committee a long, long time—that the reason you could not have the NAO looking at the BBC's accounts is because of the threat to editorial freedom. It is not a fear that looms high in your mind, is it? If I said the NAO might come in tomorrow, would you have all your editors at panic stations?

(*Mr Dyke*) There is a real distinction between the World Service and the BBC domestically.

221. Explain it.

(*Mr Dyke*) I am not sure this is the time or the place to get into a long discussion about it.

222. Explain the difference because it will help us to understand. We are mystified.

(*Mr Dyke*) One would be an argument about the coverage of politics in this country.

223. The NAO is non-political.

(*Mr Dyke*) If we did get into that long discussion, you would have to deal with BBC governors because this in the end is not a matter for the director general. There were quite strong arguments against when we were established in 1982 and those positions have not changed.

224. You know what they are, do you, the strong arguments that were against in 1982; or are you just taking it for granted they were and you have not bothered to re-examine them?

(*Mr Dyke*) I have looked at what the arguments were because I guessed this question might come up.

225. In that case, you should be well prepared.

(*Mr Dyke*) Being prepared and deciding to enter the debate are two different things. It was suggested that maybe I should say exactly which part of this report does this refer to.

226. We have been told there is consultation going on and I assume you were part of the consultation. That was information given us by the Permanent Secretary. I am sure you have no objection to letting us know what your views are on this subject since it is something we have made strong representations time and again to the government about.

(*Mr Dyke*) In the discussions with the government we will be putting our views forward.

227. This consultation that is going on in relation to the Communications Bill, Ms Street, how does this impact on the issue of the auditing by the National Audit Office, because in giving your answer you intended that to be a placatory answer and the issue might still be open. What in the consultation leads to that optimism?

(*Ms Street*) I do not wish to be too optimistic but I want to give you a careful answer.

228. Chairman, you ask the question at the beginning of the meeting and they renege on it at the end of the meeting.

(*Ms Street*) It is exactly the same answer, but I do not want to manage expectations one way or the other. The position which ministers take at present on this, which is an extremely important issue, is that they want to look at the oversight and regulation of the BBC in the round, in what is called the new ecology of broadcasting under the Communications Bill which is currently in draft and being scrutinised before it is introduced, if it were to be introduced. The position now is that, with the advent of OFCOM and its regulatory role, the position of the BBC, how OFCOM would relate to the BBC and what would be left and how what is not regulated by OFCOM should be regulated and scrutinised becomes a natural part of the debate in which the case would need to be made for why the NAO scrutiny is less risky or better than the very many forms of external audit and scrutiny which the BBC governors already accept.

229. Sir John, have you been approached as part of this consultative exercise so far?

(*Sir John Bourn*) No.

230. I assume you will be in touch with the NAO?

(*Ms Street*) We certainly will.

231. Perhaps you will do us the courtesy of extending the consultation in our direction as well, particularly as the Sharman Committee, set up at our request, recommended exactly what we are asking for. Perhaps you will write to us in relation to what I have just asked?

(*Ms Street*) If I may, I need to consult ministers on this because it is a matter of policy.⁷

232. I am not asking you to say you want to set the policy aside; I want to know about the consultation, because we have been told that the consultation was a gleam of light possibly as far as we are concerned. Obviously, we do not want to miss such an opportunity and we are rather nervous because your new chairman, Gavyn Davies, suffered a conversion of messianic proportions when he became the chairman.

(*Mr Dyke*) I am not sure my chairman would accept that. I think you should put the question to him.

233. I did not put a question. I am just making a casual, throw away observation. Take the old detector vans. How many of these have you got nowadays?

(*Ms Patel*) Enough to cover the country.

234. You could cover the country with one if you drove it all year. What do you mean by enough to cover the country?

(*Mr Dyke*) Can I suggest that we send you that information later? I do not think it is necessarily in the public interest to know how many vans we have.⁸

235. That suggests how few you have.

(*Mr Dyke*) It might, or it might suggest we have an awful lot.

⁶ *Note by witness:* Neither DCMS nor the Foreign and Commonwealth Office has any record of complaints, in the last six years, about National Audit Office access to the BBC World Service.

⁷ Ev 24.

⁸ 'Commercial in Confidence' note not printed.

1 July 2002]

MS SUE STREET, MR GREG DYKE,
MR JOHN SMITH AND MS ZARIN PATEL

[Continued

[Mr Williams Cont]

236. Bear in mind that while you give it in confidence the Committee determines whether it remains in confidence. If we think it would be harmful to publish, that would be taken into account but if you let us have that information it would be very helpful. Coming back to the original model, we were told that there was a divergence of 141 million with the original model and 218 million. That is a variation of 77 million, over 50% of the original 141. That is an appalling error, is it not? Why was the model so bad and when was it last upgraded?

(*Ms Street*) The main urgency to upgrade had occurred in November 2000 when the concessions for over 75s were introduced. That changed the pattern of renewals. Work had started in 1998. As you know, the way in which properties have been constructed and used in different ways and the pattern of movement of people have meant that I do not think any model is ever going to be perfect. It can only be an estimate. The present model is extremely thorough and that is why, to the extent that one can estimate the size of the iceberg, it is a lot bigger because we've tried to capture everything.

237. What is the fundamental difference in the type of information used that was not used previously that makes it so much more reliable?

(*Ms Street*) There are three main differences. The assumption of the proportion of households or business premises that have TV sets, which has gone up to 97.6 from 97.25; various upgrades which I have mentioned about student residences, business premises and hotels and much more sophisticated modelling and statistical input. It is basically new information and capturing it as sensitively as possible.⁹

238. Of the occasions that are detected, you prosecuted about a third, 135,000. Of that 135,000, 56% paid a fine. That left 44%, 59,000, who did not. That is an awful lot of people who have refused or are you still pursuing them, because that is £6 million-worth of licence fees. Have you given up on them?

(*Mr Dyke*) Are you talking about the fines?

239. Yes.

(*Mr Dyke*) It is not our responsibility to pursue the fines.

240. Sorry; the compensation.

(*Mr Smith*) We are actively in dialogue with all the courts and the Magistrates' Association but I do not think we have any sanctions to enforce that.

241. I have had passed to me one mischievous question from Mr Davidson who asks: do you have more chauffeur driven cars than detector vans?

(*Mr Smith*) No. We have more detector vans.

(*Mr Dyke*) We have reduced the number of chauffeur driven cars from 19 to 5, which is a faster rate of reduction than we have managed with the evasion of licences.

Mr Davidson: We do not know how many detector vans you have.

(*Mr Dyke*) We know.

Chairman

242. Thank you for your questions about the scrutiny by the NAO. We look forward to this note. We know there have been no complaints about the National Audit Office trying to interfere with editorial freedom of the BBC, so we will keep that under our scrutiny. On the detector van point, you do not want to tell us in public session how many detector vans in total you have. I take it you do not want to tell us either how many new detector vans you have in service or what proportion of the fleet those represent?

(*Mr Smith*) About 10% of the existing fleet will be the new ones but of course, our intention is to roll them all out.

Mr Williams: Will you tell us how much they cost to run and how many cases they have identified in the course of a year?¹⁰

243. It would also be interesting to know how effective the old are compared to the new.

(*Mr Smith*) The new are much more effective, of course.

244. Perhaps you do not want to tell us how effective the old ones are.

(*Mr Smith*) They work.

245. Mr Dyke, if you turn to page 25, paragraph 2.23, you will see there that television licence sales were on course to be some £200 million lower over six years than the BBC had assumed when the licence fee was set. What is the position now? Do you want to send us a note?

(*Mr Smith*) That 200 million is if the trend had continued under Envision but a) we changed contractor and the trend has already altered; and b) we still have four years to go before we get to that point.

246. Mr Dyke, it is a great pleasure to have you in front of us. You are a very robust witness. I think it is your first appearance, is it not?

(*Mr Dyke*) It is.

247. We have much enjoyed having you and we look forward to, I hope, having you in future.

(*Mr Dyke*) Thank you very much for inviting us. It is certainly different from the select committee chaired by Mr Kaufman.

248. Far more polite?

(*Mr Dyke*) I do not think I could say.

Chairman: Obviously, we consider this to be an important matter. There is about £2 billion raised. Our report will reflect what we are told, that your staff made 3.2 million visits in 2000–01 and they managed to sell 632,000 licences, but the majority of the visits were made when the householder was not at home and the property had turned out to be vacant, under construction or licensed already, so despite your good efforts I am sure we will have some recommendations about how you could be even more effective.

¹⁰ 'Commercial in Confidence' note not printed.

⁹ Note by witness: These percentages relate to households only.

APPENDICES TO THE MINUTES OF EVIDENCE

APPENDIX 1

Correspondence from Sue Street, Permanent Secretary, Department for Culture, Media and Sport to the Chairman of the Committee

COMPROLLER AND AUDITOR GENERAL'S ACCESS TO THE BBC

When I appeared before the Committee on 1 July, I promised to write to you with details of the consultation we were carrying out on the Communication Bill. As I indicated, this provided a context in which Ministers would consider further views from the Committee on extended access by the C&AG to the BBC. I can also confirm that the Foreign and Commonwealth Office have received no representation about NAO access to the World Service in the last six years.

The Government published the draft Communication Bill for consultation on 7 May. Alongside the Bill we published an explanatory paper setting out the policy which the Bill is implementing and, shortly thereafter, a paper explaining how the BBC Agreement would be adapted to embody the Corporation's relationship with OFCOM, the proposed new regulator. I am enclosing copies of these documents (not printed here). The draft Bill is being scrutinised by a Joint Committee of both Houses of Parliament, due to report by 7 August, and is open for wider consultation until 2 August.

The essence of the BBC's proposed relationship with OFCOM is as follows:

- the BBC will be regulated by OFCOM on the implementation of standards (with the exception of impartiality and accuracy) and codes in the same way as other broadcasters;
- the BBC will be regulated by OFCOM on the delivery of quantifiable matters such as the quotas for independent and regional productions; and
- the BBC will continue to be regulated by its Governors in relation to the delivery of its remit, as set out in the Charter and Agreement (to produce a mixed and high quality range of programmes, including educational material, children's programmes, religious programmes, coverage of arts, science and international issues, comprehensive, authoritative and impartial coverage of news and current affairs and programmes that stimulate, support and reflect the diversity of cultural activity in the United Kingdom).

Ministers are still considering whether the BBC should be subject to fines by OFCOM for breaches of, for example, standards codes, in line with the position for other broadcasters. This is the broad framework which is reflected in the draft Bill and proposed amendments to the BBC Agreement on which the Government is consulting. These proposals build on existing arrangements for audit and accountability of the BBC. In considering the position of the BBC, Ministers will of course take account of the points made by members of the Committee during the debate on the Government's response to the Sharman report and in questioning the then Chief Secretary Andrew Smith on 13 March. Ministers would however welcome any further comments that the Committee may have in the context of the current consultation. They will then take a view, in the round, about the Corporation's governance and accountability.

I am copying this letter to Sir John Bourn.

Sue Street
Permanent Secretary
Department for Culture, Media and Sport

16 July 2002

APPENDIX 2**Correspondence from the Chairman of the Committee to Sue Street, Permanent Secretary, Department for Culture, Media and Sport**

COMPTROLLER AND AUDITOR GENERAL'S ACCESS TO THE BBC

Thank you for your letter dated 16 July and enclosed documents, which helpfully set out the nature of the consultation the Government is carrying out on the draft Communications Bill. I am pleased to have this opportunity to comment on behalf of the Committee on the issue of the Comptroller and Auditor General's access to the BBC, which gets to the heart of the BBC's accountability to Parliament for the public money it spends.

The Office of Communications Act 2002 and the draft Communications Bill promise to create, once OFCOM is fully operating, a new accountability framework for the BBC and other broadcasters in the United Kingdom. In the context of this new environment there is an opportunity now to put right the anomaly that, other than in respect of the collection of the television licence fee and the BBC World Service, the BBC remains unaccountable to Parliament for the £2.5 billion of public money it spends each year.

As the Chief Secretary to the Treasury observed in his evidence to the Committee on 13 March, the Government's proposal to enable the Comptroller and Auditor General to audit companies would make it possible in future, were such a decision to be taken, for the Comptroller and Auditor General to take on the role of providing the formal audit opinion on the BBC's annual financial statements. Meanwhile, subject to his rights of access to the BBC being extended, the Comptroller and Auditor General is already well qualified to undertake independent scrutiny of the value for money with which the BBC uses its resources.

Arguments in favour of extending the Comptroller and Auditor General's rights of access to the BBC for this purpose have been repeatedly and forcefully advanced—by the review panel chaired by Gavyn Davies, by the Culture, Media and Sport Select Committee, by Lord Sharman in his review of audit and accountability for central government, by Members of Parliament on both sides of the House and by this Committee. I particularly welcome your assurance that Ministers will consider, in the context of consultation on the Communications Bill, the views of the Committee of Public Accounts.

The argument adduced against extending the Comptroller and Auditor General's rights of access is that the editorial independence of the BBC, even in terms of the impression that it could be compromised in any way, should not be risked. But there is nothing in the remit of the Comptroller and Auditor General or in the role of the Committee of Public Accounts that at all threatens the BBC's editorial independence.

The Comptroller and Auditor General is expressly prohibited by statute from commenting on the merits of policy and wholly independent. Part of the BBC—the World Service—is already subject to scrutiny by the Comptroller and Auditor General and, therefore, by this Committee. Our predecessors emphasised the importance the Committee of Public Accounts places on the BBC's independence in their Report on the new financial arrangements for the BBC World Service (19th Report of Session 1998–99), concluding that:

- “we view editorial independence as at the core of the World Service's reputation as an authoritative international broadcaster. We welcome the Foreign and Commonwealth Office's assurances that, whilst maintaining accountability, they distance themselves from matters affecting the editorial content of World Service broadcasts and that they expect to hear of any attempt by others to influence the World Service in such matters”.

That the BBC regularly gives evidence to the Culture, Media and Sport Select Committee further demonstrates that maintaining the BBC's editorial independence is wholly consistent with accountability to Parliament. The Select Committee itself, of course, has expressed the view that current arrangements for the accountability of the BBC are incomplete and unsatisfactory, and has called for further scrutiny of the BBC by the Comptroller and Auditor General and the Committee of Public Accounts. This is all now familiar ground. So it may help to advance the debate if I outline the nature of the work that the Comptroller and Auditor General might do in practice were access to be extended. It is of course the Comptroller and Auditor General who decides his programme of work and it would not be right for the Committee to propose here specific studies that he might undertake on the BBC. Naturally, such decisions would need to be informed by proper analysis of the BBC's business and discussion between the National Audit Office and the BBC, and that would only be feasible with extended access. Nonetheless, the Comptroller and Auditor General's value for money work with other organisations suggests that in broad terms the topics he might look at over time are such things as financial management, construction, property management, implementation of information technology projects, routine procurement and performance measurement. If it would be helpful, I am sure that the Comptroller and Auditor General would be able to provide further details.

By discussing draft reports with the bodies concerned the National Audit Office ensures that its reports are balanced and fair and that its conclusions and recommendations are soundly based on accurate and complete evidence. In this way the Committee of Public Accounts can take forward a report based on agreed facts—constructive and practical work which has saved the taxpayer £1.5 billion over the last three years and contributed to better delivery of public services.

Edward Leigh
Chairman
Committee of Public Accounts

24 July 2002

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