



Comptroller and Auditor General
Report on Value for Money Examination

Department of Communications, Marine and Natural Resources

Television Licence Fee Collection

January 2004

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This report was prepared on the basis of information, documentation and explanations obtained from the public bodies referred to in the report. The draft report was sent to the Department of Communications, Marine and Natural Resources and An Post. Where appropriate, the comments received were incorporated in the final version of the report.

Report of the Comptroller and Auditor General

Television Licence Fee Collection

I have, in accordance with the provisions of Section 9 of the Comptroller and Auditor General (Amendment) Act, 1993, carried out a value for money examination of television licence fee collection.

I hereby submit my report on the above examination for presentation to Dáil Éireann pursuant to Section 11 of the said Act.

A handwritten signature in black ink, appearing to read 'John Purcell', with a large circular flourish over the 'P'.

John Purcell
Comptroller and Auditor General

22 January 2004

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Summary of Findings

Summary of Findings

A current television licence is required in respect of all premises where televisions are kept. In June 2003, 1.35 million properties were licensable and the annual licence fee was €150. Licence fee income, net of collection costs, is made available for public service broadcasting.

The Department of Communications, Marine and Natural Resources (the Department) has overall responsibility for the management of the licence fee collection process. An Post, acting as agent, issues television licences and collects associated fees. An Post staff also make inspection visits to unlicensed properties. Occupiers of properties with television sets but without current licences may be prosecuted.

The challenge in managing the collection of television licence fees is to ensure that licence fee collection is as cost effective as possible while ensuring that the requirement to have a licence is enforced and evaders are pursued.

The examination focused on the period 1998 to 2002 and considered

- how the Department evaluates the effectiveness of television licence fee collection
- how the agency relationship is organised to support effective collection
- the efficiency of the collection procedures used by An Post as agent of the Minister.

Managing Effectiveness

The main objective of the fee collection system is to maximise the amount of revenue available for public service broadcasting by minimising the level of evasion in a cost-effective manner.

A method of calculating evasion had not been agreed. However, estimates of evasion rates made during the examination show that evasion fell from around 16% of licensable premises in 1998 to an estimated 12% by the end of 2002.

Reflecting this fall in evasion, the proportion of total collectable revenue available for public service broadcasting has increased from 75% of total revenue in 1998 to about 80% in 2002/2003. Together with increases in the fee level in 2002 and 2003, growth in the number of licensable properties, and a reduction in collection costs in real terms, this has resulted in the amount of money available for public service broadcasting increasing from €14 million in 1998 to about €165 million in 2003. Despite the drop in the evasion rate, evasion is still significantly higher than in the UK.

Managing the Agency Relationship

The future collection arrangements are somewhat uncertain since An Post has signalled its intention to withdraw from the licence fee collection business. If the withdrawal occurs, the Department will need to develop mechanisms for the appointment of a new collection agent and put a more flexible arrangement in place to cover any future transfers of the licence collection business between agents without interrupting revenue flows.

The examination noted that the annual agreements with An Post focused entirely on licence sales. Performance measures or service levels in relation to other necessary outputs such as maintenance of the database or prosecution of evaders had not been built in to the agreements.

Up to 2002, payment to An Post for licence fee collection was on a flat rate basis. It received €8.89 for each licence sold in 2002. The payment to An Post per licence sold fell in real terms over the period examined.

Up to 2002, the agency agreements did not provide incentives to An Post to incur additional costs in respect of inspection and prosecution activity in order to secure additional licence sales. However, the 2003 agreement now provides for an incentivised payment structure with additional amounts payable to An Post for the achievement of licence sales over a target level.

Efficiency of Collection

Revenue due from licence renewal is collected in a timely manner. About three quarters of revenue from licence renewals in 2002 was collected within a month of the renewal date and about 94% was collected within six months. Most licence sales are made in post offices but some progress has been made in the provision of efficient payment mechanisms such as direct debit and the call centre.

The maintenance of an up-to-date accurate database of licensable premises is crucial to enable efficient targeting of evaders. There is scope to improve the accuracy of the database through recording relevant information, categorising it and recording prosecution activity.

Inspection of unlicensed premises encourages individuals to purchase a licence. In 2002, licences were purchased for over half of the premises inspected following the inspection.

There is wide variation between different regions in the proportion of unlicensed premises. Licence sales targets for individual inspectors have been based on prior year's performance with an additional amount to cover expected growth in the licensable population. Targets could more appropriately be based on a target compliance rate for each region.

In most cases where evaders are detected and do not quickly purchase a licence, An Post commences prosecution proceedings. Analysis of a sample of prosecution cases in 2002 showed that about half of the summonses were returned unserved. No further action was taken in these cases.

Where cases did get to court, there was a high rate of conviction and the average fine imposed was €174. On average, lower fines were imposed in the case of convicted evaders who had purchased a licence prior to the court hearing. Very few convicted evaders bought a licence after the court hearing but no strategy has been adopted to pursue them, even though higher fines may be imposed for subsequent prosecutions.

Television Licence Fee Collection

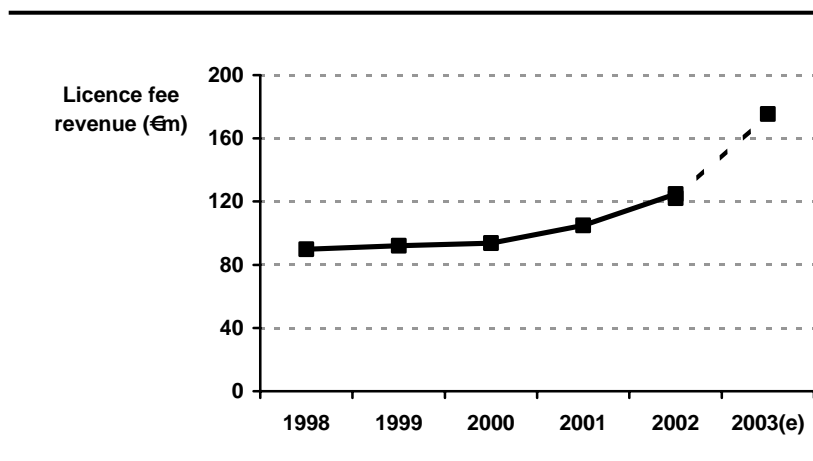
1 Introduction

1.1 A licence is required for any individual premises — a domestic household, institution or business premises — where one or more television receivers is held for use. Where a household keeps televisions in both main and second homes, separate licences are required.

1.2 The annual licence fee has increased significantly in the past two years. Between 1996 and 2001, the fee remained constant at €88.90 for a colour television licence, and €66 for a monochrome (black and white) television licence. The fee increased in September 2001 to €107 for a colour licence and €84 for a monochrome licence. The distinction between colour and monochrome licences¹ was abolished with effect from 1 January 2003, when the licence fee increased to the current level of €150.

1.3 Total licence fee revenue increased by 17% between 1998 and 2001, even though individual licence fee levels remained constant (see Figure 1.1). This reflects increases in the volume of sales of licences. The more rapid increase in revenue in 2002 and in the projected revenue for 2003 reflects both increases in the numbers of premises licensed and increases in licence fee levels. Total licence fee revenue was €125 million in 2002 and is projected to increase to €175 million in 2003.

Figure 1.1 Annual television licence fee revenue, 1998 to 2003



Source: Analysis by Office of the Comptroller and Auditor General

Organisation of Licence Fee Collection

1.4 The Minister for Communications, Marine and Natural Resources (the Minister) is empowered to issue television licences and, in consultation with the Minister for Finance, to set the related licence fees.² An Post, acting as the agent of the Minister, issues the licences and collects the fees. It is also responsible for enforcing licence holding and pursuing licence fee evaders.

¹ In 2002, monochrome licences accounted for less than 0.5% of total licences sold.

² Wireless Telegraphy Acts, 1926 to 1988

Figure 1.2 Respective responsibilities of the Department and An Post

The Department's responsibilities	An Post's responsibilities
<ul style="list-style-type: none"> ■ Determining the types of apparatus to be licensed ■ Deciding the types of licences (e.g. colour/monochrome, domestic/business premises) ■ Determining licence fee conditions ■ Setting licence fee levels (subject to agreement of the Minister for Finance) ■ Approving methods of fee payment (e.g. amount and timing of instalments) ■ Deciding how the licence fee collection system is to be organised ■ Remunerating An Post for licence fee collection work ■ Ensuring licence fee collection is cost effective ■ Disposal of (net) licence fee revenue 	<ul style="list-style-type: none"> ■ Issuing licences, maintaining records and collecting fees ■ Enforcing the licensing system, including identification and prosecution of licence evaders ■ Administering a scheme whereby dealers are required to notify An Post of sales and rental of television receiving equipment ■ Paying (gross) licence fee receipts promptly to the Department ■ Providing the Department with information in relation to licence fee collection functions

Source: Analysis by Office of the Comptroller and Auditor General

1.5 Figure 1.2 summarises the current division of responsibilities in relation to television licence fee collection between the Department of Communications, Marine and Natural Resources (the Department) and An Post.

1.6 Policy decisions in relation to the licence fee system — what is to be licensed, licensing conditions, fee levels, fee payment options, etc. — are the responsibility of the Department. It also decides how the licence fee collection system is to be organised and who carries out the functions. Consequently, it has overall responsibility for managing the performance of the system and for ensuring that licence fee collection is as cost effective as possible.

1.7 An Post's involvement in the administration of the television licensing system and in the pursuit of licence fee evaders is a long standing arrangement. As a Division of the Department, the Post Office carried out the licensing functions from their introduction in 1962 until 1984. When the Post Office was established as a State company (and renamed as An Post) under the Postal and Telecommunications Services Act, 1983, the Act gave the Minister discretion to appoint An Post (by statutory order) as his agent to carry out the television licensing and associated functions.

1.8 RTÉ has consistently expressed an interest in taking over responsibility for television licensing because of concerns about the level of licence fee evasion, the efficiency of operation of the system by An Post and the implications of this for its own revenue. In 1986, it submitted a formal proposal to the Department requesting responsibility for the collection of licence fees, including the detection and prosecution of evaders. In 2000, it proposed that a public tender competition for the licence collection agency be carried out.

1.9 A wide-ranging review of broadcasting policy and operations in Ireland was completed in August 2002³. The report of the review body recommended that the agency for the collection of licence fees should remain with An Post ‘for the time being’, but that the payment arrangements should be changed, in consultation with An Post and RTÉ, to give a greater incentive to An Post to pursue evaders.

1.10 The Department adopted the review body’s recommendations. It indicated that it was willing to continue the agency arrangement with An Post at least until 2006, but that licence fee collection procedures would be reviewed by the end of 2003.

1.11 Following a comprehensive review of its overall business strategy, An Post has indicated that it plans to exit from the collection of television licence fees.

1.12 The Department has the right under the 1983 Act to rescind the order appointing An Post as the agent for television licensing. It is not clear that it has the right under the Act to appoint another body as licensing agent, without amending legislation. In any event, the practicalities of assigning the licence fee collection functions to another agency are considerable.

1.13 In the UK, the BBC was given statutory responsibility in 1990 for issuing television licences, within policy parameters set by the Home Office. The BBC appoints a licensing agent to operate fee collection and enforcement arrangements on its behalf. Between 1991 and 1998, the agent was a subsidiary company of the UK Post Office. The BBC organised a tender competition to award the agency contract for the period 1999 to 2006, with a view to significantly increasing licence sales and reducing evasion. The consortium that won the contract did not achieve the anticipated sales volumes, and had run into financial difficulties by the end of 2000. Interim agreements were put in place with member companies of the consortium to maintain continuity of licence fee collection and promotion, while a further tendering competition was organised. Separate contracts for licence issuing and enforcement, and for marketing were placed with new suppliers with effect from 2002. The BBC has taken on the role of co-ordinator and has a much greater day-to-day role in the management of the licence fee system than previously.⁴

Objectives for Licence Fee Collection

1.14 An Post remits licence fee revenue twice monthly to the Department. In return, the Department makes monthly payments to An Post in respect of the number of licences sold. The total amount paid to An Post in respect of the licences sold in 2002 was €10.4 million.

1.15 After deduction of payment to An Post for collection, net licence fee revenue is used to fund public service broadcasting. Up to 2003, all of the net fee revenue was paid over to RTÉ. From 2003 on, the Department will provide 95% of net fee revenue to RTÉ. The remaining 5% of net revenue will be assigned to the Broadcasting Authority of Ireland, to be made available, on a competitive tendering basis, to broadcasters for the provision of innovative public service broadcasting.

³ **Report of the Forum on Broadcasting**, August 2002

⁴ See **The BBC: Collecting the Television Licence Fee**, National Audit Office, HC 821 Session 2001-2002, London: The Stationery Office

1.16 There is a risk that some individual occupiers of licensable properties will seek to evade paying for a licence or to delay payment for as long as possible. The substantial increase in the licence fee rate to €150 with effect from 1 January 2003 potentially increases the incentive to evade. Evasion both reduces the level of funding available for public service broadcasting and creates an inequity between compliant licence holders and evaders. For these reasons, it is desirable that licence fee evasion should be minimised or eliminated.

1.17 Keeping licence fee collection costs low is also necessary to ensure funding for broadcasting is maximised. In most cases, occupiers of licensable properties are compliant and the costs of administration of licence sales are low. In other cases, occupiers may have to be pursued with increasing degrees of effort and expense to achieve a licence sale, or to prosecute evaders. There is a point in relation to individual licensable properties where the costs of pursuit of an evader may outweigh the value of the licence fee, and where pursuit of payment consequently ceases to be cost-effective in relation to the individual case. However, even in those cases, the active and publicly visible pursuit of evaders may have a general deterrent effect on evasion, and may therefore be worthwhile.

1.18 The management challenge for the Department is to ensure that an appropriate balance is struck between the need to ensure that licence fee collection is as cost effective as possible, while at the same time ensuring that the legal requirement to have a licence is enforced and that evaders are pursued.

Examination Objectives

1.19 This examination looked at

- how the Department evaluates the effectiveness of television licence fee collection
- how the agency relationship is organised to support effective collection
- the efficiency of the collection procedures used by An Post as agent of the Minister.

1.20 The examination focuses mainly on the period 1998-2002. In presenting the findings of the examination, the report aims to identify ways in which, in the future, licence fee collection can be made more efficient and management of the effectiveness of fee collection can be improved.

1.21 The use of licence fee income in the funding of public service broadcasting was not examined.

Examination Methodology

1.22 The examination was conducted by the staff of the Office of the Comptroller and Auditor General. The examination involved reviewing papers provided by the Department of Communications, Marine and Natural Resources, An Post and RTÉ. Interviews with personnel from these organisations were also conducted.

1.23 Analysis of An Post's database of licensable properties was undertaken by the examination team, in conjunction with An Post management staff.

1.24 The examination team visited the Revenue Management Section of the BBC to discuss the operation and management of licence fee collection in the UK. Other available data in respect of the licence fee collection system in the UK was also reviewed for comparative purposes.

2 Effectiveness of Licence Fee Collection

2.1 The Department has overall responsibility for the achievement of effectiveness in the collection of licence fee revenue because it sets the policies in relation to television licensing and determines what organisational arrangements are put in place to ensure collection occurs and evaders are pursued. For practical reasons, the Department is likely to continue to delegate licence fee collection to an outside agency (whether in the public or private sector). In those circumstances, demonstrating that it has achieved effectiveness in the fee collection process will, at a minimum, require the Department to

- set clear and measurable effectiveness targets for licence fee collection
- put in place a suitable service level agreement, incorporating those targets, with the agent selected to carry out the licensing process — this should give the agent incentives to work in ways that achieve the effectiveness targets
- actively monitor and manage the agent's performance to ensure that the agreed service levels are achieved and, where possible, that effectiveness levels are improved over time.

Licence Fee Effectiveness Targets

2.2 The Department has not adopted specific or measurable effectiveness targets to be achieved in relation to licence fee collection. Given that the main objectives of the licence fee collection system are to minimise evasion (to ensure equity) and to maximise the money available for public broadcasting (at the set licence fee level), effectiveness target setting could focus on the fee payment evasion rate and on revenue collected as a proportion of revenue collectable.

Licence Fee Evasion

2.3 The Department has not routinely produced estimates of the licence fee evasion rate and has not developed a method for calculating evasion rates. The absence of agreed definitions and of routine measurement of evasion has resulted in ongoing dispute between An Post and RTÉ.

2.4 In the course of this examination, the licence fee evasion rate was estimated for each year from 1998 to 2003. The estimation method and the underlying data are set out in Appendix A. Because of a lack of firm data in some areas, the compilation of the evasion rate estimates is necessarily based on assumptions. A major assumption relates to the proportion of businesses that

Fee evasion rates fell from 16% in 1998 to 12% in 2002

have televisions and are therefore licensable (the penetration rate). The evidence currently available suggests a penetration rate of approximately 25% in businesses. The report assumes this level

of penetration in businesses.

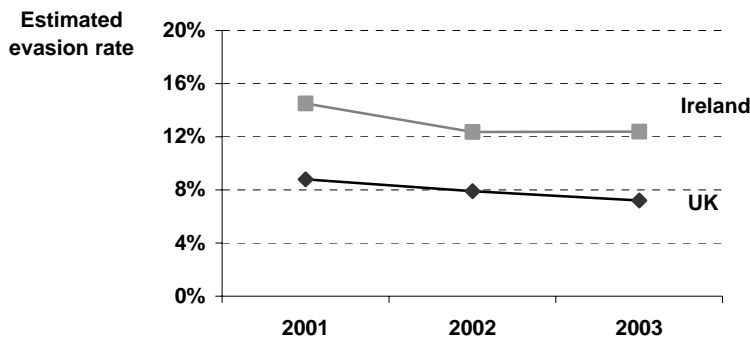
2.5 The estimates indicate that licence fee evasion fell from over 16% of licensable premises in 1998 to just over 12% by the end of 2002.

2.6 It is difficult to make reliable international comparisons of licence fee evasion rates because of differences in definitions and in the assumptions on which evasion rate estimates rely. Legal differences and variations in the cost of a licence may also affect the interpretation of differences. However, a comparison with the situation in the UK is of interest because the legal situation in

relation to television licensing, the level of the licence fee and the approach taken in the estimation of evasion rates are similar to those in Ireland.

2.7 Figure 2.1 compares the evasion rate in Ireland with evasion rates in the UK over the period 2001 to 2003. (Meaningful comparisons for earlier years are not available because of changes in the evasion rate estimation procedure in the UK.) The comparison suggests that evasion of licence fee payment is significantly higher in Ireland than in the UK.

Figure 2.1 Estimated evasion rates in Ireland and the UK, 2001-2003



Source: BBC Annual Reports, 2002-2003 & Analysis by Office of the Comptroller and Auditor General

Revenue for Public Service Broadcasting

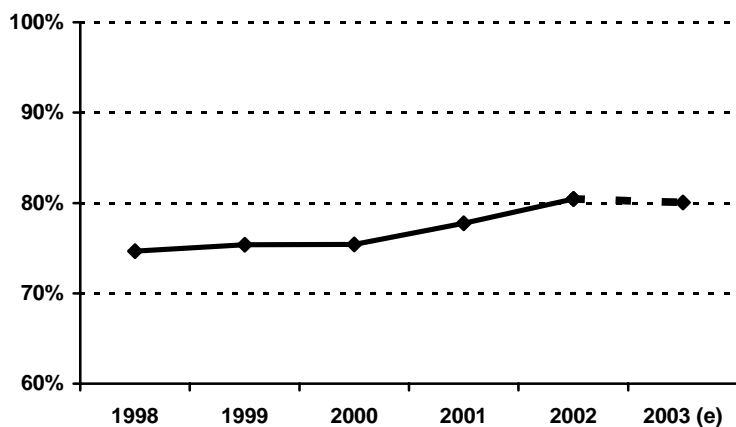
2.8 The ultimate objective of the television licensing system is to provide funding for public broadcasting. Under the existing system, the maximum amount that can be raised is determined by the number of licensable premises and the licence fee rate. However, two main factors reduce the amount that becomes available to fund broadcasting

- the cost of administering the fee collection system and
- the amount of revenue collectable that is lost through fee evasion.

2.9 Figure 2.2 shows the trend in the proportion of licence fee revenue collectable made available for public service broadcasting in the period 1998 to 2002. The percentage for 2003 is based on estimated licence sales in 2003.

2.10 The estimates suggest that, in the period 1998 to 2000, around three quarters of the collectable licence fee revenue was available for public broadcasting. Since 2000, the proportion has increased. In 2002, funding for broadcasting was just over 80% of the estimated total collectable. It is expected that the proportion of collectable revenue made available for public service broadcasting will be constant at 80% in 2003. However, because of the licence fee increase, the total amount of money available for public service broadcasting is projected to increase from around €14 million in 2002 to around €65 million in 2003.

Figure 2.2 Estimated percentage of collectable revenue available for Public Service Broadcasting, 1998 to 2003 (e)



Source: Analysis by Office of the Comptroller and Auditor General

Service Level Agreement for Licence Fee Collection

2.11 The original appointment of An Post as the licensing agent in 1984⁵ was a practical solution to the legal situation that arose with the transformation of the Post Office from a Division of the Department into a State company. It did not involve competitive tendering among potential service providers for the licensing agency business. The agency appointment is for an indefinite period and is not subject to a formal commercial contract.

2.12 An Post's recent decision to withdraw from the licence fee collection business means the Department will need to develop mechanisms for the appointment of a collection agent. The Department should develop a clear medium-term strategy in relation to organisational arrangements for licence fee collection. These should focus on achieving optimum efficiency and effectiveness. There may also be a need to provide for greater flexibility in the future to allow for easier and more effective transfer of the licence fee collection business between different collection agents without interruption of the revenue flow.

Payment Agreements with An Post

2.13 Certain aspects of An Post's role as licensing agent have been governed by payment agreements negotiated between An Post and RTÉ, subject to the approval of the Department. The agreements have focused mainly on the level of payment to An Post and on payment terms. Under the agreements, RTÉ also undertakes, at its own expense, to broadcast advertising campaigns to encourage licence payment and deter licence fee evasion.

⁵ Provided for under the Postal and Telecommunications Services Act, 1983

2.14 Until 2003, the performance agreements were signed by representatives of An Post and RTÉ, with a standard clause stating they were subject to the approval of the Minister. There is no documentary evidence on the Department's files that the Minister's approval was given, or that there was formal agreement between the Department and An Post, who should be the parties to any such agreement. For the first time since 1998, the performance agreement for 2003 is — appropriately — between the Department and An Post.

For the first time in 2003, the payment agreement was - appropriately - between the Department and An Post

Target Outputs and Service Levels

2.15 The annual payment agreements contain little detail about the outputs to be delivered or the service levels to be achieved by An Post, or the procedures and systems to be followed by An Post in administering the system. Consequently, they cannot be regarded as service level agreements.

2.16 The key outputs in relation to licence fee collection are

- licence sales
- maintenance of an up-to-date and accurate database of licensed and licensable properties and their occupiers
- prosecution of licence fee evaders.

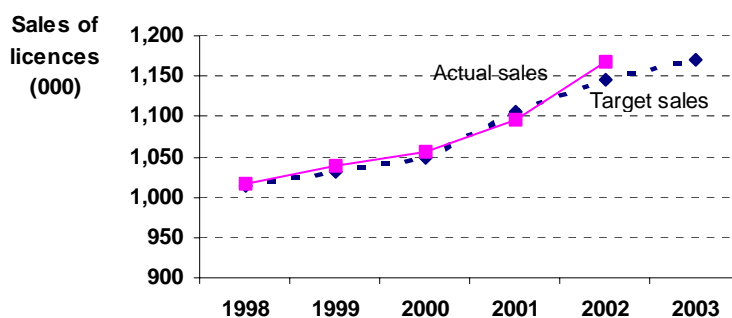
Agreement on the service levels to be achieved in relation to each of these outputs, and how service levels should be measured, are necessary elements for assessing the performance of the fee collection agency. Putting in place a coherent set of performance targets and measures would create a common set of expectations regarding the outputs and levels of service expected by the Department from its collection agent.

Target Licence Sales Levels

2.17 Targets in relation to licence sales levels were set in the agreements with An Post. Figure 2.3 shows the target sales levels set in the period 1998 to 2003 and the actual sales achieved by An Post. In general, An Post reached or exceeded the target sales levels specified in the payment agreements in the period up to 2002.

2.18 Sales in 2002 were about 2% above the target set. In part, this reflects a surge in licence payments in December, ahead of the January 2003 licence fee increase to €150. Licence holders may renew licences up to four weeks ahead of the renewal date, so licences due to expire in January 2003 could be renewed early at the old fee rate. The December surge was matched by a downturn in sales in January 2003.

Figure 2.3 Television licence sales levels — target and actual sales, 1998 to 2003



Source: Analysis by Office of the Comptroller and Auditor General

2.19 In the payment agreement for 2003, two sales level targets were set

- a minimum sales target level of 1.17 million licences
- a 'stretch' sales target level of 1.19 million licences.

2.20 The minimum sales target set for 2003 takes account of the surge in sales at the end of 2002

An Post are likely to maintain their licence fee collection performance in 2003, despite a substantial increase in the fee

(which would otherwise have occurred in 2003) as well as the expected growth in licensable properties. If it achieves the minimum sales level, An Post will have maintained its 2002 compliance level. Sales above this level will represent improved licence fee

collection performance by An Post, particularly in the context of the significant increase in the licence fee in 2003.

Maintaining the Licence Database

2.21 The maintenance of an up-to-date and accurate database of all potential licence holders is a critical issue in the effective management of licence fee collection, and in ensuring its continuity. Despite the importance of maintaining an accurate and complete database, the payment agreements with An Post make no reference to the performance standards to be achieved in relation to the television licence database, or to the ownership of the data it contains.

Type of Data Recorded

2.22 The master records in the database contain address and licence detail information as well as information relating to any inspections that have taken place. Details of prosecution activity are not recorded on the database, even though there is a facility to enter such data. This hampers enforcement activity as the database cannot produce lists of individuals who have not purchased a licence and have not been successfully prosecuted or conversely, individuals who have been prosecuted but have still not purchased a licence.

2.23 An Post have recognised that the current lack of adequate categorisation of potential licence holders as households, businesses or joint household/business premises needs to be addressed.

Database Compilation Process

2.24 The national television licence database currently used by An Post was first compiled centrally in 2000. Before then, separate regional databases were compiled and maintained at fourteen regional sites.

2.25 Database managers at the fourteen regional sites are still responsible for ensuring that records relating to their areas are complete and accurate. The national database is updated day-by-day by information supplied from the regional sites and from the licence payment sections.

2.26 Regional sites rely on a number of sources of information in maintaining the database.

- Household and occupier details are checked against the electoral register as frequently as it is issued.
- Information is compiled from inspectors reports, 'on the ground' information provided by post deliverers (including details from re-direction forms) and other local sources.
- Lists of persons entitled to have their television licence fees paid under the Department of Social and Family Affairs free licence scheme, and terminations of free licence entitlement are provided by the Department to An Post on a monthly basis.
- Results of centrally-organised mail shots are analysed and used to update the database.
- County Council planning permission numbers and local authority housing completions augmented by inspectors' reports are used to identify new houses.
- Commercially available household directories are used to identify houses not recorded on the database.

Measuring Database Accuracy

2.27 Within the television licence database a record is created for each potential licence holder. Growth in the number of properties and changes in property occupancy result in a high level of turnover on the database. For example, an estimated 88,000 (around 7%) of the 1.34 million records on the database at the beginning of 2002 were deleted in the following twelve months. Offsetting these deletions, almost 160,000 new records were added during 2002. As a result, 11% of the 1.41 million live records at the end of 2002 had been created during the year.

2.28 An Post does not categorise additions to the database e.g. between persons moving house and actual new addresses to be added to the database. The reasons for deletion of records are not recorded on the database, and once a record is deleted, the record history is also deleted. As a result, the factors driving the turnover, and any regional variations in trends cannot be determined through analysis of the database.

2.29 The information held on the database may be incomplete or inaccurate for a number of reasons.

- Some licensable properties — e.g. newly built houses, or premises that are subdivided — may not be captured in the information.

- Premises on the database may be derelict or unoccupied, and so have ceased to be licensable.
- There may be multiple records in respect of the same address — this can arise where occupancy of a premises changes and both the old and new occupiers are listed as licensable. Identification of this duplication is difficult, however, because not all premises in Ireland have unique addresses e.g. in rural areas, separate households may share a common townland address.

2.30 At the end of 2002, An Post had a total of 1.413 million premises on its licence database. It estimated that around 17,000 of these premises were business-only premises, and that the remaining 1.396 million records related to households or joint household/business premises. This was about 90,000 (7%) more records than expected, based on the estimated number of households in the State at that time. This suggests that at least 7% of all household records recorded on the database may be duplicated.

2.31 Because some records which have the same address are valid, it would be undesirable to automatically delete duplicate records from the system. However, some database developments that might be helpful in managing the problem, so as to ensure its accuracy and completeness, include

- the generation of an automated query, prompting the collection of extra information at the point of sale, in cases where a duplicate record is about to be created
- an option to suspend rather than delete records (thereby maintaining valuable case history information) in the case of clear address duplication.

Opportunities for Improving Database Accuracy

2.32 An Post has not defined measures for assessing the extent to which the information held in relation to each of the fourteen regional sites is complete and accurate, although a range of possible measures exists.

- The number of households listed on the database for each region could be compared with the number of households for the region indicated in the most recent census.
- The results of inspection visits to premises could be compared between regions to indicate where data gathering is particularly effective, or where data gathering may need to be reviewed. For example, an analysis by region of the results of inspectors' visits in 2002 indicates that
 - Nationally, premises listed for inspection visits did not exist or could not be found in around 0.7% of cases, but the percentage was as high as 4% in one inspection region.
 - Premises visited were found to be vacant in 11% of cases nationally, but the percentage was as high as 50% in one inspection region.

2.33 Precision Marketing Information (PMI), a subsidiary of An Post, has compiled a database of every address in the major urban centres, based on the allocation of unique building identifiers to individual premises. There are problems with extending the database to rural areas because of multiple households in the same townland, without individual household

There is scope for An Post to improve the accuracy of the database

numbers. Nevertheless, a comparison of the PMI directory system with the television licence database records in 2002 yielded an additional 20,000 addresses.

2.34 The effectiveness of the regional sites in ensuring they have captured accurate and complete information is monitored by the field sales manager at An Post's head office. Self-evaluation forms are distributed to the regional sites but it is unclear how systematically these evaluations are conducted and if appropriate action is taken on foot of these evaluations.

Dealer and Service Supplier Notification

2.35 Notifications from television dealers was one of the ways traditionally used for identifying licensable properties. Television dealers in Ireland are required by law to notify An Post of each transaction for the sale or rental of a television, and to provide full details of the purchaser or renter. However, enforcement of this process was discontinued because An Post felt that the data being provided was unreliable or unusable.

2.36 A system of dealer notification is still in operation in the UK, where failure to notify the licensing agent or to keep records for inspection is a criminal offence, carrying a maximum penalty of £1,000. However, due to the large increase in the number of retail outlets selling televisions, the challenge of enforcing notification obligations on dealers is increasing. Since 2001, the BBC has significantly stepped up prosecution of offending businesses with some high profile court wins against large chains in the supermarket sector amongst others.

2.37 There is no obligation on cable television service suppliers to inform An Post of the names and addresses of persons availing of their services. In September 2003, there were an estimated 562,000 subscribers to cable/MMDS service providers.

Targets for Prosecution of Evaders

2.38 The order assigning the licence fee agency to An Post confers powers on An Post and its staff to pursue evaders, to seek warrants allowing entry to premises to establish if television equipment is kept and to pursue prosecutions for licence fee evasion, which is a summary criminal offence. While these powers are considered to be necessary for ensuring that fee collection is effective, the payment agreements with An Post do not include any policies or performance targets in relation to how licence fee evaders are to be dealt with.

Agency Payment Arrangements

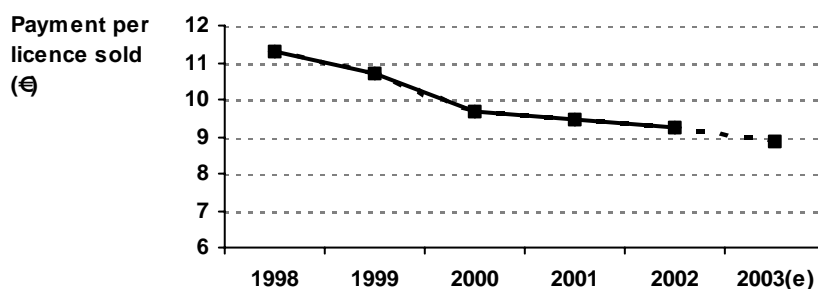
2.39 The annual payment made by the Department to An Post in respect of licence fee collection increased from €9.4 million in 1998 to around €10.4 million in 2002 — a payment increase of 10.6%. Over the same period, inflation totalled 17.7%, so in real terms, the amount paid to An Post fell by 6%.

2.40 Although the real level of the payment to An Post fell, the volume of sales of licences in the period 1998 to 2002 increased by 15%. From the Department's perspective, therefore, this represents a significant decrease in the cost of licence fee collection.

Average payment to An Post per licence sold fell by 18% in real terms between 1998 and 2002

2.41 Figure 2.4 shows the payment (in constant 2003 prices) to An Post per licence sold over the period 1998 to 2003. The unit payment fell by around 18% in real terms between 1998 and 2002.

Figure 2.4 Average payment to An Post per licence sold, 1998 to 2003 — in constant 2003 prices



Source: Analysis by Office of the Comptroller and Auditor General

Note: Average for 2003 is projected, based on the achievement of target sales of 1.17 million licences

Performance Incentives

2.42 Ideally, the payment structure put in place in the service level agreement should provide the licensing agent with an incentive to improve on its fee collection performance.

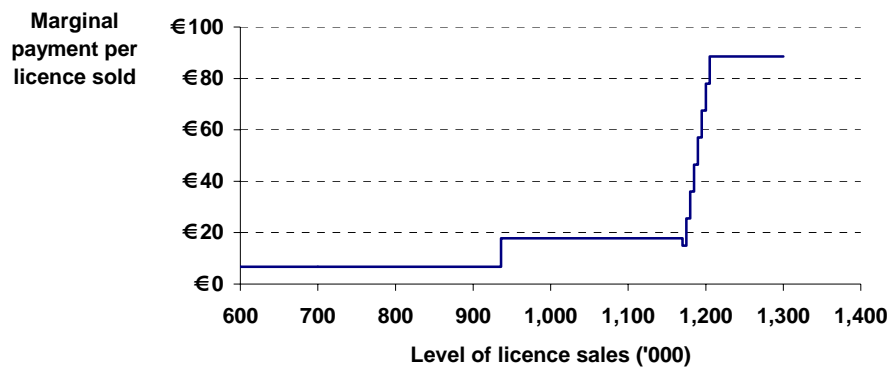
2.43 The payment agreements relating to the period 1998 to 2002 provided for payment to An Post on the basis of a flat rate amount for each licence sold. This payment structure provided only a limited incentive to An Post to try to sell extra licences. In 2002, the flat rate payment was €8.89 per licence sold giving little direct incentive to An Post to incur significant additional costs in the pursuit of licence fee evaders.

2.44 A draft payment agreement reached between An Post and RTÉ in March 1998 would have provided for more significant payment incentives for An Post to increase licence sales in the period 1998 to 2000. Under the proposed agreement, the payment for each licence sale achieved would increase once the target sales level was exceeded. The Department did not agree with what was proposed, so the scheme was not adopted and a flat rate payment system continued.

There is a strong incentive to An Post to increase licence sales in the 2003 payment agreement

payment of €6.67 per licence for sales up to 936,000 licences. Thereafter, An Post will receive €17.78 per licence sold until a target minimum sales level of 1.17 million licences is reached. Beyond that level of sales, the payment per licence increases rapidly, up to a maximum of €88.50 per licence sold (equivalent to 59% of fee revenue) in excess of 1.21 million. The payment structure is illustrated in Figure 2.5.

2.45 However, following the recommendation of the 2002 Forum on Broadcasting report, the payment agreement for 2003 includes a progressive payment structure. It provides for An Post to receive

Figure 2.5 Rate of payment to An Post for marginal licence sales, 2003

Source: Analysis by Office of the Comptroller and Auditor General

2.46 Sales of 1.17 million licences in 2003 would represent a constant licence fee collection performance by An Post. At that level of sales, it would receive €0.4 million in payment — an average of €8.89 per licence. This implies a further reduction of 3.7% in real terms in the average payment per licence sold.

Monitoring and Controlling Contract Operation

Performance Monitoring Arrangement

2.47 The Department allocates less than half a whole time staff member, across all grades, to the management and monitoring of the licence fee collection process.

2.48 Arrangements for managing and monitoring An Post's activities and performance in relation to licence fee collection are relatively informal. However, the level of performance reporting and monitoring increased over the period 1998 to 2003.

- The earlier payment agreements provided for RTÉ and An Post to meet twice a year, or more frequently if required, to review ongoing sales performance and the outcome of special licence sales campaigns.
- The agreements for 2001 and 2002 provided for monthly review meetings.
- The 2003 agreement provides for the establishment of a liaison committee. For the first time, the Department is involved directly in the performance review, through its membership of the liaison group. An Post and RTÉ are both represented on the group and the Department has also appointed an independent consultant to the group. The frequency of meeting of the liaison group was not specified in the agreement. The liaison committee met six times in 2003 and approximately twenty meetings were held by sub-groups of the liaison committee to address specific issues.

2.49 Apart from reporting sales outturn figures on a monthly basis, there are no arrangements for formal performance reporting by An Post in relation to licence fee collection e.g. periodic or annual performance reports, or periodic statistical reports containing updates on the key performance measures and indicators.

2.50 This kind of routine reporting would help the Department to monitor and manage the performance of An Post. The Department should specify the format, frequency and content of

**Arrangements for monitoring
An Post's performance by the
Department could be improved**

performance reports, after consultation with the collection agent.

2.51 The right of the Department to authorise external or internal audits in order to verify output delivery and the

accuracy of performance measures should also be specified in agreements between the Department and the collection agent.

Controlling Receipts and Payments

2.52 Reported licence sales should correspond with gross licence fee revenue, which An Post is required to remit each fortnight to the Department. The fortnightly payments received by the Department are not formally audited. Future service level agreements should provide for the auditing by an independent body of receipts from the collection agent.

2.53 The Department pays An Post for its licence fee collection services on a monthly basis. Although the payment agreement relates the payment level to the level of licence sales, historically, the actual payment arrangement was on the basis of fixed monthly payment amounts for the first ten months of the year — balancing payments were made in November and December, on the basis of declared licence sales. In 2003, payments made reflect reported licence sales.

3 Efficiency of Collection Procedures

3.1 Efficient television licence fee administration should result in timely collection of licence fees. It should also ensure prompt and effective detection and prosecution of licence fee evaders. In this way, efficient licence fee collection processes potentially contribute to the achievement of the Department's effectiveness objectives.

Licence Status recorded by An Post

3.2 Figure 3.1 indicates the licence status of the records on An Post's television licence properties database at the end of 2002. This indicates that 83% of the records listed on the database relate to properties considered to be licensed at that date i.e. either current or in the renewal process. 17% of the records relate to properties considered to be unlicensed.

Figure 3.1 Administrative status of records on An Post's television licence database, end December 2002

Licence status of record	Number of records ^a	Percentage of records
	'000	%
Current licence exists for property	1,115	79%
Licences less than 6 months out of date	52	4%
Properties licensed	1,167	83%
Properties unlicensed	246	17%
All records	1,413	100%

Source: An Post

Note a There may be duplication of records for individual properties within and between the licensed and unlicensed categories e.g. records may show the same property is licensed twice, or is counted twice as unlicensed, or is counted both as being licensed and unlicensed.

3.3 The percentage of records on the database where the property listed is unlicensed is not a measure of licence fee evasion. The unlicensed category includes

- households which may not have a television
- new and vacant properties which may become licensable at a future date.

3.4 Traditionally, An Post considered a property to be licensed if a current licence for the property was in force or if a licence for the property had expired within the previous six months. Properties in the latter category were considered to be in the renewal process, and a new licence purchased within the six-month period was effective from the original renewal date. Where the licence on a property was more than six months out of date, the licence was regarded as having been relinquished. In that case, a new licence purchased was effective from the date of purchase.

3.5 From the beginning of 2003, the permitted duration of the renewal process was increased from six months to twelve months. As a result, a licence purchased up to twelve months after the renewal date will be retrospectively effective from the renewal date.

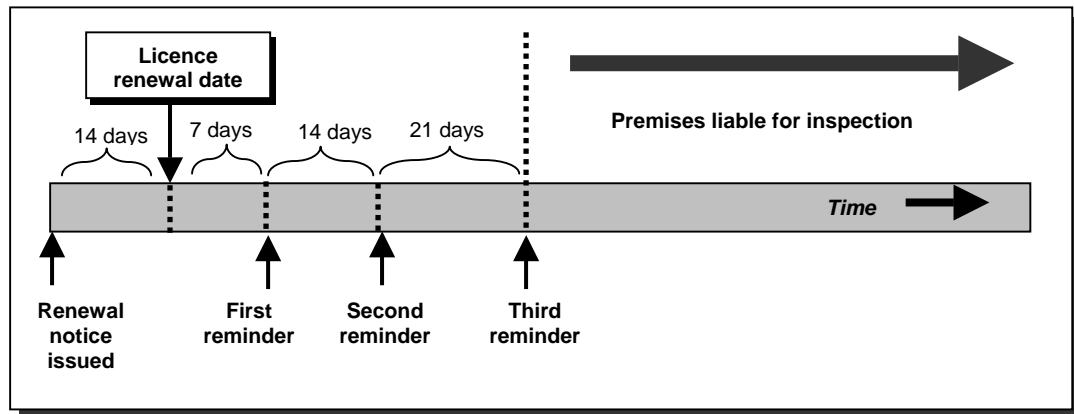
Fee Collection Procedures

3.6 Renewals of existing licences accounted for 1.027 million (88%) of the 1.167 million licences sold in 2002. The remaining sales were ‘first time’ sales to new licence holders, or in relation to licence purchases where a licence had not been renewed within the allowable period of six months.

3.7 The total number of notices for renewal issued by An Post was 1.097 million. Licences were issued directly to licence holders where licence fees are paid for by the Department of Social and Family Affairs (about 183,500 renewals in 2002) or to those with direct debit fee payment arrangements (about 58,500 renewals in 2002)

3.8 Figure 3.2 summarises the fee collection procedures applied by An Post in relation to other licence renewals — about 855,000 notices for renewal in 2002. Where a licence has not been renewed within about six weeks of the renewal date, the premises becomes liable for a licence inspection visit.

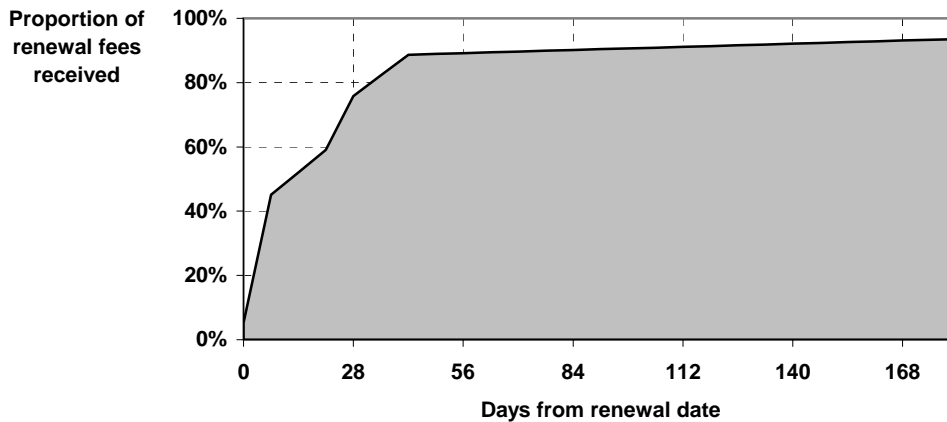
Figure 3.2 Standard renewal procedure for television licences



Indicators of Timeliness of Fee Collection

3.9 The timeliness of fee collection is not formally measured by An Post. However, estimates of the payment timeliness can be compiled from information about the renewal process. Figure 3.3 indicates the timing of collection of renewal fees in 2002, relative to the due renewal date, based on the following information.

- In direct debit cases, payment is collected on the licence renewal date.
- The Department of Social and Family Affairs is invoiced at the beginning of each month in respect of licences issued during the previous month. Payment is usually received within three to four weeks of the date of invoice.
- In 2002, the number of first reminder letters issued was equivalent to around 49% of the number of licences renewed through the normal renewal process — this implies 51% of those licence fees were received prior to or within 7 days of the renewal date. Based on the number of second and third reminder letters issued, 69% of licence renewal fees were received within 21 days of the renewal date and 85% within 42 days of the renewal date.

Figure 3.3 Estimated timing of receipt of licence renewal fees by An Post, 2002

Source: Analysis by Office of the Comptroller and Auditor General

3.10 Overall, the available data suggests that 76% of revenue from renewal of licences in 2002 was collected within 28 days of the renewal date while an estimated 94% of renewals were effected within six months of the renewal date. Records were deleted from the database in about 3% of cases where licences were due for renewal (the reasons for deletion are not recorded on the database). In a further 3% of cases, properties were recategorised as unlicensed where a new licence had not been purchased within six months.

Over three quarters of revenue from licence renewals is collected within a month of the renewal date

Choice of Payment Options

3.11 Purchasers of television licences can choose a variety of payment methods. The choices they make may potentially impact on the timing of receipt of fee revenues by An Post.

3.12 An Post currently offers the following payment options

- Post Office counter or postal sales
- Telephone call centre, accepting payment by credit/debit card
- Direct debit (annual, bi-annual or quarterly) from bank account or credit card account
- Payment on the internet through www.billpay.ie

Figure 3.4 Use of television licence payment mechanisms, 2002

Payment Method	Number of licences bought	As % of all licences bought
Post Office counter/postal sales	797,000	68.3%
Payment by Department of Social and Family Affairs		
- Automatic renewal	183,500	15.7%
- Issued via post office	107,500	9.2%
Direct debit arrangements	58,500	5.0%
Call centre payments	20,000	1.7%
Internet payments	500	0.1%
All payment methods	1,167,000	100%

Source: An Post

3.13 Figure 3.4 indicates the proportion of purchasers using each of these payment methods in 2002. It also indicates the proportion of licence purchases paid for directly by the Department of Social and Family Affairs on behalf of free scheme beneficiaries.

Most licence sales are made in post offices

3.14 Traditional ‘across the counter’ sales and postal payment remain the most popular method of payment of television licence fees. These accounted for 77.5% of all payments in 2002, or

92% of all payments when automatic renewals paid for by the Department of Social and Family Affairs are excluded.

Electronic Payment Mechanisms

3.15 Direct electronic payment methods account for only around 6.8% of all licence payments.

3.16 The use of direct debit arrangements to purchase television licences from An Post is very low. In the UK, over half of all purchasers pay their licence fees by direct debit. This is in line with the proportion of customers who pay their utility and council tax bills through direct debit —

An Post could encourage more efficient payment methods

in the range 35% to 58%. Direct debit arrangements for utility bills are used less frequently in Ireland than in the UK — around 20% to 25% of Bord Gáis and ESB customers currently pay by direct debit —

but there still appears to be considerable scope to increase the proportion of television licence fees paid through this mechanism.

3.17 As well as being an efficient way to collect payment, direct debit is also a highly effective way of ensuring licence renewals — the cancellation rate of direct debit arrangements for licence fee renewals in the UK was only 2%.

3.18 The use of the call centre established to collect licence fees was also quite low with only 2% of people using this method of payment. This may have been due to the lack of advertising of the option in 2002 as the call centre had limited capability to deal with calls. In 2002, the call centre was staffed by three permanent telesales operators and the hours of operation were 10am – 8pm Monday to Friday and 10am to 4pm on Saturday. In June 2003, An Post provided additional outsourced automated capacity at the call centre with 24-hour operation. Since then, use of the call centre as a method of payment has increased — about 7% of licences sold were purchased via the call centre in the second half of 2003.

Instalment Payment

3.19 Television licence fees are payable in advance for a twelve month period. An Post operates a television licence savings stamp scheme which is intended to help licence purchasers on low or fixed incomes to assemble the lump sum needed to pay for a licence. Stamps purchased may be redeemed when a licence is being purchased. The value of stamps redeemed may be the full licence fee amount, or part of the licence fee amount.

3.20 Information was not available on the number of licences purchased where the licence was paid for in part or in full through the redemption of savings stamps. However, An Post have informed me that stamps to the value of €1.4 million were redeemed in 2002. Assuming these were applied for the purchase of television licences, the equivalent of 106,500 licences could have been purchased using the scheme. This would represent 12% of the total licences sold, excluding licences paid for by the Department of Social and Family Affairs.

Marketing of Licences

3.21 A range of activities to increase television licence sales and deter licence fee evasion are undertaken each year, organised jointly by RTÉ and An Post.

3.22 RTÉ produces and broadcasts television and radio advertisements. The advertising campaigns have had different emphases at different times. For example, a number of campaigns have focused on the value of the public broadcasting service provided by RTÉ. More recent campaigns have highlighted the range of payment options available and have also sought to increase awareness among the business community and second home owners of the requirement for a television licence.

3.23 An Post also advertise in regional and local newspapers and also makes use of direct mailing to inform occupiers of premises of their liabilities. For example, about 150,000 businesses received letters in a large scale mail shot in 2003.

3.24 Quantitative measures or indicators have not been adopted to measure the success of individual marketing activities or for the annual marketing campaign as a whole. By comparison, the BBC regularly analyses the effectiveness of individual marketing campaigns. The analysis aims to establish what works best for different segments of the market, and what is the unit cost of achieving additional sales for each campaign or strategy. They also use focus groups and regular attitude surveys to help them design marketing campaigns and to assess the overall effectiveness of their marketing effort. There is scope for a similar approach in Ireland.

Monitoring the impact of marketing campaigns could help to improve their effectiveness

Licence Inspection

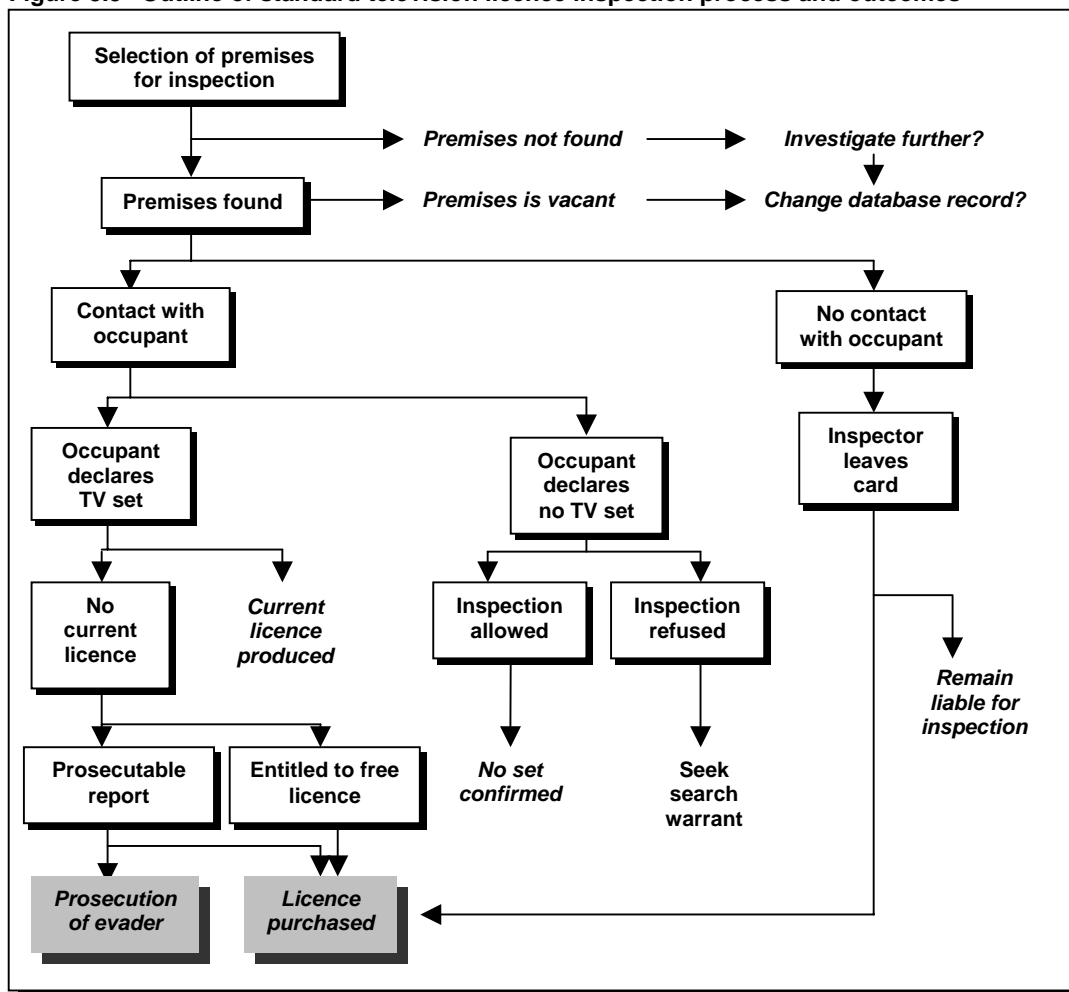
3.25 Licence inspection is a critical activity in the overall management of licence fee collection. An Post inspectors visit premises recorded as unlicensed, or where the occupier has received a third reminder of the need to renew a licence. The main aim of the inspections is to ensure that those who should have licences purchase them. The inspectors also aim to gather the evidence required to prosecute occupiers of licensable premises who refuse to purchase licences. Information gathered through visits may also be used to update the licence database or to correct errors in the records.

3.26 Figure 3.5 summarises the standard procedure involved in inspections and the range of possible outcomes in relation to premises selected for inspection.

3.27 When an inspector visits a premises, the standard approach is to establish

- whether or not a television is kept at the premises (i.e. whether the premises is licensable) and
- whether or not the occupier has a current licence.

Figure 3.5 Outline of standard television licence inspection process and outcomes



3.28 In many cases where contact is made with an occupant of a licensable premises, an admission that a television is kept is made. Frequently, clear evidence of the presence of a television — e.g. sighting of a television through a window, sounds of a television operating in the background, or external evidence of a cable service connection or aerial — make denial of the presence of a television difficult.

3.29 If possession of a television is admitted, inspectors ask for a current licence to be produced. Where the premises has a new occupier who holds a current licence for a previously-occupied premises, the licence number is noted and the occupier is asked to formally notify An Post of the change of address. Where a current licence cannot be produced, the occupier is informed that he/she may be prosecuted unless a licence is purchased within a few days. Persons who appear eligible to have their licence fee paid by the Department of Social and Family Affairs are informed of their possible entitlement.

3.30 A high proportion of visits result in inspectors receiving no reply when they call to premises. Where a call back is not practical, the inspector normally puts a card through the letterbox, stating that a call has occurred and warning the occupier of the implications of being prosecuted for evasion of a licence fee. Occupiers that have a current licence are asked to contact An Post so the relevant database records can be updated. Some occupiers purchase a licence after receipt of this form of reminder/warning. If a licence is not purchased, the premises is liable for inspection again when the inspector next visits the area.

Results of Inspections

3.31 In 2002, An Post employed 41.3 whole time equivalent (WTE) inspectors. Inspectors are deployed in fourteen inspection regions covering the State.

3.32 In addition to the inspection teams in each of the regions, a number of An Post counter staff were used, to carry out inspection visits to premises during more intensive inspection campaigns in April and September. Based on the average number of inspection reports filed by main-grade inspectors in each of the regions, this additional staff resource increased the inspection effort by the equivalent of 4.7 whole time inspectors.

3.33 The total number of premises selected for inspection visits in a time period is not known. The practice in recording the results of planned visits varies between regions — in some regions, inspectors record the outcome for every visit planned; in others, no outcome is recorded for a visit if a premises appears to be occupied but contact has not been made with an occupier. This variability in practice makes it difficult to assess the relative intensity of inspection activity and the relative effectiveness of scheduling of visits in each of the inspection regions.

An Post does not record the outcome of all inspection visits

3.34 Although the intensity of inspection activity cannot be reliably established, it appears that a significant number of premises recorded as unlicensed may not have been inspected for some time. About 50,000 unlicensed records on the database at April 2003 (around 21% of the total unlicensed) had been unlicensed for the preceding 15 months and had no recorded outcome for an inspection visit. This suggests that either the premises was not selected for a visit or that, if a visit was undertaken, no contact was established with an occupant of the premises.

3.35 As an input to developing a more effective inspection strategy, all premises planned to receive visits should be flagged on the licence database, and the date, time and result of all visits should be recorded, even if no contact is made.

3.36 Figure 3.6 indicates the outcomes recorded on the licence database in relation to 114,000 visits to premises by inspectors in 2002. Over 80% of the visits where a final outcome is reported resulted in a conclusion being reached that the properties in question were licensable. In only a few of these cases (900 out of a total of 70,800 detected) was the occupier found to be able to produce a current licence. In all the remaining cases, inspectors concluded that licence fees — totalling an estimated €7.5 million — were due.

Figure 3.6 Recorded outcomes of inspection visits carried out in 2002

Recorded outcome	Number of cases	As % of all resolved cases
Evader detected	65,600	75%
Casual visitor declares TV set	3,200	4%
Occupier entitled to free licence	1,100	1%
Current licence held	900	1%
Licensable properties detected	70,800	81%
No set declared	6,300	7%
Premises found vacant	9,600	11%
Premises not found	600	1%
All resolved visits	87,300	100%
No contact with occupier reported	26,700	
All visits reported on	114,000	

Source: Analysis by Office of the Comptroller and Auditor General

3.37 Records of premises in respect of which inspection reports were filed during 2002 were extracted from the An Post database and analysed to identify whether or not the occupier held a licence at the end of April 2003. The results of the analysis are presented in Figure 3.7.

3.38 Where evaders were detected and prosecutable reports filed, 70% were found to have subsequently purchased a licence. In about two-third of those cases, the purchase occurred between the date of the inspection visit and the initiation of prosecution proceedings. In the other one-third of cases, the purchase occurred subsequent to commencement of prosecution.

3.39 Although inspectors were not in a position to file prosecutable reports in cases where a casual visitor declared the presence of a television set, around half the premises visited were recorded as licensed in April 2003.

Figure 3.7 Licence sales following inspections in 2002

Recorded outcome of visits	Licensed at April 2003 ^a	Estimated value of licences purchased ^a €000
Evader detected	70%	4,900
Casual visitor declares TV set	49%	200
Occupier entitled to free licence	79%	100
Current licence held	59%	— ^b
Licensable properties detected	69%	5,200
No set declared	11%	100
Premises found vacant	13%	100
Premises not found	4%	—
All resolved visits	58%	5,400
No contact with occupier reported	35%	1,000
All visits reported on	53%	6,400

Source: Analysis by Office of the Comptroller and Auditor General

Note: a Based on 2002 licence fee rate.

b Licence held at date of visit, therefore purchase of licence not attributable to inspection visit.

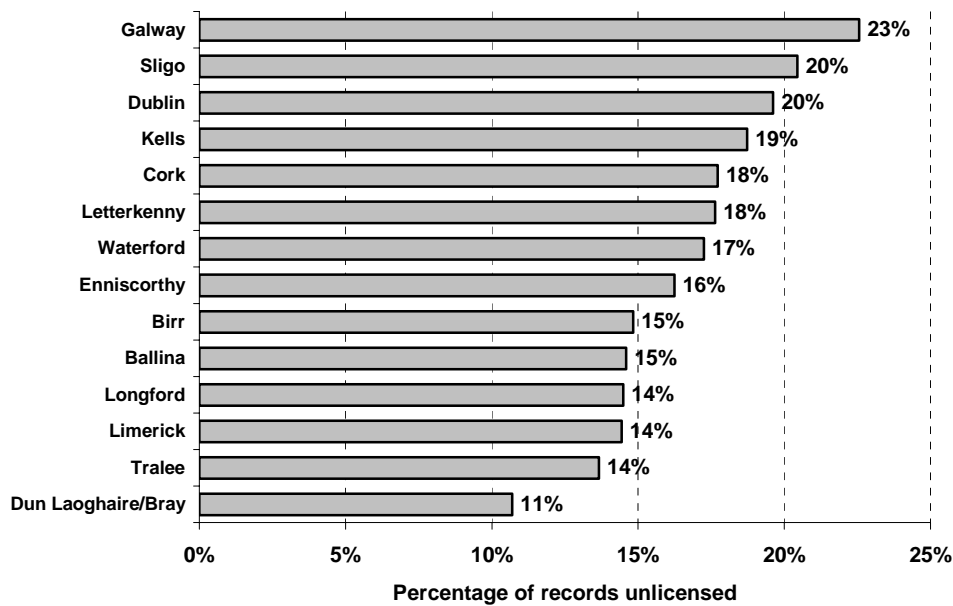
3.40 The value of licences bought by occupiers following an inspection visit — including cases where no direct contact was made with the occupier during the visit — is a potentially useful indicator of the effectiveness of inspection effort. Analysis of the database records at April 2003 suggests that inspection activity in 2002 resulted in sales of licences of up to €6.4 million up to that date. In practice, since reports are not filed in many cases where no contact is made with the occupiers of premises, the full value of licences sold as a result of inspection visits is likely to be higher.

Licences were purchased for over half of the premises visited by inspectors in 2002

Improving Effectiveness of Inspections

3.41 Analysis of the patterns of unlicensed records and the results of inspection visits at a regional level could potentially suggest ways in which the effectiveness of licence inspection could be improved. Despite the potential to learn lessons and to develop inspection strategies, An Post does not formally carry out such analysis on a routine basis.

3.42 Figure 3.8 shows the proportion of records on the licence database at the end of December 2002 that were recorded as unlicensed at that time. There is considerable variation around the national average percentage (17% of records unlicensed) — the percentage varies from around 11% of all records in the Dun Laoghaire/Bray region to almost 23% of all records in the Galway region.

Figure 3.8 Percentage of premises recorded as unlicensed, end 2002

Source: Analysis by Office of the Comptroller and Auditor General

3.43 The percentage of records unlicensed includes properties listed on the database that are not liable for licensing, for example, because no television set is kept (estimated at 1% of households nationally) or because the property is vacant. The percentage also reflects the underlying propensity of the occupiers of property in a region to try to evade payment of licence fees. Without further relevant data, it would be inappropriate to assume that these factors should generate the

There are wide variations in the proportion of premises unlicensed in each region

variation evident between regions. The remaining factors influencing the regional variation, and which are potentially controllable by An Post, are

- the direct impact of inspection activity in detecting and prosecuting evaders, and the indirect impact of such activity in deterring potential evasion
- the impact of local advertising and marketing
- the level of duplicate records
- the practice of identification of new properties for licensing.

Inspection Intensity

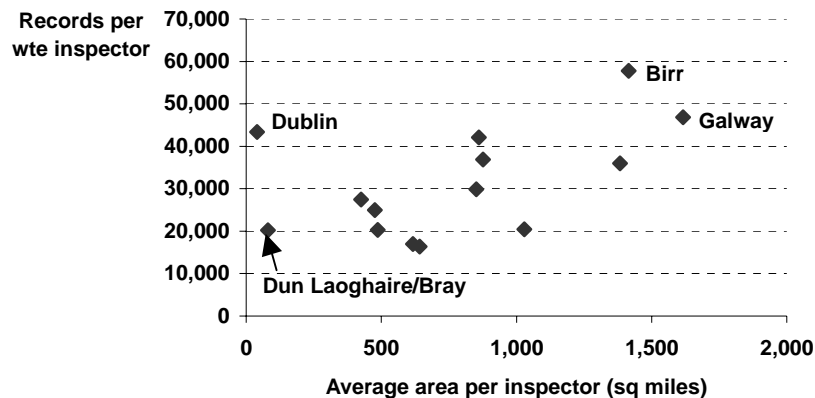
3.44 The amount of resources devoted to inspections in 2002 varied greatly between regions, ranging from 1.3 inspectors (WTE) in the Sligo region to 9.3 inspectors (WTE) in the Dublin region.

3.45 An Post has no set standard for determining the level of resources to be provided in each of the regions and assessing the distribution of the available resources is difficult. One possible measure is the number of records on the database per WTE inspector in each of the regions. However, in interpreting this measure, it is necessary to take into account also the average size of the area within which inspectors have to travel — it would be expected that the larger the area over which records are spread, the lower the ratio of records to inspectors should be.

An Post has not set standards for determining the level of inspection resources required in regions

3.46 Figure 3.9 indicates the number of records on the database per WTE inspector deployed in each of the regions in 2002. This is set against the average area to be covered by the inspectors. The pattern in the data suggests that, relative to the population of records in each region, the level of resources provided varies considerably. Consequently, the scale of the task faced by the inspection teams in Birr and Galway was potentially much greater than that facing the teams in many other regions. The cost effectiveness of increasing the level of resources for licence inspection in some regions, or reassignment of inspection resources to regions where the problem of unlicensed premises is greatest, should be considered.

Figure 3.9 Average population of database records and area to be covered, per whole time equivalent inspector, 2002



Source: Analysis by Office of the Comptroller and Auditor General

Managing Performance

3.47 Whatever level of resources is deployed for inspection, and however they are distributed, it is important that they should be managed to best effect, in order to increase revenue or provide evidence for prosecution of evaders. This requires detailed recording of the results of inspections and the setting of appropriate outcome targets.

3.48 Licence sales targets are set centrally each year for each inspection area. These are based on the overall sales targets for the current year, and take account of the previous year’s sales outturn and expected housing growth for the area. Monthly licence sales by area are monitored and reported against target sales.

Area sales targets should be based on target compliance rates

3.49 The sales targets are general targets for each area, rather than being related to inspectors’ activity. Furthermore, several inspectors may work in an area, so the targets do not

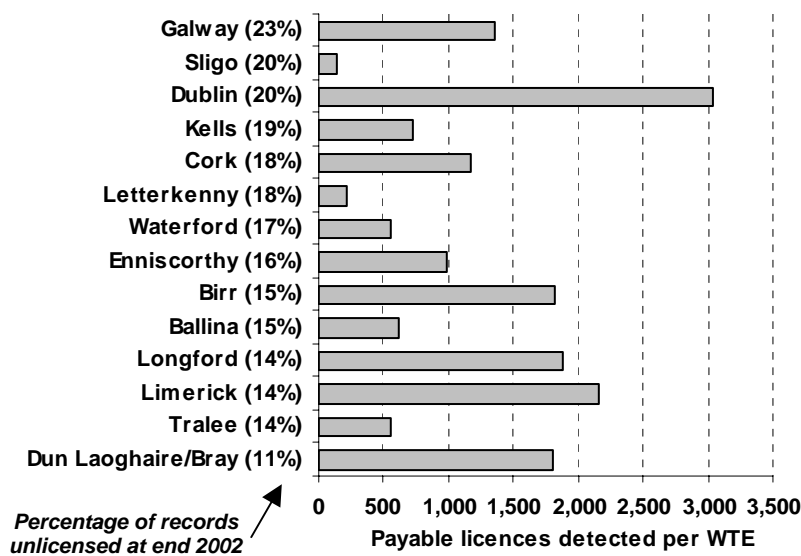
relate to individual performance. There is little incentive for inspectors to increase the number of visits they undertake, or the number of evaders/saleable licences they detect, for example, through better targeting of evaders or the scheduling of visits for times when it is more likely that occupants of unlicensed premises will be contactable.

3.50 Inspectors submit plans to central management at the beginning of each year, indicating the geographic areas they plan to cover each month. Central management involvement in inspection strategy is limited and individual inspectors are responsible for selecting premises to visit and for planning their programmes of visits.

3.51 Although the results of inspection visits (other than those where no contact was made with the occupier) are recorded on the database for each inspector, there is limited monitoring of the activity of inspectors. Analysis of this data would facilitate better management of individual inspection effort and could help to improve the overall effectiveness of inspection activity.

3.52 Figure 3.10 presents an indication of the relative effectiveness of inspections in each of the regions, in terms of detection rates. The comparison is based on the average number of visits where inspectors filed a prosecutable report or encountered an occupant who appeared entitled to a free licence — both cases where payment of the licence fee should be enforceable.

Figure 3.10 Detection rates per whole time equivalent inspector, by region, 2002



Source: Analysis by Office of the Comptroller and Auditor General
 Note: Inspection results where no attention with the occupant was recorded are excluded from analysis due to the variability in recording practice between regions

3.53 The overall pattern in the data suggests that the level of effectiveness of inspections in the regions is very variable.

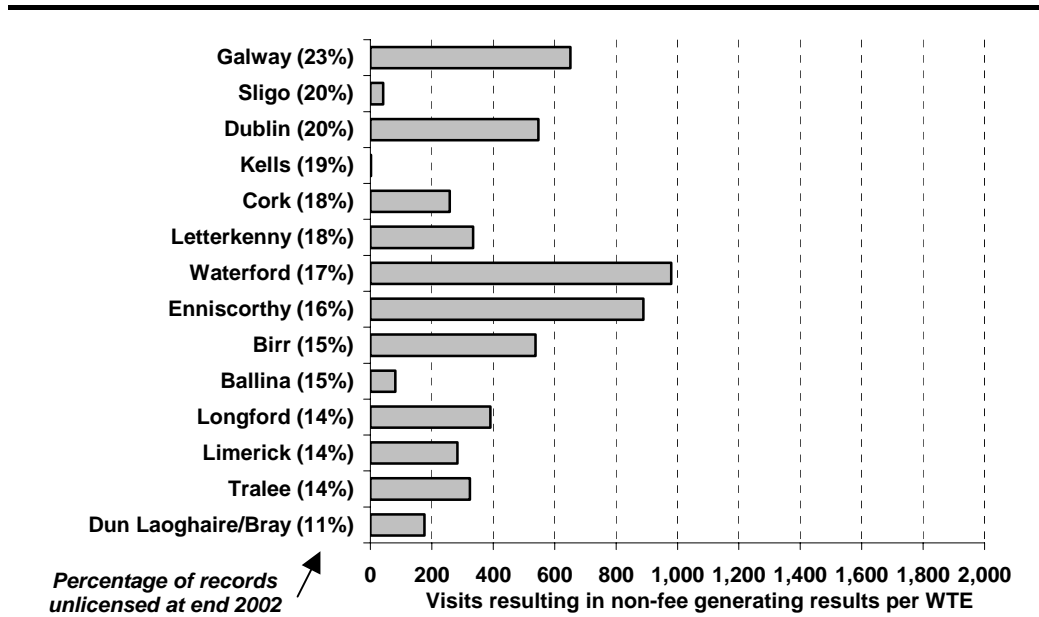
- Average detections of licence fee evasion in Dublin — at over 3,000 licences per WTE inspector, worth around €20,000 — were higher than anywhere else. This may reflect the large pool of unlicensed premises in Dublin, and the concentration of premises in a small area.
- Some areas, with similar percentages of records unlicensed, have very different rates of detection. For example, on average, inspectors in the Birr region detected about three times the number of payable fees detected by inspectors in the Ballina region, even though the percentage of unlicensed premises is around the same level, and the inspectors in the Birr region are covering larger geographic areas.

3.54 There is a range of other outcomes of inspectors visits where collection of a licence fee is not required or where prosecution cannot be initiated. Examples of such non-fee generating outcomes are

- where the premises was reported not found
- the premises was reported vacant
- the occupier declared that no set was held on the premises
- a current licence was produced
- a casual visitor declared that there was a television on the premises (in these cases, a further visit is required to make contact with the occupier, before a prosecutable report can be submitted).

Figure 3.11 compares the incidence of these results across regions.

Figure 3.11 Average number of visits per inspector, where non-fee generating results are achieved, by region, 2002



Source: Analysis by Office of the Comptroller and Auditor General
 Note: Inspection results where no attention with the occupant was recorded are excluded from analysis due to the variability in recording practice between regions

3.55 The incidence of non-fee generating results was higher in the Waterford and Enniscorthy regions than in any other region. It is not obvious why the incidence of such results is so high in these regions and so low elsewhere.

3.56 The degree of variability in the patterns of inspection results suggests that practice in some inspection regions is significantly more effective than in others. On this evidence, there is both a need and a clear opportunity to improve overall effectiveness in pursuing evaders, to secure increased revenues and prosecutions.

Prosecution of Evaders

3.57 Possessing a television set without holding a current television licence is a summary criminal offence, which may be tried in the District Court. An Post has been granted the power (under Ministerial Order) to bring summary proceedings against evaders.

3.58 Individuals detected with an unlicensed set are not automatically prosecuted. An opportunity is provided, particularly in the case of first time offenders, to pay the licence fee and only those who persist in refusing to pay are prosecuted. Letters are sent to detected individuals shortly after detection of an unlicensed set, warning them of imminent prosecution if they do not purchase a licence. If a purchase does not occur within a month or so, an application is made to the relevant District Court for a summons to issue. Summonses are issued by registered post. Court hearings may occur up to a year after an inspector files a prosecutable report.

Prosecution activity should be recorded on the licence database

3.59 Prosecution cases are processed by administrative staff in each of the 14 regions. An Post is represented in court hearings by its own company solicitor in the Dublin region and by the relevant State Solicitors in the other regions.

3.60 The maximum fine liable to be levied on a person convicted of not having a licence is €35 in the case of a first offence, and €1,270 in the case of a second or subsequent offence. Fines collected are paid to the Exchequer, rather than to An Post. Even where the fine is paid, the licence fee may remain outstanding. In these circumstances, there is a limited incentive for An Post to prosecute cases.

3.61 The details of legal proceedings in licence fee evasion cases are not recorded by An Post on its licence database. As a result, it is difficult to analyse prosecution outcomes. For the purposes of this examination, information about proceedings was extracted by examining how cases of evasion detected in the Dublin region in February 2002 and August 2002 were disposed of.

Likelihood of Legal Proceedings

3.62 In 2002, summonses were applied for in about 21% of all cases where prosecutable reports were filed by inspectors in the Dublin region — a total of around 6,000 summonses. The corresponding figures for other regions are not available.

Prosecution commenced against 6,000 evaders in the Dublin region in 2002

3.63 The main reason that summonses were not sought in prosecutable report cases is that a significant proportion of evaders detected bought licences in the time allowed between detection and issue of summonses. Analysis of the February and August detections in Dublin shows that around 61% of evaders detected purchased licences before summonses were applied for.

3.64 Up to the middle of 2002, An Post operated a policy of limiting the number of summonses applications for administrative and cost reasons. The limit for the Dublin region was 500 summons applications per month. As a result of this policy, summonses were not sought in 32% of cases listed for prosecution in February 2002, even though no licence was purchased. This policy significantly reduced the summons application rate, and the likelihood of an evader being prosecuted.

3.65 The limit on applications for summonses was lifted in mid 2002, after which all prosecutable cases were to result in issue of a summons, unless the occupier purchased a licence. As a result, the proportion of cases detected where a summons application was made was 35% in August 2002, compared to 25% in February 2002.

Results of Legal Proceedings

3.66 Just over half of the summonses issued by the Dublin District Court in relation to February and August 2002 cases were returned to An Post without having been served. No further action was taken in those cases. Analysis indicates that a very small percentage of the persons in question in those cases subsequently purchased a licence.

Over half of summonses issued in the Dublin area were returned unserved

3.67 Around 10% of cases where summonses were issued were struck out or dismissed. The circumstances leading to these results are not known. A further 4% of cases were struck out where defendants had purchased television licences and paid all outstanding licence arrears.

3.68 Fines were imposed in around one third of the cases where summonses issued. The average fine was €174. In addition to the fines imposed, costs of €15 were awarded to An Post in most cases.

Where evaders were convicted, the average fine imposed was €174

3.69 Where defendants had purchased a current licence, but arrears were still outstanding, fines and costs were imposed, but the average fine imposed was lower — an average of €11, compared with an average of €189 where a licence had not been purchased prior to the court hearing.

Following Up on Prosecution

3.70 Prosecution does not mean the offender automatically purchases a licence. Only 4% of evaders detected in February and August 2002 who were subsequently fined in court purchased a licence in the three months after the court date.

Few licence fee evaders purchased a licence following conviction

3.71 When a summons is applied for in an individual case, the database record is marked with a 'stop' indicator. This is used to prevent further correspondence and inspection activity in relation to the premises in question. If the occupier subsequently purchased a licence, the 'stop' indicator was automatically removed, otherwise the 'stop' indicator remained in place. While An Post carried out an annual exercise where all stops were removed from the database, they could remain on file for up to eleven months after the court hearing.

3.72 In the sample of February 2002 prosecution cases reviewed for this examination, court hearings were held in March 2003. In all cases where a licence had not been purchased by the end of October 2003 — seven months after the court hearing — the stops were still active. An Post have stated that 'stop' indicators are now removed following the relevant court cases.

3.73 In the UK, the licensing agent monitors prosecutions and follows up cases where a property remains unlicensed. As a matter of policy, the BBC continues to pursue evaders if they do not buy a licence after prosecution and will continue to prosecute where they are likely to receive increasingly higher fines for the second and subsequent convictions.

Appendix

Appendix A Estimation of Television Licence Fee Evasion Rate

Measuring licence fee evasion rates requires the estimation of the number of licensable premises in the State, and identification of the number of such premises in respect of which current television licences are held. In estimating the number of licensable premises, a distinction may be made between licensable households and licensable businesses (including commercial premises, residential institutions, clubs, etc.). However, it should be noted that where a premises is occupied by both a household and a business (e.g. a family-run pub or bed-and-breakfast business), separate television licences are not required.

Licensable Households

Number of Households

The periodic census of population carried out by the Central Statistics Office (CSO) is the most reliable source of data in estimating the number of households in the State. The most recent censuses were carried out in April 1996 and April 2002. These indicated that the total number of households in the State was 1.12 million in 1996 and had increased to 1.29 million in 2002 — an increase of 28,000 (2.5%) a year.

The number of households at points in time between censuses must be estimated. The CSO estimates the number of households in the State on a quarterly basis, based on the estimated population and household size. When compared to the census of population counts of households, these estimates⁶ are found to overestimate the number of households in the second quarter of 1996 and 2002 by around 2.9%.

For the purposes of calculating licence fee evasion rates, end-year estimates of number of households were derived for the period 1998 to 2002 by interpolation of the CSO's second quarter estimates of household numbers, adjusted down by 2.9%.

Television Penetration Rate for Households

The CSO's Household Budget Survey 1999-2000 report included estimates of the proportion of households with one or more televisions in the periods 1994-1995 (98% of all households) and 1999-2000 (99% of all households). For purposes of calculating the licence fee evasion rate in the period 1998 to 2003, it was therefore assumed that 99% of all households nationally had televisions — and thus were licensable — during that period.

Figure A.1 sets out the estimated number of households each year and the estimated number with televisions.

⁶ The Quarterly National Household Survey commenced in Sept-Nov 1997, previous estimates of numbers of households were provided in the annual Labour Force Survey.

Figure A.1 Estimated number of households and television holding, 1998-2003

Year	Estimated number of households (thousands)		
	with televisions	without televisions	All
1998	1,190	12	1,202
1999	1,210	12	1,222
2000	1,238	12	1,250
2001	1,259	13	1,272
2002	1,296	13	1,309
2003 (end June)	1,312	13	1,325

Source: Central Statistics Office

Licensable Businesses

Separate television licences are required for each business premises where a television receiver is held for use.

Neither the number of business premises nor the proportion of business premises which have televisions is reliably known. In An Post's database of licence holders, there is no record marker to indicate whether a premises is a household or business premises (or a joint household/business premises). Because of this lack of information, An Post initiated two processes in 2003 designed to identify licensable business premises and to secure licence sales where a current licence is not held.

Postal Survey of Businesses

An Post purchased a commercial listing of addresses of Irish businesses and businesses/residences. The total number of businesses listed was 157,500.

An Post was able to establish from its own database that around 4,000 of the listed businesses already had current television licences. It issued a mail shot in August 2003 to the remaining 153,500 businesses, asking them to complete a statutory declaration stating whether or not they held a television for use on their premises, and if so, whether or not they had a current licence.

Around 5,300 of the letters issued were returned undelivered for a variety of reasons — mainly because the business had moved away from the address, or the address was incorrect or incomplete.

Of the remaining 148,200, a total of 36,400 replies have been received so far. Of these, 59% of respondents (21,300) have declared that they do not have televisions at their premises, while 41% (15,100) have declared that they do have televisions. The number of these that are joint business/household premises is not known.

The response rate so far represents 27% of the total 'valid' business addresses and 111,800 replies are still outstanding. Because the speed of response may be biased — those without televisions, or those with current licences may be quicker to respond than those with televisions but without

licences — it may be premature to draw firm conclusions about the television penetration rate for businesses.

However, even if no other business declares possession of a television set, at a minimum, 19,100 (12.6%) of the valid businesses addresses identified are licensable. It is unlikely that all the businesses that have not yet replied possess televisions, but the response so far suggests that a considerable number may have. Consequently, the television penetration rate in business is almost certainly significantly higher than 12.6%.

Business Premises Inspections

A separate exercise involving inspection visits to a sample of businesses is also being carried out by An Post. It randomly selected 10 business sectors from the database of 157,500 business addresses, and then selected 400 businesses, spread throughout the State, from each of the sectors. This yielded a total of 4,000 business premises for visits.

So far, the results of around 3,000 of the inspection visits are known. Around 13% of the addresses were recorded as being incorrect or untraceable. Of the remaining 2,600 businesses visited, 78% were found not to have television sets and 22% had sets. Of those that had sets, 86% possessed a current licence.

Because the sample was restricted to 10 business sectors, its representativeness cannot be established. The sectors selected did not include those (such as pubs, hotels and guest houses) where there is a known very high television penetration rate. The sample results may therefore under-estimate the true television penetration rate.

Number of Licensable Businesses

For the purposes of this examination, it was assumed that the number of separate businesses in mid-2003 was 152,300. For earlier years, the number of businesses was estimated on the basis of the rate of change in the number of Corporation Tax returns issued each year by the Revenue Commissioners. In the period 1998 to 2002, this averaged 8% a year.

It was assumed that the number of business premises where televisions are kept for use was a constant 25% of the total number of businesses over the period 1998 to 2003.

Figure A.2 Estimated number of businesses and television holding, 1998-2003

Year	Estimated number of businesses (thousands)		
	with televisions	without televisions	All
1998	27,000	80,800	107,800
1999	29,100	87,300	116,400
2000	31,400	94,300	125,700
2001	34,000	101,800	135,800
2002	36,700	109,900	146,600
2003 (end June)	38,100	114,200	152,300

Source: Analysis by Office of the Comptroller and Auditor General

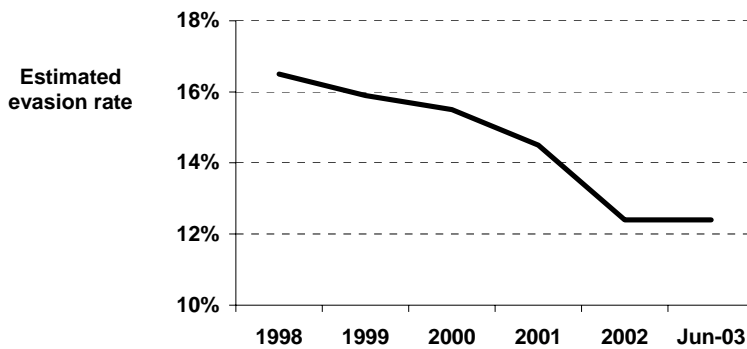
Current Television Licences

Traditionally, An Post considered a premises to be licensed when the occupier of the premises was in possession of a current television licence or the previous licence for the premises was less than six months out of date. For the purpose of calculating evasion rates, this definition of licensed properties is used.

Estimated Evasion Rate

Figure A.3 presents the estimated rate of evasion at year-end over the period 1998 to June 2003.

Figure A.3 Estimated licence fee evasion rate, 1998 to June 2003



Source: Analysis by Office of the Comptroller and Auditor General
 Note: Estimates of evasion rates relate to year end figures except for June 2003.