



The BBC Trust's conclusions on the economic aspects of the use of Premium Rate Services by the BBC

Including a report by PricewaterhouseCoopers on the economic aspects of Premium Rate Services

BBC Trust's conclusions

Summary

In October 2007 the Trust commissioned a report from PricewaterhouseCoopers (PwC) LLP on the economic aspects of Premium Rate Services (PRS). This paper sets out the Trust's conclusions on that report and the BBC Executive's response. The PwC review is published today as part of the Trust's conclusions.

As one of its specific findings, the PwC review identified the practice by Audiocall (a trading division of BBC Worldwide) of retaining all money raised from telephone calls when voting lines were closed, including money that could be due to charity. In response, the Trust commissioned a further investigation by its independent legal advisers, Baker & McKenzie LLP¹, assisted by PwC.

The investigation led by Baker & McKenzie LLP has established that there is no evidence of legal impropriety on the part of the BBC. However, it has raised serious issues which have been addressed.

In all its actions, the Trust places the audience first. There are a wide range of programmes that use PRS carried on the BBC's services, many of them much loved by the audience. Today's findings do not imply that there is anything wrong with those programmes, but the systems that support the use of PRS needed to work better. Nor should today's findings diminish the very large amount of money raised by BBC audiences for charity (approximately £8m alone from PRS in the period covered by the PwC Review).

However, it is a central plank of the relationship with the audience that they should feel confident that when they participate in competitions, or votes where money is destined for charity, every penny owed to those charities will make it there. Between October 2005 and September 2007 this did not happen when callers mistakenly voted when lines were closed. In one case an editorial failing in a programme (*Making Your Mind Up 2007*) led to large numbers of the public calling when lines were closed. Although individual sums in individual cases were small,

¹ In accordance with the Trust Protocol for investigations, the Chairman informed the Director General of the investigation. He asked the Director General to assist him as part of a steering group along with Jeremy Peat (the then chair of the Trust Fair Trading Committee) and David Robbie (non-executive director and chair of the Audit Committee).

cumulatively the amount that should have gone to charity was £106,000 (around 1.3 per cent of the total money raised for charity from the use of PRS).

This practice was wholly wrong and is a matter of regret to the whole BBC.

The Trust has concluded that in view of the serious nature of the failings identified the BBC should apologise publicly and on air to the viewers and charities involved.

The sums due to charity have been repaid, with interest. The practice has ceased since September 2007. Since mid 2007 the Director General has been putting in place a range of safeguards regarding PRS and will also take additional measures to ensure that a repeat occurrence can not happen in the future.

In addition, the Director General has been asked by the Trust to decide whether a small number of BBC Worldwide staff should be considered for potential investigation under BBC Worldwide's disciplinary procedures. The Director General has also been asked to consider the wider lessons and whether staff needed to be offered additional guidance as a result of this report.

The matters raised within the PwC review have been subject to consideration by the Trust's Editorial Standards Committee and the Public Value and Fair Trading Committee

The PwC Review and Baker & McKenzie LLP investigation

As established by the publicity around the issue in summer and autumn 2007, PRS has been widely used by a variety of broadcasters for the purposes of competitions and interactivity with audiences. In the case of the BBC, PRS has not been used to generate a profit for the BBC's programmes (although commercial service providers for PRS who handle the calls, including Audiocall, do make profits). The BBC does use PRS to raise money for charity, and in the period covered by their review, PwC estimate £8m was raised for good causes from the use of PRS.

Given the level of concern around the editorial use of PRS, the Trust's Fair Trading Committee also believed that it would be prudent to examine the economic aspects of the use of PRS by the BBC, in order to assure itself that appropriate systems were in place and operating effectively to the benefit of audiences. In October 2007, the Trust commissioned its fair trading auditors, PwC, to report on this issue. The PwC review focussed mainly on the relationship between the BBC's public services and the principal supplier of PRS services to the BBC, Audiocall (a trading division of BBC Worldwide).

The PwC review was presented to the Trust in December 2007. The Trust is publishing its findings under cover of these conclusions, but essentially PwC found that:

- There was no overall policy for the use of PRS (although some individual policies were in place); a lack of clear responsibility for PRS; inconsistent means of handling residual revenues and tendering procedures; and insufficient arrangements for the contracting for PRS service.
- There was a very large “spike” in calls when the voting lines were closed in respect of the 2007 *Eurovision: Making Your Mind Up*. This led to a review by the Trust’s Editorial Standards Committee.
- It was the practice of Audiocall to retain revenue that could have been due to charity from calls received outside the voting window (“the Practice”). PwC advised that this could be perceived as improper conduct.

As a result of the recommendation about potential improper conduct in relation to the Practice, the Trust sought legal advice from Baker and McKenzie LLP and launched a formal fact finding investigation in December 2007, which was completed in April 2008. The investigation looked at a longer timescale than the PwC review, with the aim of establishing when the Practice started, its extent and if anyone knew about it or authorised it.

Baker & McKenzie LLP were able to conclude that there is no evidence of legal impropriety on the part of the BBC.

The investigation was able to determine that the Practice began around October 2005, when Audiocall contracts were changed. Prior to this date payments due to charity were made from calls received outside the window. The Practice ceased in September 2007.

The Trust’s findings

The Trust’s Editorial Standards Committee has considered whether the BBC as the broadcaster of the affected programmes has breached the BBC’s Editorial Guidelines and has reached the following findings. These will be published in full in the May Editorial Standards Bulletin:

- The Committee accepted that the programme teams and departments in the relevant UK public services were not conscious of the practice by Audiocall of retaining the charitable element of the cost of a premium rate service call when phone lines were closed. This occurred for some television programmes from October 2005 to August 2007. However since the broadcaster is responsible for what it says on air there was a breach of the Editorial Guidelines regarding accuracy and interacting with audiences. Notwithstanding the fact that the BBC programme teams did not realise that the charitable portion was withheld, the ESC found that the breaches were nonetheless serious and repeated over time.

- During 2005 and 2006 in some programmes the BBC did not explicitly set out on air that when viewers rang in to vote and the lines were closed their vote would not count and they would still be charged as the cost of the call had to be met. This was a breach of accuracy. However the Committee accepted that it was not technically possible at the time (although it is now) to prevent viewers being charged if they rang in when the line was closed and that the present guidance which makes it clear exactly what should be said on air was not in place
- *Eurovision: Making Your Mind Up 2007* – breached Editorial Guidelines on accuracy and interacting with audiences. An inaccurate statement as a result of an error during the programme led to a sharp increase in votes cast when lines were closed and consequently audience members spent money placing calls where their vote was not counted. The charitable portion of the cost of the call was retained by Audiocall. The ESC concluded however that the vote was still robust as those who rang in would have been told that their vote had not been counted.

The Trust's main conclusion is that £106,031 should be repaid to charity plus interest as determined by the Trust (a total of £117,465). In addition the whole of the sum generated as a result of the editorial breach on *Eurovision: Making Your Mind Up* should be donated to the charity that stood to benefit on the night, Children in Need, with interest (an additional £6,090).

An on air apology should be made because of the serious nature of the failings identified.

The scope of the confidential investigation, focused on the BBC, was limited to Audiocall's relationship with the BBC. Although other providers of PRS account for only a small proportion of the BBC's PRS use, the Trust has asked the Executive to obtain assurance from other companies contracted by the BBC to provide PRS that the Practice has not occurred and will not occur in the future in their businesses. If the Practice has occurred, the Executive should use their best efforts to ensure appropriate repayments from those private contractors to charity.

The Trust's Public Value and Fair Trading Committee (PVFTC) has come to two conclusions in respect of the PwC review:

- Going forward suppliers of PRS should not be able to cross-subsidise between contracts unless suppliers have the same opportunity to bid for work on the same basis. We expect the Executive's new Interactive Advice and Compliance Unit to ensure this happens (ICAU - see below).
- The lack of formal contracts between the public service and BBC Worldwide (Audiocall) is a clear breach of the fair trading guidelines and should be remedied by requiring contracts be put in place. We understand

contracts are now in place and expect the Executive's new Interactive Advice and Compliance Unit to ensure this happens going forward.

This is an area the Trust will revisit as part of its annual fair trading audit to ensure systems are working in practice.

Avoiding the problems identified in future and corrective action

The BBC Executive have been developing their plans to avoid repetition of the issues including the establishment of an Interactive Advice and Compliance Unit which will be responsible for authorising all use of PRS in future. More detail about the extensive action taken by the Executive is set out in the Independent Evaluation of the BBC's Action Plan published by the Trust today.

The Trust is satisfied that these new measures will avoid a repetition of the issues and combined with the specific actions being taken by the Director General as a result of this review and investigation will provide robust PRS systems in future.

BBC Trust
May 2008

BBC Executive's Response

to the report by PricewaterhouseCoopers on the economic aspects of Premium Rate Services

The BBC Executive welcomes the PricewaterhouseCoopers (PwC) report, which highlights clear shortcomings related to the historic use of Premium Rate Services (PRS) at the BBC. The PwC Report is extremely thorough and gives depth and detail to the issues addressed in the Independent Evaluation of the BBC's Action Plan Editorial controls and compliance Report, which is also published today.

In the report, PwC highlighted serious shortcomings in Audiocall during the period under review. In the light of these issues – and the problems identified in the use of PRS last year – the BBC has undertaken a comprehensive review of its handling of all forms of interactivity and, in particular, its use of Premium Rate Services. The report has reinforced the need for the programme of remedial action already being undertaken by the Executive.

In light of this, the BBC has established a new in-house centre of advice and compliance for interactivity. This Unit will work with production areas to oversee the use of interactivity and to offer advice regarding the use of telephony and interactivity during programmes. It will also ensure all such interactivity is fair trading compliant. The Unit has the following responsibilities:

- The review of BBC wide tariffs for the use of Premium Rate Services
- The distribution of any revenue to charity
- The management of all telephony contracts and the selection of service providers
- The establishment of a central database for the retention of all relevant information around the BBC's use of premium rate and non-premium rate telephony and mobile interaction

The Unit will carry out ongoing verification of all BBC premium rate activity including; working with independent third parties where appropriate and will work closely with BBC Editorial Policy.

In addition, the BBC Executive has also taken the following measures, which are addressed in the Independent Evaluation of the BBC's Action Plan Editorial Controls and Compliance Report:

- The introduction of a detailed new BBC wide compliance and approvals system for competitions, voting and awards and training for all staff involved
- A detailed review of all contractual arrangements with service providers
- The publication of a code of conduct for our audiences on the principles of interaction

PwC highlighted the issue of an irregularity in the procedures in place at BBC Worldwide for the distribution of telephony revenues earmarked for charity. Over the period from October 2005 to August 2007, £106,000 had been mistakenly retained by Audiocall in relation to calls made outside of the window in which votes were counted. Whilst this represents only 1.3 per cent of the approximately £8 million of monies raised for charity through BBC telephone votes during the period, it was clearly unacceptable and the BBC Executive unreservedly regrets this occurred. When this was brought to light, the BBC immediately took steps to identify the extent of the issue and to pass the revenue to the charities concerned.

In one instance concerning Eurovision: Making Your Mind Up 2007, this problem was compounded by a mistake in a live programme, resulting in an abnormally large number of votes falling outside the voting window. The BBC Executive has reported on this incident in full to the BBC Trust's Editorial Standards Committee (ESC). The ESC has now decided that the programme breached Editorial Guidelines by failing to give accurate information about when votes would or would not count, and when they would or would not be charged for. This is clearly a matter for regret. A technical solution has been in place since September 2007 to coordinate the closing of telephone lines with the closure of a voting window and thereby prevent charges for calls outside the voting window.

PwC make a number of recommendations and observations which the BBC already has, or will be taking fully on board:

No overall policy existed in respect of Premium Rate Services and the setting of call rates

The use of Premium Rate Services is covered in the BBC Editorial Guidelines which specify that: "we should normally ensure that premium rate calls are priced at the lowest tariff." The BBC notes PwC's observation that the BBC does not, and has never operated telephony services as a revenue stream for programmes. The BBC does not run Premium Rate Services with the aim of generating revenue unless specifically raising funds for BBC charitable appeals, in line with BBC Guidelines. This principle has now been buttressed by detailed Editorial Policy Guidance.

BBC Management notes that PwC has found a high level of awareness of this core principle amongst production teams. PwC also established that the vast majority of the BBC's use of Premium Rates Services, which was not specifically designed to raise money for charity, was priced at very low tariffs. 74 per cent "was at a call rate of 25p or below. Higher call rates were only used where PRS was used for fundraising... the rates for BBC PRS [are] typically significantly lower than for

commercial broadcasters”.

In December 2007 the BBC announced that all Premium Rate Services for voting and competitions would be capped at 15p, unless specifically designed to raise money for charity.

Decisions to set call rates at a tariff designed to raise money for charity

In January 2008, the BBC tightened its policy on the use of Premium Rate Services for charity fundraising. Historically a number of high profile entertainment shows had set rates for audience interactions, such as voting, at slightly more than the lowest viable tariff – usually 25p - in order to raise funds for BBC charitable causes. The new BBC policy guidance states that: “the lowest viable tariff must be used. The only time, in exceptional cases, where we may use a higher tariff is to raise funds for a BBC charitable initiative. In such cases the editorial content of the programme must relate directly to the charitable cause; and any such proposals must be cleared at Director Level and referred to the Chief Adviser, Editorial Policy in advance.” Therefore, any such proposals going forward must have high level sign-off from both BBC Divisional Directors and Policy.

Calls made outside the voting window

The report identified one programme with a higher than normal number of calls registered outside the voting window. As soon as this issue was raised with the BBC, we investigated the matter and concluded that audience information was not as clear as had been planned due to a regrettable breakdown in communication in a live environment.

Following a detailed examination of the relevant programme, the BBC believes the situation was exceptional and could not recur. In addition, last year the BBC and the telephony industry started to work together to implement a technical solution ensuring that callers would not be charged if their call registered outside the voting window. This was applied to all BBC voting programmes from September 2007 and furthermore is stipulated in all contracts for such programmes. The PwC report acknowledges that: “the latest BBC contract we have seen requires callers not to be charged for calls made outside the voting window”. Also on-air audience information had been considerably strengthened.

Residual revenue

The BBC has adopted a new procedure to clarify passing residual revenue to charity. The BBC Charity Appeals Adviser is now consulted in all circumstances where monies will be donated to BBC charitable appeals.

Contracting and tendering

The BBC had already recognised that formal contracts had not always been put in place with Audiocall. In July 2007 the BBC gave responsibility to a senior business affairs executive to review the contractual arrangements with service providers, including Audiocall. The BBC has also ensured that its production agreements with independent producers give BBC approval of all service provision arrangements undertaken by such producers. In addition since January 2008, following a BBC review of the market in both mobile and fixed line service provision, the BBC has been conducting benchmarking of service provision by continuing to tender where appropriate. It is the intention to conduct a formal EU wide procurement for telephony service provision as part of the establishment of the Interactive Advice and Compliance Unit. The BBC welcomes PwC's acknowledgment that: "The BBC does seem to be making a concerted effort to ensure the wider use of contracts and assess the merits of tendering".

BBC Executive

May 2008



Economic aspects of the use of Premium Rate Services by the BBC

**Report dated 5 December 2007 with redactions
9 May 2008**

Important notice

This report has been prepared by PricewaterhouseCoopers LLP ("PwC") for the BBC Trust in connection with "economic aspects of premium rate services" under the terms of the PwC engagement letter with the BBC Trust dated 22nd October 2007 (the "Engagement").

PwC submitted a report to the BBC Trust on 5th December 2007 based upon a review carried out between 22nd October 2007 and December 5th 2007. Shortly after we delivered our report, Audiocall provided us with additional information about their work for the BBC in 2005/06. This has been reflected in the figures presented in this version of the report. Further, in response to the report, the BBC provided additional information in February 2008 and March 2008. Amendments or redactions to the 5th December 2007 report, based upon this new information, are identified in footnotes in this version of the report dated 9th May 2008. We have not made any further comments or references to BBC activities, whether by the BBC Trust or the BBC Executive, undertaken in response to the 5th December 2007 report.

This report contains information obtained or derived from a variety of sources as indicated within the report. We have not carried out anything in the nature of an audit nor, except where otherwise stated, have we subjected the financial or other information contained in our report to checking or verification procedures. Accordingly no representation or warranty of any kind (whether express or implied) is given by PwC to any person (except to the BBC Trust under the relevant terms of the Engagement) as to the accuracy or completeness of the report. Moreover the report is not intended to form the basis of any investment decisions and does not absolve any third party from conducting its own due diligence in order to verify its contents.

Redactions to the public version of the report are marked with scissors [✂] in the text.

PwC accepts no duty of care to any person (except to the BBC Trust under the relevant terms of the Engagement) for the preparation of the report. Accordingly, regardless of the form of action, whether in contract, tort or otherwise, and to the extent permitted by applicable law, PwC accepts no liability of any kind and disclaims all responsibility for the consequences of any person (other than the BBC Trust on the above basis) acting or refraining to act in reliance on the report or for any decisions made or not made which are based upon such report.

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1 Executive summary

1.1 Context and scope of the review

The use of premium rate telephony services (PRS) across the media has been the subject of considerable scrutiny in recent months. A number of reviews have been conducted both within and outside the BBC that have examined the BBC's use of PRS.¹ Ofcom's Ayre Report collated information on the economic aspects of the use of PRS by the broadcasters; limited information was received from the BBC.²

The BBC Trust commissioned a review of the BBC's compliance with editorial standards, which is being conducted by Ron Neil (the Neil review). The Neil review examines whether BBC management's actions and changes to procedures will ensure the BBC can and will comply with the BBC Editorial Guidelines and industry regulations.

1.2 Scope of the review

PricewaterhouseCoopers LLP (PwC) was asked to conduct a review of the economic aspects of PRS use on behalf of the BBC Trust Fair Trading Policy and Appeals Committee (FT PAC) following its meeting in October 2007. Our review is one of the inputs into the Neil review.

The review establishes a factual picture of the BBC's PRS activities by answering a number of key questions set by the FT PAC:

- What is the scale and scope of the use of PRS by the BBC? How is expenditure distributed between media and genres?
- How are PRS services priced to viewers and how are these prices determined?
- Which service providers does the BBC deal with? How are they chosen?
- How are revenues from PRS services distributed? Is the BBC earning profit, above what is collected for charitable purposes?
- What incentives are put in place by the contracts held by the BBC? How is compliance with regulations ensured?

Our review does not assess compliance with the regulatory regime which governs the BBC and third parties.

The review covers all forms of PRS across the whole range of the BBC's output. As described in the following section, we have collected data relating to all significant PRS use by the BBC of which we are aware between April 2005 and March 2007. Conducted between 22nd October 2007 and 5th December 2007, our analysis is based on 13 interviews and data provided by the BBC, Audiocall (a subsidiary of BBC Worldwide) and [an independent charity], and a review of a sample of contracts

¹ Including, but not limited to, the Deloitte Review of Premium Rate Telephony Services Programming for the BBC Management, Premium Rate Telephony and Associated Issues, Final report from the BBC Director General to the BBC Trust, May 2007, and the "Report of an inquiry into television broadcasters' use of premium rate telephone services in programmes" produced by Richard Ayre for Ofcom, June 2007.

² "Report of an inquiry into television broadcasters' use of premium rate telephone services in programmes" produced by Richard Ayre for Ofcom. See footnote 3.

entered into by the BBC. Aside from information provided by [an independent production company]³ and [an independent charity], our work is based upon a BBC perspective of the use of PRS. On advice from the BBC Trust Unit (advising the FT PAC), we have not spoken with PRS service providers other than Audiocall or telecommunications companies given the commercial sensitivity of the issues.

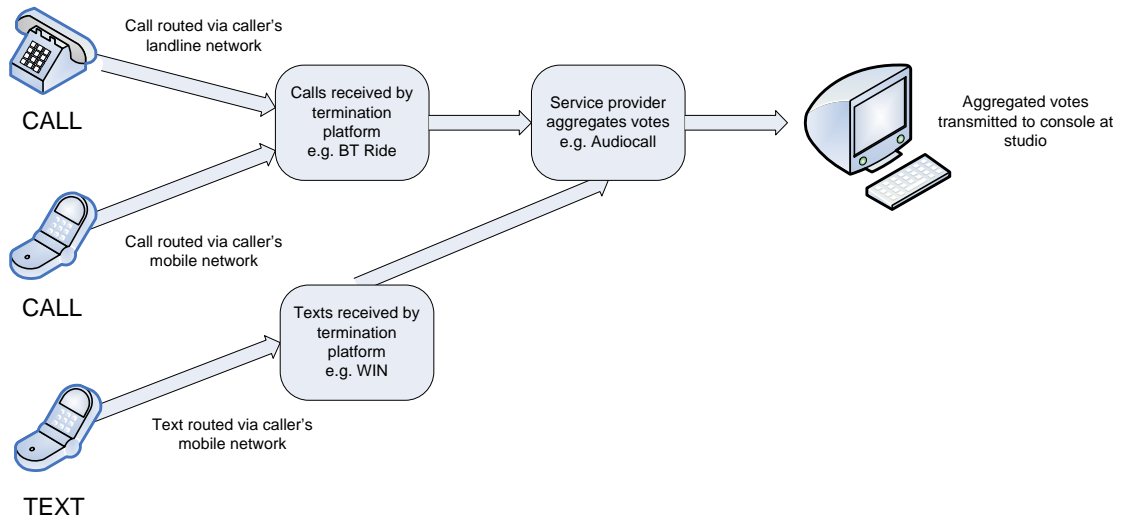
1.3 How PRS works

PRS refers to any service provided over a telephone line for which a charge is added to the caller's phone bill. It is a means for handling a very high volume of calls, and offers functionality, such as vote counting, that would not be available using calls at national rates, hence the term "premium". PRS is used by broadcasters to provide services such as voting, competitions and charitable fundraising. It can also be used for a variety of other services, such as mobile ring tone downloads, horoscopes, sports results and directory enquiry services. PRS services can be used by fixed or mobile telephones and are charged to the user's telephone bill. Tariffs for these types of calls are typically above standard rates for local or national calls. This includes numbers beginning '09' and some mobile SMS short codes.

The rates for BBC PRS are typically significantly lower than for commercial broadcasters. The Ayre Report provides examples of call rates for major non-BBC PRS use which range from 35p to £1 per call.⁴ Although the BBC sometimes uses higher call rates for charity fundraising, tariffs are typically set at 25p or below. The BBC's Editorial Guidelines state that the rates should "normally ensure that premium rate calls are priced at the lowest tariff. They should not normally be used to generate a profit with the exception of BBC charity appeals".⁵ By contrast, other broadcasters have used PRS as an additional revenue source above others, such as advertising and programme sponsorship.

Figure 1 below illustrates how PRS works for a typical audience vote.

Figure 1: How PRS works - audience vote example



Source: PwC via discussions with BBC management and various third party sources.

³ We selected a sample of programmes to review (see below).

⁴ Cited in figure 4.4 of the Ayre report, Page 14.

⁵ <http://www.bbc.co.uk/guidelines/editorialguidelines/edguide/interacting/telephoneservic.shtml>

A caller will dial a telephone number which has been allocated to a particular contestant (or similar, for example a building in the Restoration programme). Calls are received by a call termination platform. Texts are passed via an alternative platform. Call data is then passed to the service provider, for example Audiocall (part of BBC Worldwide), who aggregates the votes and conveys the information to the production team.⁶

1.4 Key Findings

We found no single database containing information relating to the BBC's use of PRS and no apparent single point of contact for PRS use across the BBC. We therefore approached a range of parties within the BBC, and brought together data from a variety of sources. We obtained data relating to 46 PRS services used in the period between April 2006 and March 2007 (during which the information we have seen suggests that at least 340⁷ PRS services were used by the BBC), and 24 PRS services used in the period between April 2005 and March 2006 (during which the information suggests that at least 325⁸ PRS services were used by the BBC). To the best of our knowledge, the remaining 300 or so PRS services in each year operated on a small scale. For example Audiocall's data reviewed accounted for around [%<] percent of their revenue from the BBC over the two-year period, even though it only covered [%<] percent of services ([%<] out of 639).

As such, it is difficult for us to be sure that the information we obtained is fully comprehensive. However, we have collected data relating to all significant PRS use by the BBC of which we are aware between April 2005 and March 2007.⁹

Where possible, we quote figures for the entire two-year period ending March 2007, but in some instances our data for the total period is less comprehensive, and we use figures which relate to April 2006 to March 2007 only. In the rest of this sub-section we summarise the key findings in relation to: (a) key statistics of PRS use at the BBC; and (b) PRS policy and contractual arrangements.

1.4.1 Scale and scope of PRS activities by the BBC

The information we collected showed that:

- Callers spent at least £16.1m¹⁰ on BBC PRS between April 2005 and March 2007.
- There was a significantly higher volume of PRS expenditure between April 2006 and March 2007 (at least £10.5m) than during the previous year (at least £5.7m).

Particular events can drive a significant volume of PRS expenditure, and explain the difference in expenditure between the two years. Between April 2006 and March 2007 there was an annual Comic Relief event, a Sport Relief event and a series of Restoration, all of which generated significant PRS expenditure, none of which had occurred in the previous financial year.

⁶ Audiocall sometimes refers to itself as a 'virtual service provider', since it does not operate its own call platform. Some service providers are vertically integrated, including their own call termination platform infrastructure.

⁷ This figure includes all of the programmes for which we were able to obtain detailed information (including some where services were provided by Audiocall and others where they were not) plus Audiocall's estimate of the number of additional services it provided to the BBC.

⁸ As above.

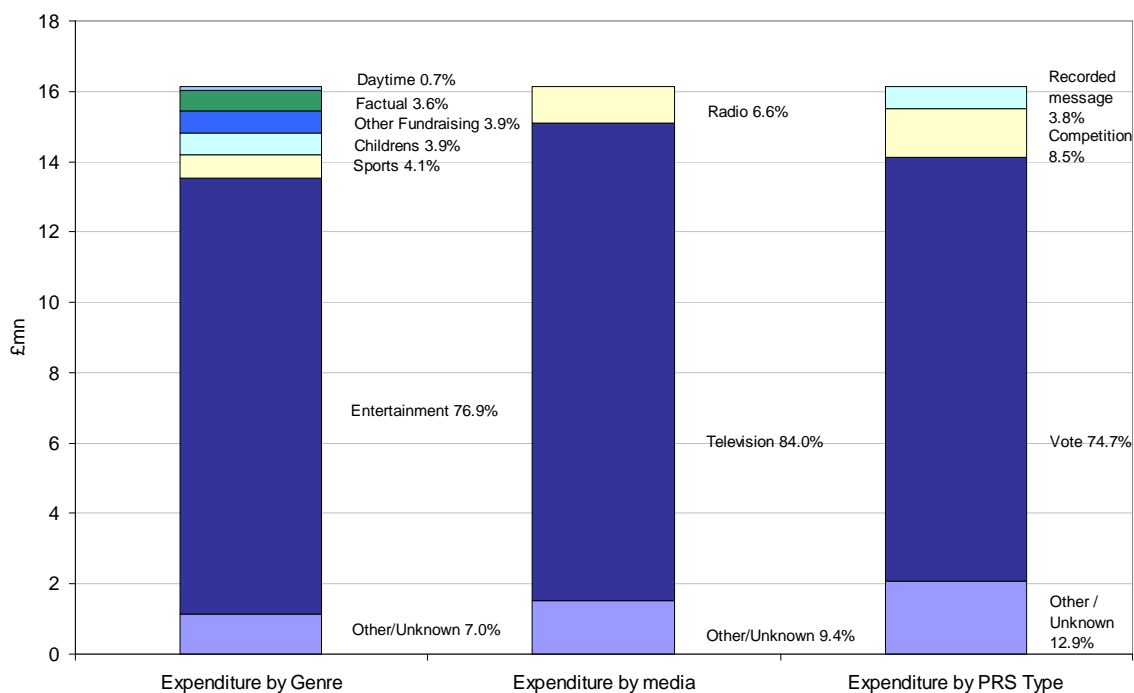
⁹ For details of the data collected, and how it was used, please see Appendix I.

¹⁰ Shortly after the completion of the original version of this report in December, Audiocall provided us with new information about the scale of services provided to the BBC in 2005/06. This has led us to revise our estimate of caller expenditure with the BBC in that year, and the total over two years. All figures quoted as a percentage of these figures have also been revised in this version, including charts in Section 1 and Section 4.

Caller expenditure was distributed across a range of programme genres, as shown in Figure 2. A majority (77 percent) of BBC PRS expenditure was associated with entertainment programmes. This included a number of specific programmes which generated large volumes of expenditure, for example *Strictly Come Dancing*, which generated [£<] of expenditure in 2005-06, and [£<] in 2006-07. Sports, children’s television, other fundraising and factual programmes all accounted for between three and four percent of PRS expenditure. Most expenditure was associated with television (84 percent).

Most PRS use was used in the context of a vote (75 percent). It should be noted that the BBC suspended the use of PRS for competitions in July 2007, but the data here covers an earlier period. Competitions accounted for 8.5 percent, and as such, it is clear that the BBC’s suspension did not cover the majority of PRS use (this percentage did not differ significantly from year to year).

Figure 2: Distribution of PRS expenditure April 2005 to March 2007



Source: Audiocall, Comic Relief, CBBC and producers, PwC Analysis.

Other key figures on BBC PRS use include the following (using information from the BBC and Audiocall):

- Between April 2006 and March 2007 around £5.8mn was raised for charity from the BBC’s PRS use.
- Caller expenditure on BBC PRS services exceeded £500,000 for eight programmes between April 2005 and March 2007. Altogether these eight shows accounted for around 65 percent of total expenditure.
- Between April 2006 and March 2007 there were at least 340 examples of PRS use by the BBC.

- Children in Need and Comic Relief both received around £1.9mn from BBC PRS between April 2006 and March 2007. Sport Relief received around £1.3mn. In years with less fundraising events we would expect charity revenues to be significantly lower.

We estimate that between April 2006 and March 2007 [redacted] percent of caller expenditure was associated with services provided by Audiocall. This may be an unusually low percentage, given the large volume of work in that year associated with Comic Relief and Sport Relief, with which Audiocall is less usually associated (Audiocall themselves believe that they carry out [redacted] percent of BBC PRS work by revenue). [An independent service provider] was associated with at least [redacted] percent of BBC PRS expenditure, and [an independent service provider] with around [redacted] percent.

1.4.2 Call tariffs and revenues

Most expenditure on BBC PRS services was at call rates of 25p or below (74 percent for 70 services for which we had tariff information). Higher call rates were usually only used where PRS was used for fund-raising. All rates we saw were between 10p and £1.50. Major Saturday evening PRS use, for example voting for Strictly Come Dancing, was usually at a 25p rate. Prices are mainly determined by the functionality of the service (e.g. whether it is a vote or a competition), and the desire (or otherwise) to raise money for charity.

Audiocall would usually receive [redacted] from a 25p voting call tariff (of which a 12.5p donation would be passed to charity). It would usually receive around [redacted] from a 15p vote tariff. These are fixed shares, which do not depend on the number of calls made. We have not conducted a full investigation into the basis of the cost differences between the services provided in a 25p vote tariff and a 15p vote tariff. Audiocall receives no other remuneration from the BBC for the services it provides. This call breakdown differs significantly from those in the Ayre Report. Ayre found that non-BBC broadcasters and producers typically received 90 percent of the call revenue.

Residual revenue

In some cases the call rate exceeds the costs for PRS use, despite the rate not specifically being set in order to raise money for charity. This results in 'residual revenue' being generated. We found three cases where this had occurred:

- Saturday Kitchen generated £[redacted] of residual revenue between June 2006 and February 2007. This money was donated to charity.
- The Weakest Link generated around £[redacted] of residual revenue between April 2005 and November 2006, which was passed to the production department.
- Question Time, which generated £[redacted] of residual revenue, which was passed to the production department.

Calls outside voting window

Data received from Audiocall shows that on average around two percent of calls to BBC PRS lines are received before or after the lines are open. These calls do not count towards the voting of a programme, but callers have historically been charged (we understand from Audiocall that some of these calls are likely to be misdialled numbers and others may have been made with the intention of registering a vote or entering a competition). Audiocall receives its usual share of revenue for these

calls, as well as retaining any portion that would have gone to charity if the call had been made while the lines were open¹¹:

- Between April 2005 and March 2007 the revenue that would have gone to charity if the lines had been open, but instead accrued to Audiocall totalled at most £138,000. [As a result of further interrogation of information systems within the BBC, we have been provided with information since the publication of the report on 5th December 2007 suggesting that the actual sum involved was £106,031 for the financial years FY2005/06, FY2006/07 and FY2007/08 (year to date).] This represents just over [3] percent of Audiocall's profit before interest and tax in this two year period.
- In one case, Making Your Mind Up Eurovision 2007, calls received outside the voting period amounted to 38 percent of the total that counted towards the result (28 percent of overall calls). The associated revenue to charity would have been £5,968.

1.4.3 Policy and contractual arrangements

The following table summarises the information we collected with respect to BBC policy on the use of PRS and the BBC's contractual arrangements.

Policy and contractual arrangements	
Procedures	<ul style="list-style-type: none"> ▪ There has been no specific procedure in place for prices for PRS to be set or cleared by the BBC management. However, in practice, Editorial Policy was consulted by production teams on almost all PRS use we examined. ▪ We were told by Editorial Policy that it was not part of its remit to set prices for PRS services; they would be consulted by producers on a range of issues, in some case this consisted of advice to confirm that the rate suggested by a service provider would be in line with normal BBC practice – i.e. <i>“[the BBC] should normally ensure that premium rate calls are priced at the lowest tariff. They should not normally be used to generate a profit with the exception of BBC charity appeals.”</i>
Charity policy	<ul style="list-style-type: none"> ▪ The BBC has a number of approved charities, for which funds can be raised by any programme. In the majority of cases these are umbrella charities, which are established to raise money for a particular type of cause without favouring any particular charity. These include Children in Need, Comic Relief and Sport Relief. ▪ For some programmes the motivation behind using PRS to generate money for charity was clear. For example, the objective behind Restoration was to raise money to restore a building. Similarly Comic Relief-related programmes, whilst seeking to provide entertainment, are primarily about raising money. That in turn leads to a call tariff that will typically be set above the minimum possible rate (currently [3] for the BT Ride platform). ▪ We found some evidence that decisions to seek to raise charity monies from some other programmes (and as a consequence have a higher call rate) were taken at the production level rather than corporate level, absent an overall policy framework.
Contracts	<ul style="list-style-type: none"> ▪ The use of formal contracts or tendering for the provision of PRS by service providers (Audiocall or commercial service providers external to the BBC) has not been enforced by the BBC. ▪ Out of the 39 services for which Audiocall provided us with information, 21 had a formal contract in place.¹² ▪ Service providers were selected upon the basis of historical relationships and quality of service (particularly in relation to the ability of the service platform to handle large

¹¹ The information provided by BBC Audiocall in February 2008 and March 2008 made it clear that whilst SMS text messages may have occurred outside the voting window such messages were not charged at premium rate and therefore no charity element would have been associated with such texts.

¹² Note that we did not check whether the contract in place was appropriately authorised.

Policy and contractual arrangements	
	call volumes).
Tendering	<ul style="list-style-type: none"> ▪ One Audiocall contract with the BBC was tendered competitively out of sample of 39 Audiocall services. ▪ There was no formal guidance on the use of tendering for PRS service provision across the BBC.

1.5 Conclusions and recommendations

We recommend that the BBC Trust considers the following conclusions from our review:

1. We found that no overall policy in respect of PRS exists within the BBC aside from the Editorial Guidelines. No one part of the BBC had been charged with responsibility for setting PRS rates in the period we considered. The Trust and Executive may wish to consider the merits of introducing such a PRS policy and role.
2. Rates were set in an informal way by discussion between service providers and production teams albeit under a general framework of rates agreed between Editorial Policy and Audiocall (and more recently other suppliers). Often no formal contracts existed between production teams and the BBC Worldwide subsidiary Audiocall. The Trust may wish to consider this finding in light of the following statement in the BBC Fair Trading Guidelines: *"...for the BBC's Commercial Services, it is necessary that...all transactions between the BBC's Commercial Subsidiaries and the BBC's Public Services must be conducted on the basis of signed contracts (and/or Service Level Agreements) for all goods and services supplied"*.
3. Whether a call rate was set to recover only the service provision costs or set at a higher level to raise money for charity was, it appeared, a matter for individual production teams. No overall policy in respect of raising money for charity appears to exist, other than for the approval of specific charities. The Trust may wish to consider the introduction of a policy on the use of charities by the BBC, and in particular whether it is appropriate for major interactivity (i.e. the Saturday evening flagship programmes) to take place at call rates set in order to raise money for charity as a matter of course, as has been the case over the last two years.
4. Our analysis has identified a case in which a significant number of calls were made outside the period when the lines for a particular service were officially open. More generally we recognise that some calls were for line-testing purposes and that a proportion would have been misdialled numbers. On-screen information provides the expectation to callers that, where relevant, an agreed part of each call charge, typically 'at least 12p' for a 25p call, would be passed to charity. This expectation would seem to exist for calls both within and outside the window.. Such calls would have generated "charity revenue", had they been made while the lines were open. Over the two year period for our sample of Audiocall programmes we estimate this revenue would have been at most £138,000. [As a result of further interrogation of information systems within the BBC, we have been provided with information since the publication of the report in December 2007 suggesting that the actual sum involved was £106,031 for the financial years FY2005/06, FY2006/07 and FY2007/08 (year to date).] It was the practice of Audiocall to retain all call revenue passed to it by BT (and others) for calls made outside the voting window rather than pass on the specified proportion to charity. Whilst the sum may not appear significant in terms of total caller payments it does raise issues of principle. Based upon the information we have seen to date, the practice might be perceived as improper conduct; however, we stress that we have not conducted a full forensic investigation to ascertain whether this is actually the case as this is outside the scope of our review. The Trust may wish to consider the merits of an investigation (in light of the materiality of the issue).

We acknowledge that the latest BBC contract we have seen requires callers not to be charged for calls made outside the voting window.¹³

5. More generally the lack of clarity in respect of sharing residual revenue and the discretion granted to: (a) the service provider in passing over such residual revenue; and (b) the production team in deciding whether to pass it to charity or retain it to offset programme costs create a situation that encourages possible speculation of impropriety. Again, we stress that we have no evidence of such impropriety as we have not conducted a detailed forensic investigation. The existence and effective operation of control procedures could reduce any such speculation. The Trust may wish to consider whether such control procedures should be introduced by the Executive.

Audiocall told us that on some occasions 30 percent of PRS revenues net of costs would be paid to a production. The BBC's Fair Trading department told us that *"there is no formal Fair Trading 'policy' with regards to the distribution of residual revenue between the BBC and the service provider. It has never been included within the Fair Trading Guidelines and Fair Trading has not historically been involved with the commercial discussions between the BBC and service providers. This is because (by definition) the residual revenues are not expected to be material. It had proved difficult to identify the historic origins of the 30/70 split. However a review of archived material confirmed that BBC Policy & Planning approved the proposed split of residual revenues [the 30 percent] in 1994."* Audiocall told us that from March 2007 they are no longer paying back 30 percent of any residual revenue to the BBC at the request of programme producers.

The lack of clarity in respect of the treatment of residual revenue is symptomatic of a general lack of formal contracts and a lack of tendering procedures.

6. There was a perception amongst interviewees both within the BBC¹⁴ and Audiocall that Audiocall provides PRS on many programmes at a loss. Audiocall explained that it uses the revenues it obtains from relatively few prime time voting programmes to cross subsidise other PRS provision to the BBC. The Trust may wish to consider whether the BBC could or should:
 - Make improvements to PRS contracts that formalise the sharing of residual revenue. Such changes should also reflect the inherent uncertainty surrounding call volumes for any service and to create incentives for service providers to reduce cost;
 - Consider the scope and nature of tendering for PRS contracts across the whole of the BBC against a number of criteria (which could include value-for-money, the quality of provision, amongst others).

It is clear to us that many of these issues have already been recognised by the BBC itself. This is reflected in the actions on PRS identified in the BBC Director General's Report on Premium Rate Telephony and Associated Issues to the Trust (May 2007)¹⁵. Additionally the terms of reference for the internal working party as shown in the BBC's Internal Review¹⁶ expanded upon this.

Our report covers the use of PRS in the BBC up until March 2007. The BBC Executive have been considering how best to address many of the issues we have outlined before, and after, this point in

¹³ This contract was dated 5 October 2007.

¹⁴ We refer to the BBC in relation to the public service divisions of the BBC, whereas we refer to Audiocall, a subsidiary of BBC Worldwide, separately.

¹⁵ Premium Rate Telephony and Associated Issues, Final report from the BBC Director General to the BBC Trust, May 2007

¹⁶ BBC Review Premium Rate Telephone Services, A report by the Director, BBC Vision for the Director General, 2nd April 2007.

time. Should the Executive and Trust decide that changes are required, there will be an interim period in which these issues may persist.

2 Introduction

2.1 Context

The use of premium rate telephony services (PRS) across the media industry has been the subject of considerable scrutiny in recent months. A number of reviews have been conducted that have examined the BBC's use of PRS. These included the Ayre Report, published in June 2007, which was commissioned by Ofcom in order to determine whether there were any systematic reasons behind the apparent failures in compliance in the use of PRS services on television programmes.

Other reviews were carried out which focussed specifically on the BBC. The BBC Executive produced an internal report¹⁷ on premium rate telephony and associated issues and a subsequent report¹⁸ was presented to the BBC Trust in May 2007. A further review was commissioned from Deloitte, which looked more deeply at the use of PRS in a small sample of programmes. Considerable attention has been paid to these issues by the national media.

The BBC Trust (the Trust) has also commissioned a review of the BBC's compliance with editorial standards, which is being carried out by Ron Neil. The review examines whether BBC management's actions and changes to procedures will ensure the BBC can and will comply with the BBC Editorial Guidelines and industry regulations. Our report, which focuses on economic aspects of PRS use, will feed into this review.

In July 2007, the BBC suspended all use of PRS for phone-in competitions (other types of PRS, for example votes, continued). On 21st November 2007 the BBC published a new Code of Conduct on Competitions and Voting.

On 5th December 2007, Ofcom published a new framework agreed by Ofcom and PhonepayPlus, designed to strengthen consumer protection and clarify the existing regulatory arrangements for PRS.

2.2 Scope

While previous reviews have focussed on editorial issues associated with PRS and other telephony services, in particular compliance issues, this review focuses on the economic aspects of PRS use in the past. While much of the BBC's focus is now on the future use of PRS, we understand that the Trust felt that a picture of PRS use over the last two years would provide necessary background to the consideration of wider issues outlined in the previous sub-section.

We are aware that in recognition of issues identified in the earlier reports in 2007, the BBC set up its own internal working party to identify the appropriate way forward in respect of the BBC's use of PRS (see Appendix II). Some changes resulting from this work are already being implemented; however, the BBC is not expected to present its formal proposals to the Trust until January 2008. Whilst our remit is to focus on the two years period beginning April 2005, we were inevitably given some information that related to the period since April 2007. However, we have neither reviewed proposals put forward by the BBC to the Trust nor seen any recommendations from its internal working party.

Our scope did not extend to the use of telephony services other than PRS.

The review covers the following elements of the factual picture of PRS in the BBC:

¹⁷ BBC Review of Premium Rate Telephone Services, A Report by the Director, BBC Vision, for the Director General, 2nd April 2007.

¹⁸ Premium Rate Telephony and Associated Issues, Final Report from the BBC Director General to the BBC Trust, May 2007.

2.2.1 Scale and scope

We were asked to determine the scale of PRS use by the BBC and its distribution across programme types. For example, we looked at the number of programmes using different types of PRS (e.g. voting, competitions) and different media (e.g. television, radio). We also looked at expenditure by callers in these areas.

2.2.2 Pricing

We were asked to find out how the prices of PRS services are determined. This covered who set prices, how prices varied according to the call type (e.g. calls from BT lines, calls from mobiles), and how pricing varied across different programmes. We were also asked to consider the general pricing policy that was in place.

2.2.3 Contractors

We looked at which service providers the BBC worked with over the last two years, and how they were chosen. We also looked at the volume and value of PRS services by different service providers.

2.2.4 Revenues and profitability

We were asked to look at the distribution of revenues from PRS between different players in the supply chain, including the BBC, service providers, telephony companies and charities. This included examining how the BBC's Editorial Guidelines have been applied in practice. These stipulate that the BBC should "normally ensure that premium rate calls are priced at the lowest tariff. They should not normally be used to generate a profit with the exception of BBC charity appeals."¹⁹

2.2.5 Incentives

We looked at the financial arrangements in place between the BBC and service providers, and what incentives these players faced. We also looked more generally at the processes that were in place to ensure compliance with regulations.

2.3 Our approach

Our work has been based on information from three main sources: interviews; data provided by Audiocall; and contracts with service providers.

Our initial aim was to work from data already available from the BBC to identify particular issues and programmes that we would then explore in depth. In the event, no database existed on the use of PRS by the BBC, and it took a considerable amount of time to assemble the necessary information. Given the time available for our work we had to arrange and carry out interviews prior to receiving the relevant data. This meant that we were unfortunately unable to follow up all of the issues raised by the data within the timescales allowed for the review.

2.3.1 Interviews

We conducted 11 interviews with BBC staff, including staff from the Editorial Policy team, Rights and Business affairs, at least one person involved in the production of each of the programmes listed in Table 1 (either within or outside of the BBC), and with CBBC. In most cases our contacts were within

¹⁹ BBC Editorial Guidelines, Telephone Services, p139.
<http://www.bbc.co.uk/guidelines/editorialguidelines/assets/guidelinedocs/Producersguidelines.pdf>

the BBC, but we also spoke to members of the production team at [an independent production company] and to [an independent charity] (amounting to 13 interviews in total). We also talked to staff within Audiocall, the service provider located within BBC Worldwide. For all interviews we took a note and interviewees were given the opportunity to amend or add to the note. Additionally where we used material from those notes in our report we put back the relevant text for confirmation and any additional clarification or amendment.

2.3.2 Data provided by Audiocall

A large volume of confidential information was provided to us by Audiocall. This included call tariffs, call volumes, and revenues for all PRS work carried out for the BBC in the 2005 to 2006 and 2006 to 2007 financial year. This data covered [x] PRS services for which Audiocall was the service provider. We were told by Audiocall that this information covered [x] percent of Audiocall's revenue from the BBC. We were also told by Audiocall that a complete data set would have included a large number of relatively insignificant uses of PRS (around [x] in each financial year), which were excluded from the sample since it would have been too difficult to collect all of this information within our timeframe (in addition, our original data request was based on the appendix to the BBC Internal Review).

We appreciate that the collection of the information we specified required a considerable effort on the part of Audiocall and that this was a very time-consuming process. We are particularly grateful for the assistance Audiocall has given us, including both providing the data and responding to a large number of questions and queries.

We accepted that the data provided by Audiocall was accurate and did not attempt to verify this data independently. Where the data seemed unusual or raised an issue we sought confirmation from Audiocall that it was correct. We appreciate that the data collection and checking by Audiocall took place within a limited timescale set by the terms of reference of this review.

2.3.3 Contracts with service providers

We were supplied with a few contracts that were collected by the Business Affairs team in the context of their internal work on PRS. We also received a small number of contracts directly from producers. Time constraints prevented us from reviewing a wider sample of contracts. As part of the data from Audiocall, we were informed which services had contracts in place, and whether a competitive tender took place. We were given additional information on whether contracts were in place by production teams that we spoke to.

2.3.4 Overall approach

We tried, as far as possible, to gather a comprehensive set of information covering all of the BBC's use of PRS. Our findings cover the same areas as those in Section 4 of the Ayre report which contains little data on the BBC's use of PRS (the report notes that "*the BBC were not able to compile figures*" for PRS revenue).

No database existed within the BBC covering its use of PRS. We have had to assemble the data from a variety of sources in a short period of time. We are confident that the information we have assembled covers most of the caller expenditure on BBC PRS in the last two years (however we were not able to speak to production teams for every example of PRS use by the BBC). For some programmes we were able to obtain much more detailed information than for others, and therefore some information was estimated from the data available (for example caller expenditure where call numbers and the call tariff were known). Appendix I summarises the data we were able to collect, and explains how the information was used in the report.

In addition, we focussed in detail on a sample of programmes which had used PRS, in order to develop a more detailed picture of how decisions about the use of PRS have been taken. In selecting this sample we tried to represent the range of contexts in which PRS has been used at the BBC. In all of these cases we met with or spoke to someone involved in the production of the programme. We produced agreed notes of our meetings and conversations, and the factual elements of our report have been checked by those who provided the information. In some cases additional comments were added which we have included in the report. The sample of programmes chosen is outlined in Table 1 (note that these programmes were selected by us before we had the opportunity to review the data from Audiocall and identify any issues arising from it).

Table 1: Selected sample of programmes using PRS

Programme	Genre	Independent / In-house	PRS type	Media
Any Dream Will Do – Joseph	Entertainment	In-house	Vote	Television
Comic Relief Does Fame Academy	Entertainment	Independent	Vote	Television
Saturday Kitchen	Daytime	Independent	Vote / Competition / Info	Television
Strictly – It Takes Two	Daytime	In-house	Competition	Television
Restoration	Factual	Independent / BBC co-production	Vote	Television
Sports Personality of the Year	Sports	In-house	Vote	Television
Points West	Regional	In-house	Various	Regional Television
Radio 1 Chris Moyles Rallyoke	Radio	In-house	Competition	Radio

In addition to the programmes mentioned above, we looked at the use of PRS services by a range of programmes within Children's BBC (CBBC). We also collected information with respect to The Culture Show's Greatest Living Icon vote, but established that this text/internet vote did not use PRS services.

In our research we drew on the list of programmes which used PRS provided in the Director General's report to the Trust, dated May 2007.

2.4 Structure of the report

The remainder of this report is organised as follows:

Section 3 - Context for PRS use

Section 4 - Scale and Scope

Section 5 - Pricing

Section 6 - Revenues and profitability

Section 7 - Contractors

Section 8 - Contracts, selection and incentives

3 Context for PRS use

3.1 Introduction

In this section we provide some background to the use of PRS in the BBC. We explain why PRS services have been used by BBC programmes, and how they work.

3.2 What is PRS?

PRS refers to any service provided over a telephone line for which a charge is added to the caller's phone bill. These services can be offered over a landline or by mobile (either by voice or text message). PRS is often used by broadcasters to provide services such as voting, competitions and charitable fundraising. It can also be used for a variety of other services, such as mobile ring tone downloads, horoscopes, sports results and directory enquiry services.

3.3 How PRS works

PRS is often used in order to allow interactivity of a particular form. This is because PRS offers functions which would not be available using calls at national rates. The diagram below illustrates how this would work for a typical audience vote. We illustrate this in the context of Audiocall (part of BBC Worldwide), the service provider which accounts for the majority of the BBC's PRS work.

Figure 3: How PRS works - audience vote



A caller will dial a telephone number which has been allocated to a particular contestant (or similar, for example a building in Restoration). Calls are received by a call platform. For large-scale votes [an independent service provider] is usually used, which was recognised by several of the parties we interviewed to be a very robust system. Texts would pass via an alternative platform. Where Audiocall is the service provider, this platform is usually [an independent service provider] (text voting has currently been suspended by the BBC, and was not used frequently by Audiocall prior to

this). Call data is then accessed by way of a web interface by the service provider and aggregated where appropriate. The information is conveyed to the production team.²⁰

Some key elements in the process are: (a) the nature and the extent of information that prompts calls and texts; and (b) the relationships between service providers and programme makers and between service providers and call termination platforms.

Audiocall told us that they provide the phone script in line with PhonePayPlus guidelines for premium rate telephony services. Recently, the service providers, production teams, and Editorial Policy have been working together (wherever proposals have been referred to Editorial Policy) to produce a script for on-screen information. Audiocall told us that Editorial Policy determines the frequency of the on air screen graphic and presenter voiceover. The script and on-screen information now form part of the contract, together with the frequency with which they are presented. Contracts are now either negotiated directly or reviewed and approved by Business Affairs.

Historically such formal procedures do not seem to have existed. However, we understand that production teams do consult Editorial Policy on a range of issues, including on-screen information.

The service provider's role is usually more involved, including attending rehearsals for large scale mass call voting programmes and supplying a member of staff who will be present in the studio, and a remote back up member of staff. Some service providers provide an integrated service, incorporating both the call platform, and the vote aggregation.

3.4 The use of PRS

All of the producers we spoke to told us that the use of PRS interactivity in their shows was driven by either or both of the following two factors:

- A desire for audience participation driven by the format of the show.
- Fundraising for a specific charity event.

We found no evidence to suggest that PRS has been incorporated into the format for any BBC programme specifically with the intention of generating revenue for that production.

3.4.1 PRS for audience participation

Most of the producers we spoke to told us that they used PRS because the format of the show demanded it. PRS can provide functionality and capacity that would not be possible using national rate calls. For example large-scale voting or competitions would always require a robust call platform and functionality that could only be delivered using PRS. Some PRS services are more complicated, for example the service used by CBBC, which allows callers to select which programme they wish to leave a message for, and then record a message.

Any Dream Will Do (Joseph), a large scale voting programme, was based on that of earlier talent-show style programmes, such as Fame Academy, How Do You Solve a Problem Like Maria, and Strictly Come Dancing. The premise of these shows was that the audience could influence the outcome of the series, by voting to save particular contestants. This required a number of telephone numbers to be made available to the show, and calls reaching these numbers were aggregated by the service provider to give the results of the show. A large number of calls would be received for

²⁰ Audiocall sometimes refers to itself as a 'virtual service provider', since it does not operate its own call termination platform. Some service providers are vertically integrated, including their own call termination platform infrastructure.

programmes such as these (the Strictly Come Dancing 2006 programme received over 12mn calls over the course of the series).

The BBC launched two new children's channels CBBC, and CBeebies in 2002. We were told by CBBC that the Department for Culture Media and Sport (DCMS) had specifically stipulated that there should be as much interactivity as possible on the CBBC channel. Although this requirement was originally met using national rate call lines, as this type of interactivity expanded on to programmes on BBC1 and BBC2, it became necessary to introduce better functionality. For example it was necessary to introduce a service whereby children could call different programmes at the same time. In selecting a system, CBBC took the view that they were constrained by the need to minimise the cost to callers, and to minimise their own costs. There were also specific needs associated with providing a service for children. For example, children had to leave a recorded message, and did not reach a live operator (this would not be allowed by ICSTIS for under 18s on a premium rate number). CBBC held discussions with various service providers, [an independent service provider] and [an independent service provider] offered to provide a service which delivered the necessary functionality for a [3<] call rate, using PRS.

Other examples of PRS use have also been driven by editorial concerns. For example we were told that audiences of cookery, gardening and antiques shows particularly value interactivity (these are very active areas of the BBC's website). This was behind the BBC's desire to include interactivity in the show Saturday Kitchen. In this case, the BBC stipulated that interactivity be included in the programmes, and [an independent production company] determined the precise format (a vote for what the chef should cook at the end of the programme (known as "Heaven and Hell"), a phone-in to ask chefs questions, and a competition to appear in the audience the next week/to sit at the chef's table). The format of these required PRS use. Points West, a regional television programme, used PRS in order to allow them to conduct viewer votes on local issues. The BBC's regional team is keen to maintain its connection with its audience and be a part of the community.

In many cases, whilst interactivity was not incorporated into the show for the purpose of raising money for charity, a call rate was set such that revenue would be raised for a good cause. Rate setting is discussed in more detail in Section 5 below.

3.4.2 PRS for charity fundraising

In a number of cases we examined, PRS was used specifically in order to raise money for charity. This was usually associated with a particular fund-raising event, for example Comic Relief, Sport Relief or Children in Need. The other notable example was the Restoration show, in which interactivity was included in the show both in order to generate funds which could be used to restore a building, and in order for viewers to vote to select that building.

In some instances production teams were specifically approached by the fund-raisers in order to develop a programme. We were also told that programme makers were generally encouraged to get involved with Children in Need, and even at the regional level producers would contribute. For example Points West told us that they conducted a competition for Children in Need last year, and would probably have conducted one this year if this type of PRS use had not been suspended by the BBC.

Oversight of BBC charity appeals is the responsibility of the Executive Board, advised by the BBC Appeals Advisory Committee (AAC). Thus, for example, the AAC were involved at an early stage in the development of the Restoration programmes.

It should be noted that much of the telephony associated with major fundraising events is not PRS. For example donation lines, which involve callers ringing up to donate a specific sum to charity, are not PRS.

4 Scale and scope

4.1 Introduction

This section provides an overview of PRS use by the BBC. We provide an estimate of the overall level of PRS use in the last financial year, and explain how caller expenditure was distributed across programme genres, type of PRS use (e.g. voting, competitions) and media. We look at which programmes generated the most expenditure, and look at the scale of charity revenues generated.

4.2 Caller expenditure

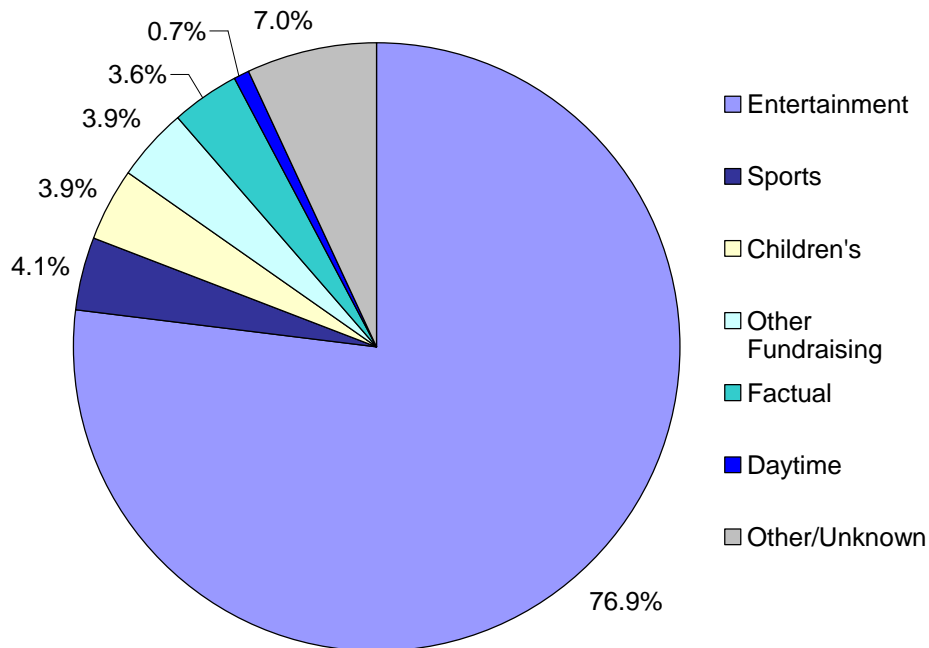
We estimate that between April 2006 and March 2007 callers spent at least £10.5mn calling BBC PRS lines. This expenditure was generated from around 32.5mn calls.²¹ The information we have seen suggests that there were at least 340²² BBC PRS services in this period. Between April 2005 and March 2006 we estimate that expenditure on BBC PRS was lower, at around £5.7mn (the information we have seen suggests that this was generated from around 23mn calls, and at least 325²³ services). The reason this figure is considerably lower is that the 2006-07 financial year included a number of significant PRS events that did not take place in the previous one (both Comic Relief 2007 and Sport Relief 2006 fell within the 2006-07 financial year, and there was no Restoration series between April 2005 and March 2006). For more detail on how these figures were calculated, please see Appendix I.

Over the two financial years expenditure was distributed across a range of programme genres. Figure 4 illustrates this. A majority (77 percent) of PRS expenditure was associated with entertainment programmes on the BBC, including ongoing series and one off events. This includes both ongoing series such as *Strictly Come Dancing*, and one off programmes associated with charity events, for example *Comic Relief Does Fame Academy*. The next largest share of expenditure (4.1 percent) was associated with sports programmes, including *Sports Personality of the Year*, and the *David Walliams Channel Swim* (both of which raised money for Sport Relief). Children's PRS accounted for 3.9 percent of expenditure, as did other fundraising PRS. Factual programmes (including *Restoration Village*) and daytime programmes accounted for 3.6 percent and 0.7 percent of BBC PRS expenditure respectively.

²¹ This estimate is based on all PRS which passed through Audiocall, PRS for Comic Relief, PRS for CBBC, PRS for Restoration Village, and Saturday Kitchen prior to it passing to Audiocall. We are not aware of any other significant PRS use by the BBC.

²² This figure includes all of the programmes for which we were able to obtain detailed information (including some where services were provided by Audiocall and others where they were not) plus Audiocall's estimate of the number of additional services it provided to the BBC.

²³ As above.

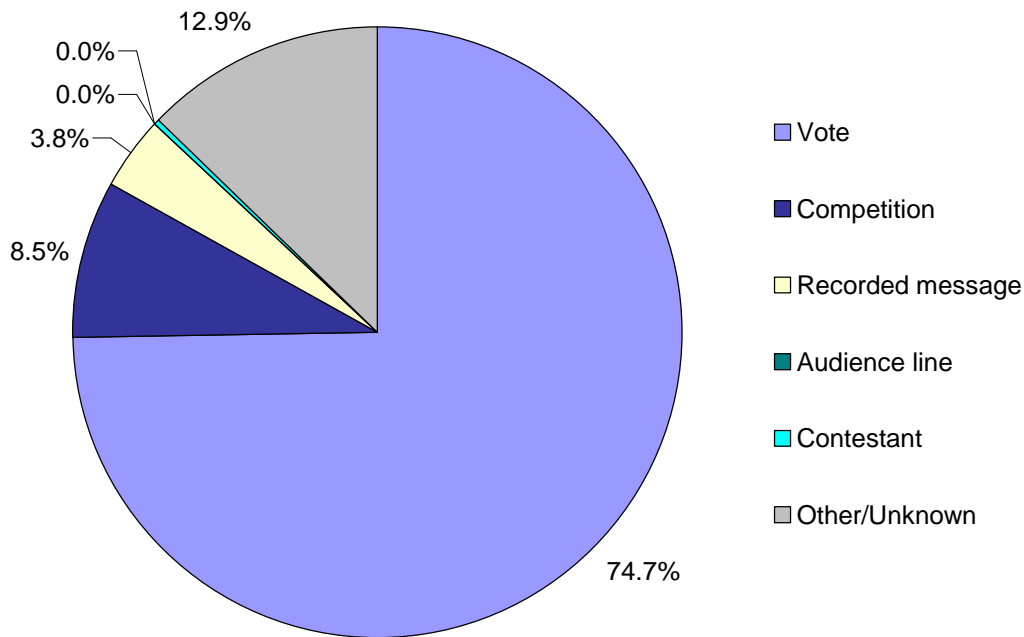
Figure 4: Distribution of PRS expenditure across programme genres April 2005 to March 2007

Source: Audiocall, Comic Relief, CBBC and producers, PwC Analysis.

The use of PRS in these programmes was mostly associated with voting, which accounted for 75 percent of expenditure. This was the format for most of the major entertainment shows. Competitions accounted for around 8.5 percent of expenditure, and children's services where callers left a recorded message, accounted for 3.8 percent of expenditure. A very small share of expenditure (less than 0.1 percent) was associated with either calls to audience lines or calls to become a contestant in a programme.

This data does not cover the period in which competitions were suspended (July 2007 onwards). The suspension therefore affected only a relatively small share (less than 10 percent) of expenditure on BBC PRS. Thirty-three of the 70 examples of PRS use between April 2005 and March 2006 for which we have this information were votes, and 14 were competitions. However, votes tended to be associated with a disproportionate share of expenditure as they were linked to major prime-time programmes such as *Strictly Come Dancing*.

Figure 5: Distribution of PRS expenditure across type of service April 2005 to March 2007



Source: Audiocall, Comic Relief, CBBC and producers, PwC Analysis.

Most PRS expenditure (84 percent) was associated with television. Seven percent was generated by radio. For around nine percent of expenditure, we were unable to establish the associated media. The Chris Moyles Rallyoke competition was the only example of PRS use by radio of any significant scale (most radio interactivity takes place at standard call rates and is not PRS).

In the period we looked at, 79 percent of caller expenditure was associated with voice services and 10 percent with SMS text messages (for around 11 percent of expenditure, we were unable to establish the call type).

Between April 2005 and March 2007 eight programmes generated expenditure over £500,000. These are shown in Figure 6 below. Strictly Come Dancing accounted for by far the largest expenditure, with callers paying around £[redacted] to vote for their favourite contestants in 2006, and £[redacted] in 2005. Comic Relief Does Fame Academy generated just over £[redacted] in expenditure, as did the Chris Moyles Rallyoke competition (both for Comic Relief). Altogether these eight shows accounted for around 68 percent of the total expenditure on BBC PRS over the two years (approximately £11mn out of £16.1mn).

Figure 6: PRS caller expenditure over £500,000 on BBC programmes April 2005 to March 2007

[redacted]

Source: Audiocall, Comic Relief, CBBC and producers, PwC Analysis.

4.3 Charity revenue

Overall we estimate that between April 2006 and March 2007, £5.8mn was raised for charities through the BBC's use of PRS services.²⁴ This was distributed across a range of programmes, some of which were associated with a particular fund-raising event, and some of which were not. Strictly Come Dancing generated £[redacted] for Children in Need. This accounts for just over a quarter of the total for the year. Of the remaining programmes, only Comic Relief does Fame Academy and the Chris Moyles Rallyoke competition raised more than £500,000, generating £[redacted] and £[redacted] respectively.

Figure 7: Charity revenue from PRS April 2006 to March 2007

[redacted]

Source: Audiocall, Comic Relief, CBBC and producers, PwC Analysis.

The revenues from PRS services are discussed in more detail in section 6.

4.4 Summary

- Between April 2005 and March 2007, we estimate that callers spent at least £16.1mn on PRS use associated with the BBC.
- Sixty-eight percent of this expenditure was raised from the eight largest shows (which each generated expenditure of over £500,000).
- In financial year 2006-2007, we estimate that £5.8mn was generated for charitable causes from PRS use associated with the BBC.
- The information provided to us suggests that there were at least 340 BBC PRS services between April 2006 and March 2007, and 325 between April 2005 and March 2006.

²⁴ We did not have sufficient data to allow us to estimate this figure for the 2005 to 2006 period reliably. However we expect that a significantly lower amount was raised in that year, since there were no Comic Relief or Sport Relief events, nor was there a Restoration series, each of which raised significant sums in the April 2006 to March 2007 period.

5 Pricing

5.1 Introduction

In this section we discuss how decisions about PRS pricing are taken in the BBC. We discuss who is involved in price-setting decisions, and what factors are most important in determining the price level. We also discuss the level of rates that have been set for BBC PRS services, and how these vary across types of programme and call (for example calls from BT landlines, other landlines, or mobile phones).

5.2 How prices are determined

5.2.1 The price-setting process

We were told that historically there was no specific procedure in place whereby prices for PRS were set or cleared by anyone within the BBC management. The BBC's Editorial Guidelines state that *"We should normally ensure that premium rate calls are priced at the lowest tariff. They should not normally be used to generate a profit with the exception of BBC charity appeals."*²⁵ But up to now there has been no detailed guidance on price setting.

The role of Editorial Policy

We were told by Editorial Policy that it was not part of their remit to set prices for PRS services. Editorial Policy elaborated *"that their role is to provide production teams with editorial advice about how to set up and run their interactivity in an editorially appropriate manner, when they are asked for advice. There is currently no mandatory requirement to consult Editorial Policy, although this will change with the new guidance and protocols. In addition over the last few months, Editorial Policy has been more closely involved in PRS as part of their work on the Telephony Working Group. They are not technical telephony experts nor is this their remit. In addition, it was not part of Editorial Policy's remit to actually set prices for PRS services. They may be consulted by producers about a whole range of editorial issues to do with interactivity including advising on how information should be conveyed on air, suitability of charities in the case of fundraising, operation of votes etc. As part of this advice they may be asked whether proposed on air information was acceptable, this could include advice on call cost information. Editorial Policy would point out if anything suggested seemed anomalous from normal BBC practice, (pricing had been informed by advice from service providers)"*.

Editorial Policy explained in the meetings and subsequent emails that the BBC Editorial Guidelines and BBC corporate policy does not preclude the costs of setting up and operating the lines being covered by the telephony charges. Nor does it preclude BBC Audiocall as a commercial subsidiary charging a commercial rate for its services.

Editorial Policy also explained that the principle outlined in the Editorial Guidelines is that no programme can use premium rate interactivity with the aim of making a profit (unless for charity). The reference in the Editorial Guidelines to rates was designed to reinforce this core principle. Editorial Policy provided us with recent advice from BBC Audiocall on lowest viable tariffs and also informed us that they and Business Affairs *"confirmed that these had also been put to other major service providers at meetings over the last six months (bearing in mind these were not contractual discussions). They all concurred that the rates currently used by the BBC, where lines are not specifically designed to raise monies for charity, were the lowest viable rates on cost recovery on appropriate platforms."*

²⁵ BBC Editorial Guidelines, Telephone Services, p139.
<http://www.bbc.co.uk/guidelines/editorialguidelines/assets/guidelinedocs/Producersguidelines.pdf>

Editorial Policy also explained that *“under the new BBC interactivity guidance any future proposed rates will be referred to BBC Business Affairs, who will consult with Editorial Policy and who will oversee the contract. Any proposal to use lines to raise money for charity will be referred to Chief Adviser Editorial Policy. One of the recommendations of the BBC Telephony Working Group is to set up a new in-house centre for Interactivity to give technical advice on the provision of telephony (including the setting of appropriate tariffs) and other interactivity services. Work to establish this centre is ongoing, with the aim of establishing it by the beginning of the new financial year.”*

Evidence from specific programmes

In general we found that awareness of this part the BBC’s guidelines on tariff rates and profit was high, including among independent producers. In the case of Saturday Kitchen, we were told that when the show was put out to tender, some independent producers enquired as to whether there was the potential for revenue generation. We were told that *“as it is against BBC policy to generate revenue to fund production, this stopped some companies from applying for the work as they did not think it was affordable for them to produce the programme”*.

In the majority of cases we examined, producers told us that Editorial Policy were, to a degree, involved in the process of call rate setting. In some cases this consisted in confirming that the rate suggested by a service provider would be in line with the Editorial Guidelines. We were told that in some areas, where producers had little experience with PRS, no decision about rate setting would ever be taken without consulting Editorial Policy and Business Affairs. Other producers generally told us that rates would be set in discussion with service providers, and Editorial Policy would be consulted to ensure that they were at an appropriate level.

In practice, over the last two years where Audiocall was the service provider, specific rates were usually used for different types of PRS. These were the lowest call rates suggested by Audiocall for a particular type of service, currently for example 15p for a vote, 25p for a competition, and 25p for a vote where 12.5p went to charity. We have seen correspondence between Editorial Policy and Audiocall showing that Audiocall has recently confirmed that these are the rates. This advice was based on [redacted] being BT’s lowest tariff on the Ride call termination platform. However, this is regarded as not being suitable to raise money for charity, as it would only generate a small amount of revenue (see Figure 11 for an illustrative breakdown of a 15p call cost). Audiocall advised that for votes with a charitable contribution, 25p remains the lowest available tariff where the service can be robust and where the programme would not incur large costs, with 12.5p going to charity. We were told that about two years ago Audiocall had suggested that PRS rates should increase in line with postal costs and should go to 30p or 35p. Editorial Policy told us that they challenged this proposal, arguing that such an increase would not be compatible with the Editorial Guidelines.

In one case, the BBC interviewee was unable to confirm whether there had been contact with the Editorial Policy team about price setting. In this case PRS was used repeatedly by the same regional television station (Points West). The use of PRS was regarded as quite straightforward, on a small scale, and happened regularly without variation to the format – *“therefore there was an understanding that each one of them didn’t have to go through Editorial Policy”*. We were told that *“the rates set were the minimum rates offered by Audiocall for each type of service”* and that *“the intention was that Audiocall would cover its costs, and not necessarily make a profit”*.

Our research suggests that independent producers played an active role in the rate-setting process. Our evidence suggested that ultimately the decision on call rates rested with Editorial Policy and the production team.

[An independent charity] as an organisation ([an independent charity] is a charity, independent of the BBC) is involved in decisions about PRS for programmes which raise money for its fund. In the case of the Chris Moyles Rallyoke competition, [an independent charity] suggested the call rate, and discussions were held between [an independent charity], Radio 1, and Editorial Policy. Radio 1 expressed the view that they did not want the rate (in this case an SMS tariff) to exceed £1.

[An independent charity] had a major influence in setting the call rate and choosing the service provider (discussed in more detail later). Editorial Policy would be involved in the tariff setting process.

For *Any Dream Will Do* – Joseph, we were told that the call rate was set in line with the rate used in previous shows of a similar format. The rate was not reassessed.

For CBBC, a service was established to cover all children’s programmes with interactivity on the CBBC channel and on BBC1 and BBC2. A 10p call rate was used in all cases (except on a few occasions for fund-raising). This rate was negotiated with the service providers, [an independent service provider] and [an independent service provider], at the launch of the services. CBBC looked for the lowest rate to callers that could be offered without incurring a cost to programmes.

Overall policy/process

Historically no one part of the BBC has been formally charged with setting PRS prices, and as such we found a reluctance to accept responsibility for price setting. At the higher level, Editorial Policy and Audiocall have held a dialogue over what PRS prices would be appropriate for different types of functionality. At the programme level, the individual productions teams discuss prices with service providers within the context of the overall framework of Editorial Policy’s advice and the Editorial Guidelines.

5.2.2 Main factors in setting price

Aside from compliance with the BBC Editorial Guidelines, the main factors which influenced the price of PRS services were:

- The functionality required from the service.
- The desire to raise money for charity.
- The desire for affordability.

The functionality required from the PRS service determines the cost to the service provider of providing that service. For example a vote, where calls to different numbers are counted and aggregated, requires less complicated and less costly technology than a competition, where it is usually necessary to gather more information from a caller. For large-scale votes it is necessary to ensure that a robust platform is used. Only a small number of providers can offer this, and the [an independent service provider] platform is usually used, which is not available below certain call rates.

In cases where the call rate is set specifically in order to raise money for charity, there is more variation in tariffs than otherwise. Many programmes use a 25p call rate with 12.5p going to charity, but in some cases the rates have been much higher. For example *Restoration Village* set a £1 call rate in its last series. This was partly motivated by the desire to raise significant sums for the Restoration Fund, but also to deter multiple voting by individuals.

Although the BBC’s Editorial Guidelines state that the BBC should “*normally ensure that premium rate calls are priced at the lowest tariff*”²⁶ a number of producers we spoke to also wished to make call tariffs as low as possible in order to make participation affordable. This was certainly a factor in CBBC’s rate-setting process, and was mentioned on a number of other occasions. Several producers pointed out that PRS calls cost less than the price of a first class stamp, which would have been the price of interactivity in the past.

²⁶ BBC Editorial Guidelines, Telephone Services, p139.
<http://www.bbc.co.uk/guidelines/editorialguidelines/assets/guidelinedocs/Producersguidelines.pdf>

We have found no evidence to suggest that production teams set call tariffs higher than the lowest possible rate in order to generate revenue which would contribute to covering programming costs.

5.2.3 Balance between interactivity and fundraising

For some programmes the motivation behind using PRS to generate money for charity was clear. For example the objective behind Restoration was to raise money to restore a building. Similarly Comic Relief-related programmes, whilst seeking to provide entertainment, are primarily about raising money. That in turn leads to a call tariff that will typically be set above the minimum possible rate.

Rates above 15p would seem to require careful consideration for other programming, for which the use of voting is driven by the show format (for example talent-contest style programmes). In our discussions with producers it seemed that decisions to seek to raise charity monies from such programmes (and as a consequence have a higher call rate) were taken at the production level without any overall policy guidance. Examples of what were told in respect of programmes using PRS at greater than the minimum rate were:

“[the production team] had wanted to use interactivity and they wanted a certain percentage of calls to go to charity... [and]...the number of calls is not used to judge the success of a programme.”

“...the show aimed to encourage audience engagement and participation. The focus of the production team was to produce great entertainment, with money being raised as a by-product of that.”

“An objective of the show was to maximise audience interactivity ... a few years ago a 10p rate was used ... in recent years a 25p rate has been set. This was motivated by a desire to support [named charity]”

In particular the flagship Saturday entertainment programmes seem to have accepted that they will always seek to raise money for charity. Whilst this might initially have had a clear relationship with the programming (Fame Academy raised money for the Fame Academy Bursary) the linkage seems to have become less clear over time (for example Strictly Come Dancing raising money for Children in Need). We saw no evidence that production teams had questioned whether it was appropriate to raise money for charity in this context, as it seemed to be accepted that this would be a ‘good thing’, so long as the PRS rate was not higher than 25p.

Editorial Policy and Business Affairs also advised that to their knowledge there had been no high volume entertainment series in the last two years where the rate had not been designed to raise money for charity. It is not clear if this was a conscious policy decision.

Whilst the overall policy guideline that the programming itself should not seek to make a profit from PRS is being observed, the fact that such ‘profit’ is made, albeit as a charity donation, was readily accepted. The position outlined in the BBC Editorial Guidelines is that “[premium rate calls] should not normally be used to generate a profit with the exception of BBC charity appeals”.²⁷

Equally whilst the examples above show that for some programmes an objective was to maximise interactivity, little attention was paid to the effect that the price of a call might have on the number of people interacting with the show. The trade-off between interactivity and charity revenue was not being considered in any explicit manner. This may be an area where an overall policy could be developed.

²⁷ BBC Editorial Guidelines, Telephone Services, p139.
<http://www.bbc.co.uk/guidelines/editorialguidelines/assets/guidelinedocs/Producersguidelines.pdf>

5.3 The structure and level of prices

Table 2 shows the percentage of programmes using calls at different tariff levels. These call tariffs were applied per call (as opposed to callers being charged per minute of the phone-call).²⁸ The number of programmes is not shown since our data are based on a sample of programmes that is not fully comprehensive (the data covers 70 programmes for which data was available over the two year period April 2005 to March 2007)²⁹. The largest percentage of PRS use was at the 25p call rate (39 percent of the sample), followed by the 10p rate (31 percent of the sample). When these shares are weighted by expenditure, the 25p call rate becomes even more predominant, accounting for 65 percent of PRS calls in the sample. The 10p rate, which was used for CBBC, was used for a relatively large number of programmes, but received a relatively low share of expenditure (four percent in the sample). The £1 call rate was only used in three instances we came across (Restoration Village, Chris Moyles - Rallyoke, and the Scott Mills Andy Murray Haircut vote), but the first two of these attracted a significant number of calls/texts, hence it accounts for 15 percent of expenditure. On one occasion a 75p per minute rate was set for calls which lasted two minutes, leading to a £1.50 overall call charge. This was the BT Speaking Clock Competition, which raised money for Children in Need. In this case, callers were required to answer a question about Children in Need, and then record their own version of the BT Speaking Clock message.

Table 2: BBC PRS prices April 2005 to March 2007

Tariff level	Percentage of Programmes	Percentage weighted by expenditure	Example of programme
10p	31%	4%	Blue Peter
15p	7%	0.3%	People's Museum
25p	39%	69%	Strictly Come Dancing
50p	10%	11%	Comic Relief Does Fame Academy
60p	3%	0.04%	The Weakest Link
£1	10%	15%	Restoration Village
£1.50	1%	0.2%	BT Speaking Clock Competition

Source: Audiocall, CBBC and producers, PwC analysis.

We were told by Audiocall that the 60p rate for The Weakest Link was set when this PRS service was first used in order to cover the costs of call transcription and handling.

It is notable that tariffs for SMS services have tended to be higher than call tariffs. Of the 12 SMS services for which we have tariff information, five were set at a £1 call rate, two were set at 50p, and five were set at 25p. All of these services were deliberately set at a rate that raised money for charity.

5.3.1 Price variation by call type

Calls made using BT landlines are priced according to the tariff levels shown in Table 2. Calls from other landlines and from mobile networks may be subject to additional charges. Callers would always be subject to the full cost of making a call from a BT landline, plus standard network charges for making a call (in the case of text messages the mobile network operator would add their standard text message charge to the tariff set). These vary according to the network in question, and almost

²⁸ The only exception being the BT Speaking Clock Competition.

²⁹ The remaining programmes represent a small share of caller expenditure, so we do not expect that the percentages in column three would differ significantly if we had complete data.

everyone we spoke to told us that it was very difficult to establish what mobile users would pay to use PRS services due to the complexity of each operator's tariff structure.

5.3.2 Price variation by programme type

There was a certain degree of price variation according to the type of programme on which PRS was used. This was driven by three main factors:

- Programmes on CBBC typically used a 10p call rate (except in a few occasions where PRS was for fundraising).
- A number of peak-time entertainment shows used a 25p call rate. This includes Strictly Come Dancing and Any Dream Will Do – Joseph, which were produced by the same team.
- Higher rates were used on some occasions where fundraising was the primary objective of the interactivity. This includes Comic Relief Does Fame Academy (50p), Restoration Village (£1), and the BT Speaking Clock Competition (£1.50).

5.4 Summary

- Awareness of the BBC's Editorial Guidelines relating to premium rate calls was high.
- There have been no specific procedures in place whereby PRS rates are cleared by someone in BBC management, but most rates are set in consultation between production teams, the Editorial Policy team and service providers.
- Other than the BBC guidelines the main factors in setting price were: functionality, affordability, and in some cases a desire to raise money for charity.
- Where rates were set in order to raise money for charity, production teams often did not explicitly consider the effect on the level of interaction by audiences.
- All of the call rates for programmes we received data on were below £1.50. Most expenditure was at the 25p call rate (69 percent).

6 Revenues and profitability

6.1 Introduction

In this section we discuss how money generated from the use of PRS by the BBC is distributed. We provide examples of how revenue is allocated to different parts of the supply chain, and discuss the path this money follows. We also discuss the destination of money raised for charitable causes.

6.2 Distribution of revenues from PRS

The main recipients of the revenues from PRS are the call termination platform operators (e.g. BT) the service providers (e.g. Audiocall) and charities. A substantial portion of each call charge also goes towards a VAT payment (17.9 percent of the call charge net of VAT). In the examples presented below we have assumed that the service provider was Audiocall, and the call termination platform operator was [an independent service provider]. We have used rates that are available over the BT Ride platform.

6.2.1 Breakdown of call costs

Using data provided to us by Audiocall, we were able to construct an illustrative breakdown of how revenues might be distributed for a 25p call (where the rate was set specifically in order to raise money for charity), and for a 15p call (where the programme was not intending to raise money for charity). In each case we assume that the call was made from a BT landline, so that no additional charge was added by the caller's own network. See Appendix for more detail on how this was calculated.

Figure 8: Illustrative split of revenue for a 25p call

[X]

Source: Confidential data provided by Audiocall, PwC Analysis

Figure 8 shows the breakdown of call costs for a 25p call rate, of which 12.5p was directed towards a charity.³⁰ This call rate was applied to a large volume of the BBC's PRS work, including the major Saturday evening entertainment shows such as *Strictly Come Dancing* and *Any Dream Will Do – Joseph*. In these cases Audiocall would typically receive [X] per call. [an independent service provider], which operated the call platform ([X]), would take [X] per call. A small charge is also levied by PayPhonePlus (formerly ICSTIS). This constitutes 0.3 percent of the revenue net of VAT. A charge is also levied by the network on which a call was made (originated) for all calls. This compensates the billing company for the share of call revenue which it does not collect, and is written off as bad debt (this is the BDS levy shown in the diagram). For calls from a BT line this charge is 3 percent of revenue net of VAT. VAT amounts to 14.9 percent of the total call charge (this represents 17.5 percent of the revenue net of VAT).

Different charges would be levied where a call was originated on the BT network, but was directed to another call termination platform. This is known as the number translation service (NTS), and call origination charges vary according to the cost of the call. For example a 25p premium rate number would result in a 1.8p per minute charge, varying according to how the call was physically routed. For a 15p call the equivalent charge would be 1.53p per minute.

³⁰ Editorial Policy had advised that where lines were raising monies for charity, productions should try to ensure that as much revenue as possible went to charity. They informed us that [an independent charity], because of its specific arrangement with its service provider, had sometimes been able to secure a higher return from 25p with around [X] going to charity. Editorial Policy believed the service supplier had waived its costs.

There would also be a separate charge levied by the terminating network. This would vary, but would normally be less than 0.5p per minute.

Figure 9: Illustrative split of revenue for a 15p call

[X]

Source: Confidential data provided by Audiocall, PwC Analysis

Figure 9 above shows the breakdown of a 15p call. This call rate was used by the BBC on a number of occasions when voting was used, but this call rate is not set in order to raise money for charity (for example in the context of the People's Museum vote, and the most recent PRS use by Saturday Kitchen). In such cases, Audiocall would typically collect approximately [X], or [X] percent of the call revenue. [An independent service provider] would typically retain [X], and the other taxes and charges apply as above.

The examples show that Audiocall would typically take a larger share of a 15p call than from a 25p rate. This is somewhat counterintuitive. Audiocall told us that it takes a lower share when a tariff is set to raise money for charity, and that for 15p rate votes the [X] platform would not always be used (this rate has historically been used for smaller scale PRS use, as compared with the 25p rate, which has been used for major prime-time entertainment programmes). Instead a number of other call termination platforms might be used alongside one another. In these cases Audiocall would typically incur additional set-up and management costs. We consider there may be some merit in understanding the cost differences of Audiocall for the 15p and 25p call rates in more detail.

These call breakdowns differ significantly from those in the Ayre Report. Ayre found that non BBC broadcasters and producers typically received 90 percent of the call revenue.

The revenue cited for Audiocall is gross of call costs. Costs that Audiocall must cover include a monthly payment to [an independent financial aggregator], costs of renting phone numbers, staffing, infrastructure, analysis and reporting, recording costs, and in some cases costs of fulfilment of prizes, costs of transcribing calls, and the cost of writing a script that a caller would hear.

6.2.2 Revenues from calls received when lines are closed

The data we received from Audiocall showed that while calls for a particular programme are usually counted within a certain window (for example the lines will only be open for votes to be counted between two specified times), a certain number of calls are received outside that period. Some of these calls may have been made with the intention of (for example) registering a vote for the programme in question, and often making a charitable contribution. Others are likely to have been misdialled numbers and there would be a small number of test calls as Audiocall tested the call platform in each programme. The Audiocall data shows that a small number of calls are still often made to a PRS number months after the lines have closed (these are likely to be misdialled numbers).

From the data we received it was not possible to calculate which calls were made with the intention of voting or entering a competition (and therefore a charitable donation was expected) and which were mis-dialled numbers (perhaps likely to be a small percentage).

For all calls outside the voting window, Audiocall has retained their usual share of the revenue for each call, as well as the share which would have been passed to charity if the lines had been open.³¹

³¹ We did not speak to any independent service providers directly, and so are unable to say whether this practice was followed by others as Audiocall. The information provided by BBC Audiocall in February 2008 and March 2008 made it clear that whilst SMS text messages may have occurred outside the voting window such messages were not charged at premium rate and therefore no charity element would have been associated with such texts.

We were told that Audiocall makes a surplus on some of the work which it does for the BBC, which would sometimes be driven by this type of revenue, and that these surpluses are used to cover the costs of other work where a loss might be made.

Information received from Audiocall suggests that in cases where a charitable donation was included as part of the call rate, [x] percent of calls are received while the lines are closed. In one case though, this percentage was much higher. For example on the programme Making Your Mind Up Eurovision, calls received outside the voting window amounted to [x] percent of the calls that counted towards the result ([x] percent of calls overall).

The data we saw showed that between April 2006 and March 2007 the amount that would have been passed charity,³² but was kept by Audiocall since the lines were closed ranged from The data we saw showed that between April 2006 and March 2007 the amount that would have been passed charity, but was kept by Audiocall since the lines were closed ranged from a few hundred pounds to several thousand for an individual programme or series. Thirteen programmes were involved between April 2006 and March 2007, and the total sum was just over £[x] (an average of approximately £[x] per programme).

In the year between April 2005 and March 2006, the equivalent sum was £[x].³⁴ Over the two year period for our sample of Audiocall programmes we estimate this revenue would have been at most £138,000. *[As a result of further interrogation of information systems within the BBC, we have been provided with information since the publication of the report in December 2007 suggesting that the actual sum involved was £106,031 for the financial years FY2005/06, FY2006/07 and FY2007/08 (year to date).]* For more details of these revenues, please see Appendix IV.

We were told that in the past the technology has not been available to close call lines down after the lines are closed. We were also told that where callers received an engaged tone after dialling a number that had been closed this caused considerable confusion and complaints would be received from callers.

It should be noted the BT Ride call termination platform has now been developed such that callers calling PRS lines after lines have closed will no longer be charged for those calls. [x]

6.3 The flow of funds

Figure 10 shows the flow of funds generated from PRS. This diagram is based on information given to us by Audiocall; the process for other services providers may differ, particularly in cases where the call termination platform is integrated into the same company as the service provider.

Call charges are paid by the caller, either after they are billed by their network operator or, for some mobile users, as a real-time deduction from a pre-paid balance (pre-pay users). The company that aggregates the financial information (e.g. ATS) will then receive top level call information from the call termination platform (e.g. BT Ride) which will allow them to calculate how much is due from the originating network to Audiocall. Audiocall receives these funds out of which it makes any payment to charity, pays the call termination platform for services provided, pays a monthly fee to the financial aggregator, and covers its other costs.

³² On the assumption that all calls made outside the time when the lines were officially open were attributable to the programme in question.

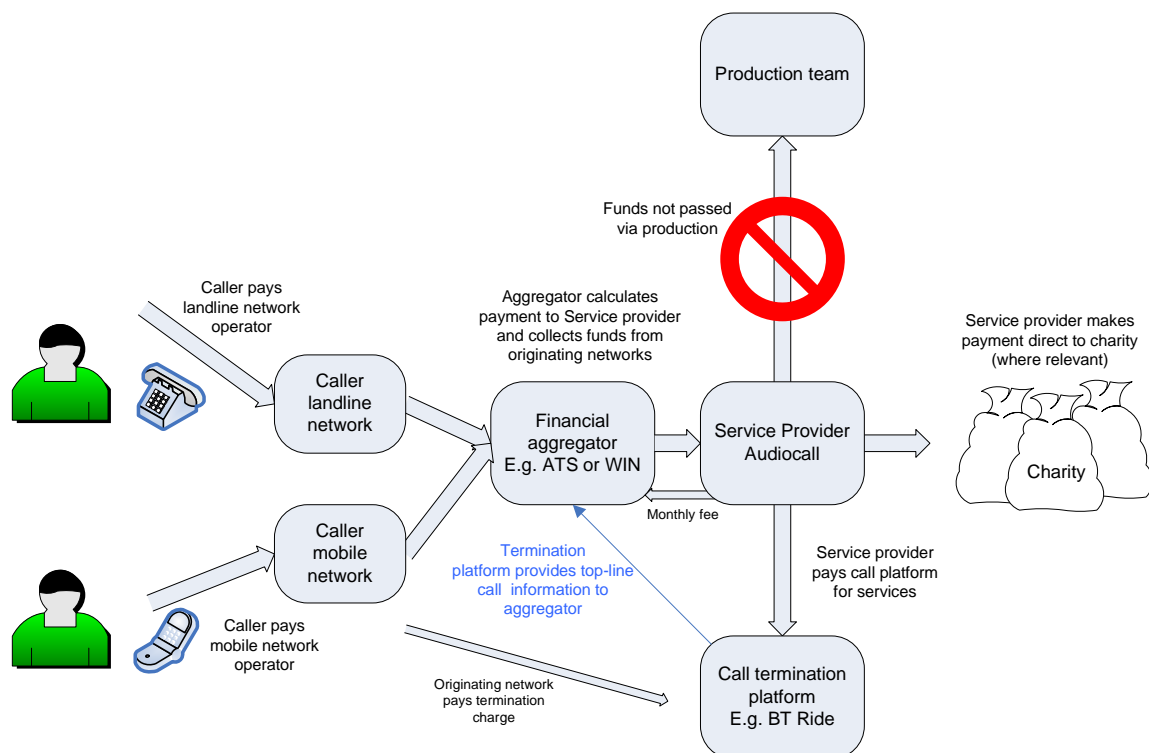
³⁴ For programmes where the call tariff was not set in order to generate money for charity, we did not always have data on the number of calls received before or after lines were open. However for most of the significant examples of PRS use tariffs were set at a charity rate (including all of the programmes shown in Figure 6).

The networks from which a caller made the call would also pay a call termination fee to the call termination platform (this would be the case for any telephone call made where the caller's network differed from the receiving network).

[An independent service provider] would also send Audiocall data disks with detailed call information (including the number of calls to each voting line, information which is not passed to [an independent financial aggregator]). It can then check this data against the revenue that is collected.

In each case we looked at, funds were passed directly from the service provider to the charity, and did not pass via the production budget. We were told that this was always the case for the fundraising programmes Audiocall worked on.

Figure 10: The flow of funds from PRS



6.4 Charitable revenue

Between April 2006 and March 2007 we estimate that £5.8mn was raised for charity from the BBC's use of PRS (this represents 55 percent of caller expenditure). The BBC has a number of approved charities, for which funds can be raised by any programme. In the majority of cases these are umbrella charities, which are established to raise money for a particular type of cause without favouring any particular charity. These include Children in Need, Comic Relief and Sport Relief.

We were told that on one occasion the Independent production team for a programme (The Underdog Show) wanted to raise money for a particular dog charity. BBC Corporate Appeals policy states that BBC programmes can only raise money for an approved BBC charitable appeal, except in the case of stand-alone appeals approved by the BBC Appeals Committee such as the Blue Peter Appeal. Following referral to the Appeals Committee representative, the independent production team was advised that it was contrary to BBC policy to promote one individual dog charity. The production team then chose Children in Need as the recipient of revenue raised from the telephone

lines (the tariff was set at a charity rate). This was clearly conveyed to the audience on air and online in line with BBC guidelines.

6.4.1 Residual revenue

Our interviewees recognised that residual revenue may additionally arise in the context of PRS. We refer here to cases where the call rate set more than covers the costs for PRS use, despite the rate not specifically being set in order to raise money for charity (this can be due to uncertainty over the number of callers for any PRS service). This revenue would be received by the service provider, as part of the normal course of events. Some share of this would be retained by the service provider, and some used to make a donation to charity, or passed to the production department. In some cases it appears that a share of the residual revenue to be passed on is determined at the outset. In other cases, such as the Saturday Kitchen example discussed in the next section, the call rate was only intended to cover costs, but some residual was generated (in this example it was donated to charity).

We are only aware of three such cases in the period we examined (The Weakest Link, Question Time and Saturday Kitchen – discussed in more detail below).

Audiocall told us that it determines *“at the outset whether there will be any revenue available out of its revenue share to be paid to the programme (this is on a bespoke basis depending upon costs). If Audiocall pay such revenue it will be at 30% of net costs. BBC Editorial Policy allows the programme to receive up to 30%”*.

The data provided to us by Audiocall gave only two examples where the 30% had been paid (and none where revenue was passed to charity). These were The Weakest Link (in-house), and Question Time³⁵ (independent production). In these Audiocall informed us that £ [x] and £ [x] were passed on between April 2005 and March 2006. For The Weakest Link a further £ [x] was paid between April and November 2006. At this point Audiocall told us that they *“received instruction from [The Weakest Link] that they no longer wanted to receive any revenue thereafter”*.³⁶

Audiocall informed us that *“since March 07 we are no longer paying production 30% at the request of production programmes”*.

This issue is also covered in the BBC Internal Review of April 2007 (page 11), where it states that residual revenue may in some cases be returned to the broadcaster and that *“this residual revenue is returned to the production department. Where the show is an independent production residual revenue is divided between the BBC and the independent company in accordance with the ‘Code of Practice’ and terms of the production agreement”*.

Editorial Policy told us *“premium rate is not an exact science [and] there may be a small residual amount even with a low rate. The historic position in respect of in-house productions has been a matter for Commercial Policy (now Fair Trading) in conjunction with BBC Business and Rights.”*

Editorial Policy and Business Affairs also advised that to their knowledge there had been no high volume entertainment series in the last two years where the rate had not been designed to raise money for charity.

Although under the Terms of Trade with Independent Producers the BBC cannot require an independent producer to donate residual monies to charity, to Business Affairs’ knowledge there has

³⁵ Subsequent to the 5th December 2007 PwC report, information from the BBC now suggests that payments made were to the BBC production department responsible for the programme.

³⁶ At the time of the December report it had not been possible for PwC to follow these examples up further in the time available.

been no high volume series produced by an independent producer over the last two years which had not set its rates specially to raise funds for charity.

Fair Trading told us that *“there is no formal Fair Trading ‘policy’ with regards to the distribution of residual revenue between the BBC and the service provider. It has never been included within the Fair Trading Guidelines and Fair Trading has not historically been involved with the commercial discussions between the BBC and service providers. This is because (by definition) the residual revenues are not expected to be material. It had proved difficult to identify the historic origins of the 30/70 split. However a review of archived material confirmed that BBC Policy & Planning approved the proposed split of residual revenues in 1994. It appears from the limited evidence available that this assessment took into account market practice and the views of PACT. Editorial Policy and Fair Trading were and are happy for BBC production departments to retain residual revenue so long as in doing so there is no intention to make a ‘profit’ on the programme by virtue of the interactivity. The BBC receiving a share of residual revenues reflects the view that the sums involved would likely be small and that the profit condition is unlikely to be breached at that level”*.

The Code of Practice relating to independent production has a general reference to revenue sharing but nothing specific in the context of PRS.

We note that the current proposals [from Business Affairs] for the treatment of residual revenue in respect of independents suggest a split between the BBC and the producer [the exact split to be suggested is, we understand, not yet finalised], or as *“otherwise agreed in writing between the parties.”*

In general, there was a certain lack of clarity on what the policy was with respect to residual revenues, and where it originated from. It appears to be left largely to the discretion of service providers whether this revenue is passed to the BBC.

6.4.2 Residual revenue example – Saturday Kitchen

The production team for Saturday Kitchen told us that call rates for PRS in this programme *“were not set explicitly in order to generate revenues, in fact they were explicitly set in order not to generate any revenues, or to generate the minimum possible”*. However the team were aware that *“it is impossible to generate revenue equal exactly to cost, and that ‘you are always left with pennies’ which go towards Children in Need”*.

This was a daytime cookery programme and call volumes were small compared to many major entertainment programmes (an average of around 2000 calls was received each week). Three types of PRS were involved, a competition, a vote and a phone-in. Figure 11 shows the amount of revenue generated for charity each week. The total amount generated over this period was £ [redacted], with an average of £ [redacted] per show.

Figure 11: Charity revenue generated by Saturday Kitchen June 2006 to February 2007

[redacted]

This information is included in order to provide an illustrative example of charitable revenue generated in this way. It is not possible for us to say whether the scale of these revenues is representative for cases like these.

6.4.3 Revenue raised for different causes

Table 3 below gives the approximate revenues generated by the BBC’s use of PRS between April 2006 and March 2007. According to the data we have seen Children in Need and Comic Relief both

received approximately £1.9mn from the BBC's use of PRS. Sport Relief received £1.3mn. In practice we were able to identify all funds raised for Comic Relief through the use of PRS,³⁷ but not all funds generated for Children in Need were specified so the actual amount raised for Children in Need may have been slightly higher.

Table 3: Funds over £0.1mn raised for charity from BBC PRS April 2006 to March 2007

Charity	Amount raised
Children in Need	£1.9mn
Comic Relief	£1.9mn
Sport Relief	£1.3mn
Restoration Fund	£0.4mn
Fame Academy Bursary	£0.2mn

Source: Audiocall, CBBC, Comic Relief and production teams.

We expect that the total raised for charity in the previous financial year would have been substantially lower, with no specific Comic Relief or Sport Relief events having taken place (our data for that period was less complete, so we have not attempted a precise estimate of revenues).

6.5 Profitability

Audiocall provided us with its profit and loss accounts for 2005/06 and 2006/07.

Table 4: Audiocall financial picture

	2005/06	2006/07
Sales	[<]	[<]
Profit before interest and tax	[<]	[<]

The position of Audiocall as a subsidiary of BBC Worldwide potential raises some questions. Clearly Audiocall should be able to achieve a 'normal' commercial return. Our estimate of the part of Audiocall's sales that were ultimately passed to charity is £[<] in 2006/07.³⁸ That suggests that in 2006/07 the gross margin on sales (excluding charity payments) was [<] percent, and its profitability before interest and tax was [<] percent of sales excluding charity payments. We have not conducted a detailed examination of the level of Audiocall's profitability; however, this is something that the Trust may wish to explore.

6.5.1 Cross-subsidy

We perceive that it is accepted within the BBC that much of the PRS work supplied by Audiocall is at a loss. One production team told us that "they understand that programmes that bring in lots of revenue contribute to cover the costs of those that don't. If this were not the case a lot of interactivity that uses PRS at the BBC would disappear". Indeed Audiocall itself acknowledges this and told us that "... due to key variables such as the success of a particular programme and its audience participation, some projects can produce losses. Typically, however, it is the prime time voting shows (i.e. *Strictly Come Dancing*) that account for the majority of Audiocall's revenues". Our interviews suggested that both Audiocall and the BBC were aware of the cross-subsidy involved. To an extent both acknowledge that a profit is made from PRS in respect of particular programmes.

³⁷ The data we received for Comic Relief's PRS use contained a small amount of PRS which was not associated with the BBC, but we were told that this was a very small share.

³⁸ This may understate Audiocall's actual charity payments.

6.6 Summary

- In the case of the BBC, the main recipients of the revenues from PRS are the call termination platform operators (e.g. BT), the service providers (e.g. Audiocall) and charities.
- When calls are made outside the time when lines are open for voting or a competition, it appears that Audiocall retain their normal share of revenue plus any share that would usually be passed to a charity.
- In some cases additional residual revenue may be generated after costs have been covered even where a rate was not specifically set in order to generate a surplus for charity (this would be part of the revenue received by a service provider). Whilst we recognise the existence of a policy formulated in 1994,³⁹ in practice there does not seem to have been any standard procedure in these cases, and it has been left to the discretion of service providers whether to pass back residual revenue to a programme or to a charity.
- Between April 2006 and March 2007 we estimate that £5.8mn was raised for charity from the BBC's use of PRS. Children in Need and Comic Relief together received at least 66 percent of these funds.

³⁹ See Section 6.4.1.

7 Contractors

7.1 Introduction

In this section we present the information we have gathered as to the service providers used by the BBC. We discuss the division of the BBC's PRS business by service provider, and how service providers are chosen.

7.2 Service providers

Figure 12 shows how the BBC's use of PRS was distributed across service providers, according to the amount of caller expenditure. As highlighted in Section 2, we have not spoken with external service providers to verify this information. According to our data Audiocall accounts for the largest share of the work ([x] percent).⁴⁰ [An independent service provider] had the next largest share with [x] percent. It should be noted however, that as [x],[an independent service provider] almost certainly accounts for a proportion of the unknown work (to the best of our knowledge none of the unknown PRS work was carried out by Audiocall). [An independent service provider] was the service provider for Restoration Village, and [an independent service provider] and [an independent service provider] provided the CBBC services. We identified one programme, Saturday Kitchen (prior to March 2007) in which [an independent service provider] was the service provider.⁴¹

Figure 12: Service provider use by caller expenditure April 2006 to March 2007

[x]

7.3 Choice of service provider

7.3.1 Factors influencing the choice of service provider

We found that the main factors influencing the choice of service provider were as follows (discussed in more detail below):

- Existing relationships;
- Reliability and ability to provide a robust service;
- Value for money; and
- Ability to comply with relevant regulation.

We found that existing relationships were very important in determining the choice of service provider. For many BBC in-house productions, Audiocall was the default choice, either because the

⁴⁰ Audiocall estimate that they undertake [x] percent of the BBC's PRS work *by revenue*. Audiocall does not have access to information on the revenues of other service providers from BBC PRS work. We believe that in the previous financial year Audiocall's share would have been significantly higher (since there were no Comic Relief events or Restoration programmes).

⁴¹ We have not estimated shares for 2005 to 2006, as we believe our data are less reliable for that period. However it is likely that [x] and [x] accounted for a larger share in that year, since there were no Comic Relief or Sport Relief events, which were typically associated with the use of other service providers.

production team had used them in the past, or because they were part of the BBC, and trusted to offer a good service at low rates.⁴²

The ability of a service provider to offer a robust service was regarded to be very important. Several people we spoke to told us that they had heard of cases where call platforms had fallen down during the course of a programme, and that incidents such as these would be completely unacceptable. Where a service provider was not integrated with the call platform the service provider must be trusted to select the call platform appropriately (this would be part of Audiocall's role). The need to use a service provider who can be trusted to provide a robust service seems to be a factor in the importance of existing relationships with service providers.

Value for money seems to have been particularly important for programmes which were seeking to raise significant funds for charity. In these cases, we were told that the call tariff was usually decided in advance, and service providers were approached to see what share of the tariff could be passed to charity. In several cases we were told that service providers offered to forgo part or all of their margins in order that more money could be passed to charity.

We were also told by Comic Relief that the ability of the service provider to comply with statutory and regulatory requirements was a key factor in their appointment of a service provider.

7.3.2 Selection process

In the majority of cases we looked at the service provider was not selected in a competitive tender. For more details see section 8.

7.4 Summary

- Audiocall is the service provider for the majority of the BBC's PRS use. We estimate that it accounted for [X] percent of PRS use by caller expenditure between April 2006 and March 2007.
- The main factors which influence the choice of service provider are: existing relationships; reliability; value for money; and ability to comply with relevant regulations.

⁴² See Section 8 for more details.

8 Contracts, selection and incentives

8.1 Introduction

In this section we look at the selection process for service providers and examine the nature of arrangement in place between the BBC and service providers. In some cases these arrangements were in the form of formal contracts, in others arrangements were made by email, or during meetings/telephone calls. We also consider the incentives provided by these arrangements.

8.2 Selection and contracts

The use of contracts (between service providers and producers) for the provision of PRS has historically not been enforced by the BBC; however our understanding is that in future all PRS requirements will involve a formal contract. Audiocall provided us with information in respect of 39 BBC programmes⁴³ for which it was the service provider between April 2005 and March 2007. These programmes were both in-house and independent productions.

Of the 39 programmes, 21 had a formal contract (54 percent), which included both in-house and independent productions. For one programme we were unable to establish whether a contract existed. We note that the BBC Fair Trading Guidelines state that “...for the BBC’s Commercial Services, it is necessary that...all transactions between the BBC’s Commercial Subsidiaries and the BBC’s Public Services must be conducted on the basis of signed contracts (and/or Service Level Agreements) for all goods and services supplied”.⁴⁴ According to the information we received in only one case (of the Audiocall sample) was the provision of PRS won through a formal tender. In that case a formal contract existed. In one other case we were told that the production team had spoken to other service providers.

Additionally we have seen a small number of actual contracts associated with BBC programmes and discussed with programme makers (in-house and independent) tendering and contractual matters. Our discussions with programme makers have inevitably been limited in extent and driven by the need to cover the high PRS volume programmes rather than following up the financial information that we have received.

Audiocall provided us with detailed information concerning 39 examples of PRS use between April 2005 and March 2006. These accounted for around [x] percent of their revenue from BBC work. Audiocall told us that in the 2006 to 2007 financial year [x] percent of its total sales were with the BBC. We estimate that Audiocall’s work accounted for approximately [x] percent of caller expenditure on BBC PRS (Audiocall itself estimated that it accounted for [x] of BBC PRS work by revenue).

Audiocall told us that it had no preferred supplier agreement with the BBC - the BBC chooses which service provider to use on a case-by-case basis. Equally Editorial Policy and Business Affairs stressed that there was no formal requirement for programmes to use Audiocall. Programmes have a free choice of supplier and Editorial Policy has re-iterated this to production teams when asked for advice. Editorial Policy pointed out that a number of programmes had used [an independent service provider] and [an independent service provider]. BBC Children’s had a long standing contract with [an independent service provider] for all its telephony which had been tendered and considered on a number of factors including financial, child protection, service robustness and flexibility of the system. In addition, we were told that some of the BBC’s partners and independent producers have their own pre-existing contractual relationship with suppliers, for example [an independent charity], who use

⁴³ Some programmes used PRS for more than one competition or for separate votes.

⁴⁴ BBC Fair Trading Guidelines, paragraph 3.6, Version 2.0, 1 July 2007

[an independent service provider], and therefore programming associated with those partners will usually use their supplier.

Editorial Policy and Business Affairs also stated that in some other cases many in-house BBC programmes may use Audiocall “*because the relationships are there, and have been established over a long period of time, productions have used them with no issues and trust the staff*”. Editorial Policy and Business Affairs also informed us that Children in Need has regularly used Audiocall as their telephony service provider and therefore programmes which are specifically raising money for Children in Need will do so also (we were told that this forms the bulk of PRS activity in non high-volume voting programmes, particularly on radio).

The importance of ‘established relationships’ came through in our interviews with programme makers. Problems with high volume PRS reflect badly upon the programme maker, hence the importance of using a tried and trusted supplier and an understandably corresponding reluctance to seek a formal tendering process. Within our limited sample this applied to both in-house and independent programmes. Typical quotes were:

“...we had established an effective working relationship with BBC Audiocall so we asked them to administer phone interactivity”

“Audiocall dealt with the majority of the BBC’s work of this nature and understood what the BBC required. Hence Audiocall were the automatic choice. It was very easy to make arrangements with the existing [Audiocall] contact”

“.. the team has had a relationship with Audiocall for about 10 years. Audiocall has always provided a good service and are trusted by the team”

“.. went to look for a service provider... [and] an independent production for the BBC had used this form of interactivity and had used Audiocall. .. [a second programme] followed the previous format Audiocall was used because it had a good relationship already with the production team. They were trusted to provide a good and reliable service”

“...[the independent production company] wanted to use [an independent service provider] as the service provider as they had worked together before.”

“[An independent production company] understands that [an independent charity] selected the service provider, [an independent service provider], but does not know the extent to which the BBC was involved in that process. While it believes [an independent service provider] was [an independent charity]’s preferred supplier at the time, [an independent production company] also understands that [an independent charity] do operate a tender process for major PRS events...”

[An independent charity] carried out an open tender process to select a preferred supplier. This arrangement is on a non-exclusive basis, and we were told that for some major events [an independent charity] might operate a separate tender.

However, relationships can breakdown and change has occurred. This had led to tendering, either on a formal or informal basis.

[><]

The experience and requirement of CBBC is rather different from other in-house productions. When the BBC launched its two digital channels for children we were told that the DCMS stipulated that there should be as much interactivity as possible on CBBC. CBBC put together a panel to advise on the interactivity given the special requirements (not just voting but an opportunity for interactivity about programming) and the sensitivities of providing this service to children. The panel advised that

the trial services should be provided by [an independent service provider] (lines) and [an independent service provider] (IVR). This was at local rates, not PRS, and partly subsidised by BBC Marketing, Communications and Audiences.

Following the successful trial it was decided to roll the interactivity out across all programmes for children on BBC1 and 2. There was no open tender process but [X] were approached and submitted documents. [An independent service provider] proposed a solution based around a PRS rate of 10p which required no subsidy from the BBC. Initial contracts were for 1 year (from July/August 2003) with formal reviews every 6 months. Later reviews became annual. The latest contract expired in October 2007.

The main charity use of PRS in the last two years by the BBC has been fund raising associated with Children in Need, Comic Relief, Sport Relief and the Fame Academy Trust.

It would appear that for Children in Need related programming Audiocall provide the PRS. Indeed the BBC Internal Review of April 2007⁴⁵ at one point describes Audiocall as *“the preferred supplier to BBC Children in Need”*.

For the flagship Saturday evening programmes with large call volumes such as Any Dream Will Do - Joseph (split between Children in Need and the Fame Academy Trust) and Strictly Come Dancing (Children in Need) again Audiocall seem always to be the provider. These do not appear to have been tendered nor have they had formal contracts prior to October 2007 series of Strictly Come Dancing.

For programmes associated with Comic or Sports Relief the service supplier has a contract directly with Comic Relief and Comic Relief chose the supplier, typically [an independent service provider]. An exception to this is BBC Sports Personality of the Year (SPOTY), where the decision to raise funds was applied to an already long established programme.

The production team at SPOTY told us that there has not been a formal tender for the service provider. Audiocall had been the supplier for 10 years and although the production team had been approached by smaller service providers *“it has always been felt that they need to stick to a tried and trusted supplier using the most robust platform possible. Furthermore, there has never been an issue in the operation of the vote and it is crucial that the programme and the public are absolutely confident in all the outcomes on the night.”* No contract had previously existed with Audiocall although one was being drawn up for the 2007 show. The idea of supporting Sport Relief seems to have arisen from the production team rather than Comic Relief.

8.3 Terms and conditions within contracts and informal arrangements

We have only been able to examine a small number of contracts that arose within the last two years and thus our comments should be considered with this caveat in mind.

All the contracts (or email exchanges) that we have seen contain details of the price to be paid by callers and where appropriate the amount going to charity, often specified as a minimum. Details of on screen messages and service levels are also included.

We identified an important exclusion that seems to have been made in these older contracts. No provision (or mention) seems to have been made concerning the treatment of revenue from calls made outside the voting window but charged to callers. Our understanding is that the service provider retains all such monies (including any charity contributions).

⁴⁵ Appendix 3, regarding Celebrity Scissorhands.

Interviewees we spoke to knew that residual revenue (after costs have been covered) may arise in the context of PRS. Audiocall told us that it determines “*at the outset whether there will be any revenue available out of its revenue share to be paid to the programme (this is on a bespoke basis depending upon costs. If Audiocall pay such revenue it will be at 30% of net costs. BBC Editorial Policy allows the programme to receive up to 30%*”.

The historical contracts we have seen make no mention of the possibility of such revenue, the payment of which seems entirely at the discretion of Audiocall.

We recognise that uncertainty will always exist over the extent of interactivity that a programme might generate, and this in turn affects the revenue received by the service provider. In so far as this generates residual revenue the service provider (absent contract terms) would seem to have sole discretion over how this surplus over cost is treated. Clearly the 30/70 split could have been embodied in contracts. However given the uncertainty over revenues and the need to provide efficiency incentives, future contracts will need to acknowledge the possibility of residual revenues, while maintaining some flexibility. It would be possible to include terms in contracts that would encourage service providers to increase the residual revenue generated by reducing their costs.

We recognise that many of the problems arising from calls being made outside the voting window and for callers being charged for such calls had a technical basis arising from the limitations of closing lines on the [X] system. The latest contract we have seen, using [X] (October 2007), specifies that no charge will be made to callers before the lines open or after they close. However, Audiocall told us that it still remains the case that a short window (15 to 20 minutes) might still remain before lines can be ‘frozen’ and callers could be potentially charged. They added that at present [X] were absorbing the costs of calls made in this short window.

The BBC does seem to be making a concerted effort to ensure the wider use of contracts and assess the merits of tendering; a detailed assessment of these two areas is beyond our terms of reference.

8.4 Service provider revenue

Contracts between the BBC and the service provider that we have seen do not specify the share of the call cost that will be received by the service provider (nor would we expect them to do so). However, in practice Audiocall receives a specific share of the call tariff for each call made. For example for a 25p vote with 12.5p going to charity, Audiocall receives [X] from [X], of which 12.5p would be passed to the charity during the period when the lines were open, and [X] would be retained. This is consistent with the findings of the Ayre Report, which stated that “The standard contractual arrangements meant that service providers often received no fees, simply a split of the call revenue.”⁴⁶ However for 15p calls Audiocall take approximately [X] from the call cost. Between a 25p rate (including a charity payment) and a 15p call, the costs to service providers should not differ significantly.⁴⁷ Whilst we think this is an area for further study, it does suggest the potential for the BBC to use its bargaining power to seek tighter contractual terms, for example it might seek ‘cost plus’ contracts from service providers.

8.5 Summary

- Historically, there have not always been formal contracts between the BBC and its service providers.

⁴⁶ “Report of an inquiry into television broadcasters’ use of premium rate telephone services in programmes” produced by Richard Ayre for Ofcom, paragraph 1.16.

⁴⁷ Absent any increased set-up costs from using multiple call termination platforms.

- Audiocall is usually appointed by the BBC without a formal tender process taking place.
- In some cases we examined a formal tender was operated, usually when an external producer was involved.
- Contracts we examined did not contain provisions concerning revenues accruing to service providers from calls made outside the period when PRS lines were officially open.
- Contracts we examined contained no reference to any split of residual revenue.

Appendix I – BBC PRS data and calculations

BBC PRS programme data

The data used in this report was brought together from a variety of sources:

Audiocall

Audiocall provided us with detailed data for 39 programmes. For each of these programmes we were told: the service period; the type of service (e.g. vote, competition); the call tariff; the call type (IVR/SMS); the number of calls counting towards the show result; the total number of calls; the revenue to charity; the revenue to Audiocall; whether a contract was in place; and whether the service was put out to tender. Where any discrepancy arose between this data and information from other sources (for example the BBC Internal Review), we have used Audiocall data, since we know that it was extracted directly from data disks held by Audiocall, and reflects the data on which payments were based.

Using Audiocall's overall revenues, we calculated the caller expenditure associated with the remaining programmes for which it was the service provider.

Meetings with production teams

In some cases information was provided to us by the production teams.

CBBC

The CBBC team provided us with information on the number of calls and the call rates for a number of programmes, as well as the amounts raised for charity by some of their shows. This data did not cover the entire period, so some PRS expenditure on CBBC services was estimated on the basis of the volumes for the period in which data was available.

Comic Relief

Comic Relief provided us with information about the amount raised for charity from PRS use for Sport Relief and Comic Relief. In some cases this was combined with information concerning call rates and the amount per call going to charity from other sources (including production teams and information on the BBC website).

Editorial Policy Team

The Editorial Policy team passed us detailed call information for the programme Saturday Kitchen, for the period June 2006 to February 2007.

Combined data set

The information listed above enabled us to construct the table shown below. Some elements of this table have been estimated, for example there were cases where we knew the amount generated for charity from a programme, and the rate per call to charity, and this was used alongside the call rate to calculate the number of calls, and the expenditure.

We received information relating to 46 specific instances of PRS use between April 2006 and March 2007. We were told by Audiocall that the remainder of their revenue from the BBC was generated from approximately 300 other examples of PRS use. These two figures were combined to give our estimate that there were at least 340 examples of PRS use by the BBC in that year (bearing in mind that the Audiocall figure was approximate). A similar calculation was carried out for the April 2005 to March 2006 period.

Table 5: BBC PRS Data

Programme	Year	Caller Exp-enture	Service Provider	Volume Calls/Texts	Call tariff £	IVR - voice / SMS - text	Genre	Media	In-house/Indie	PRS Type	Contract?	Tender?
Strictly Come Dancing 2006	2006/07	[X]	[X]	[X]	0.25	IVR	Entertainment	Television	BBC in-house	Vote	[X]	[X]
Comic Relief does Fame Academy	2006/07	[X]	[X]	[X]	0.5	IVR	Entertainment	Television	Independent	Vote	[X]	[X]
Chris Moyles - Rallyoke	2006/07	[X]	[X]	[X]	1	SMS	Entertainment	Radio	BBC in-house	Competition	[X]	[X]
How do you solve a problem like Maria?	2006/07	[X]	[X]	[X]	0.25	IVR	Entertainment	Television	BBC in-house	Vote	[X]	[X]
Just the two of us 2007	2006/07	[X]	[X]	[X]	0.25	IVR	Entertainment	Television	BBC in-house	Vote	[X]	[X]
Restoration Village	2006/07	[X]	[X]	[X]	1	IVR	Factual	Television	Co-production	Vote	[X]	[X]
Strictly Dance Fever 2006	2006/07	[X]	[X]	[X]	0.25	IVR	Entertainment	Television	BBC in-house	Vote	[X]	[X]
Only Fools on Horses	2006/07	[X]	[X]	[X]	0.5	IVR	Entertainment	Television	Other/Unknown	Vote	[X]	[X]
David Walliams Channel Swim	2006/07	[X]	[X]	[X]	1	SMS	Sports	Television	Other/Unknown	Other/Unknown	[X]	[X]
Sports Personality of the Year 2006	2006/07	[X]	[X]	[X]	0.25	IVR	Sports	Television	BBC in-house	Vote	[X]	[X]
The Underdog Show	2006/07	[X]	[X]	[X]	0.25	IVR	Entertainment	Television	Independent	Vote	[X]	[X]
How do you solve a problem like Maria? SMS	2006/07	[X]	[X]	[X]	0.25	SMS	Entertainment	Television	BBC in-house	Vote	[X]	[X]
CBBC Presentation 06-07	2006/07	[X]	[X]	[X]	0.1	IVR	Children's	Television	BBC in-house	Recorded message	[X]	[X]
When will I be famous	2006/07	[X]	[X]	[X]	0.25	IVR	Entertainment	Television	BBC in-house	Vote	[X]	[X]
Sports Personality of the Year 2006 SMS	2006/07	[X]	[X]	[X]	0.25	SMS	Sports	Television	BBC in-house	Vote	[X]	[X]
Strictly It Takes Two	2006/07	[X]	[X]	[X]	0.5	IVR	Daytime	Television	BBC in-house	Vote	[X]	[X]
Making your mind up Eurovision 2007	2006/07	[X]	[X]	[X]	0.25	IVR	Entertainment	Television	BBC in-house	Vote	[X]	[X]
Smile	2006/07	[X]	[X]	[X]	0.1	IVR	Children's	Television	Independent	Recorded message	[X]	[X]
BT Speaking Clock Competition	2006/07	[X]	[X]	[X]	1.5	IVR	Other Fundraising	Television	BBC in-house	Competition	[X]	[X]
The Mighty Truck of Stuff	2006/07	[X]	[X]	[X]	0.1	IVR	Children's	Television	Independent	Recorded message	[X]	[X]
Your Country needs you	2006/07	[X]	[X]	[X]	0.25	IVR	Entertainment	Television	BBC in-house	Competition	[X]	[X]
Great British Menu 1	2006/07	[X]	[X]	[X]	0.15	IVR	Daytime	Television	Independent	Competition	[X]	[X]
Great British Menu Xmas Special Comp	2006/07	[X]	[X]	[X]	0.5	Other/Unknown	Daytime	Television	Independent	Competition	[X]	[X]
Scott Mills - Andy Murray Haircut	2006/07	[X]	[X]	[X]	1	SMS	Entertainment	Radio	BBC in-house	Vote	[X]	[X]

Programme	Year	Caller Exp-enture	Service Provider	Volume Calls/Texts	Call tariff £	IVR - voice / SMS - text	Genre	Media	In-house/Indie	PRS Type	Contract?	Tender?
Making your mind up Eurovision 2007 SMS	2006/07	[X]	[X]	[X]	0.25	SMS	Entertainment	Television	BBC in-house	Vote	[X]	[X]
People's Museum	2006/07	[X]	[X]	[X]	0.15	IVR	Daytime	Television	BBC in-house	Vote	[X]	[X]
Saturday Kitchen Comp (pre March 2007)	2006/07	[X]	[X]	[X]	0.25	IVR	Daytime	Television	Independent	Competition	[X]	[X]
Great British Menu Xmas Special	2006/07	[X]	[X]	[X]	0.5	Other/Unknown	Daytime	Television	Independent	Vote	[X]	[X]
Celebrity Scissorhands	2006/07	[X]	[X]	[X]	0.5	SMS	Entertainment	Television	Independent	Vote	[X]	[X]
Question Time (phone only) 06-07	2006/07	[X]	[X]	[X]	0.25	IVR	Factual	Television	Independent	Audience line	[X]	[X]
Celebrity Scissorhands SMS	2006/07	[X]	[X]	[X]	0.5	SMS	Entertainment	Television	Independent	Vote	[X]	[X]
CBBC Extra 06-07	2006/07	[X]	[X]	[X]	0.1	IVR	Children's	Television	BBC in-house	Recorded message	[X]	[X]
Level Up	2006/07	[X]	[X]	[X]	0.1	IVR	Children's	Television	BBC in-house	Recorded message	[X]	[X]
Eggheads - not last series	2006/07	[X]	[X]	[X]	0.25	IVR	Daytime	Television	Independent	Competition	[X]	[X]
Comic Relief Beat the Boss vote	2006/07	[X]	[X]	[X]	0.25	IVR	Children's	Television	BBC in-house	Vote	[X]	[X]
The Weakest Link	2006/07	[X]	[X]	[X]	0.6	IVR	Daytime	Television	BBC in-house	Contestant	[X]	[X]
Blue Peter	2006/07	[X]	[X]	[X]	0.1	IVR	Children's	Television	BBC in-house	Recorded message	[X]	[X]
Blue Peter Appeal - Whose Shoes	2006/07	[X]	[X]	[X]	0.1	IVR	Children's	Television	BBC in-house	Competition	[X]	[X]
Saturday Kitchen Vote(pre March 2007)	2006/07	[X]	[X]	[X]	0.15	IVR	Daytime	Television	Independent	Vote	[X]	[X]
Saturday Kitchen Comp (From March 2007)	2006/07	[X]	[X]	[X]	0.25	IVR	Daytime	Television	Independent	Competition	[X]	[X]
Saturday Kitchen Phone-In (pre March 2007)	2006/07	[X]	[X]	[X]	0.1	IVR	Daytime	Television	Independent	Other/Unknown	[X]	[X]
Blue Peter McFly Competition for Comic Relief	2006/07	[X]	[X]	[X]	0.25	IVR	Children's	Television	BBC in-house	Competition	[X]	[X]
Scott Mills - Karaoke Competition	2006/07	[X]	[X]	[X]	0.25	SMS	Entertainment	Radio	BBC in-house	Competition	[X]	[X]
Blue Peter Appeal - Elephant vote	2006/07	[X]	[X]	[X]	0.1	IVR	Children's	Television	BBC in-house	Vote	[X]	[X]
Saturday Kitchen Vote (From March 2007)	2006/07	[X]	[X]	[X]	0.15	IVR	Daytime	Television	Independent	Vote	[X]	[X]
Sudo-Q	2006/07	[X]	[X]	[X]	0.25	IVR	Daytime	Television	BBC in-house	Contestant	[X]	[X]
Other Audiocall 06-07	2006/07	[X]	[X]	[X]	N/A	Other/Unknown	Other/Unknown	Other/Unknown	Other/Unknown	Other/Unknown	[X]	[X]
Other CBBC 06-07	2006/07	[X]	[X]	[X]	0.1	IVR	Children's	Television	BBC in-house	Recorded message	[X]	[X]
Other Comic Relief PRS	2006/07	[X]	[X]	[X]	N/A	Other/Unknown	Other Fundraising	Television	Independent	Other/Unknown	[X]	[X]
Other Sport Relief	2006/07	[X]	[X]	[X]	N/A	Other/Unknown	Other Fundraising	Other/Unknown	Other/Unknown	Other/Unknown	[X]	[X]

Programme	Year	Caller Exp-enture	Service Provider	Volume Calls/Texts	Call tariff £	IVR - voice / SMS - text	Genre	Media	In-house/Indie	PRS Type	Contract?	Tender?
Strictly Come Dancing 2005	2005/06	[X]	[X]	[X]	0.25	IVR	Entertainment	Television	BBC in-house	Vote	[X]	[X]
Strictly Dance Fever 2005	2005/06	[X]	[X]	[X]	0.25	IVR	Entertainment	Television	BBC in-house	Vote	[X]	[X]
Just the two of us 2006	2005/06	[X]	[X]	[X]	0.25	IVR	Entertainment	Television	Other/Unknown	Vote	[X]	[X]
Great Big Bid	2005/06	[X]	[X]	[X]	1	IVR	Entertainment	Television	Independent	Competition	[X]	[X]
Great Big Bid SMS2	2005/06	[X]	[X]	[X]	1	SMS	Entertainment	Television	Independent	Competition	[X]	[X]
CBBC Presentation 05-06	2005/06	[X]	[X]	[X]	0.1	IVR	Children's	Television	BBC in-house	Recorded message	[X]	[X]
Sports Personality of the Year 2005	2005/06	[X]	[X]	[X]	0.25	IVR	Sports	Television	BBC in-house	Vote	[X]	[X]
Sports Personality of the Year 2005	2005/06	[X]	[X]	[X]	0.25	IVR	Sports	Television	BBC in-house	Vote	[X]	[X]
Smile (Darrall Macqueen Productions) 05-06	2005/06	[X]	[X]	[X]	0.1	IVR	Children's	Television	Independent	Recorded message	[X]	[X]
Casualty - Donors	2005/06	[X]	[X]	[X]	0.1	IVR	Drama	Television	BBC in-house	Vote	[X]	[X]
Xchange	2005/06	[X]	[X]	[X]	0.1	IVR	Children's	Television	BBC in-house	Recorded message	[X]	[X]
The Saturday Show	2005/06	[X]	[X]	[X]	0.1	IVR	Children's	Television	BBC in-house	Recorded message	[X]	[X]
Strictly African Dancing Special	2005/06	[X]	[X]	[X]	0.25	IVR	Entertainment	Television	BBC in-house	Vote	[X]	[X]
Making your mind up Eurovision 2006	2005/06	[X]	[X]	[X]	0.15	IVR	Entertainment	Television	BBC in-house	Vote	[X]	[X]
Dick and Dom in Da Bungalow	2005/06	[X]	[X]	[X]	0.1	IVR	Children's	Television	BBC in-house	Recorded message	[X]	[X]
Tracy Beaker Parties with Pudsey	2005/06	[X]	[X]	[X]	0.1	IVR	Children's	Television	Other/Unknown	Recorded message	[X]	[X]
Question Time (phone only) 05-06	2005/06	[X]	[X]	[X]	0.25	IVR	Factual	Television	Independent	Audience line	[X]	[X]
CBBC Extra 05-06	2005/06	[X]	[X]	[X]	0.1	IVR	Children's	Television	BBC in-house	Recorded message	[X]	[X]
The Weakest Link	2005/06	[X]	[X]	[X]	0.6	IVR	Daytime	Television	BBC in-house	Contestant	[X]	[X]
Blue Peter	2005/06	[X]	[X]	[X]	0.1	IVR	Children's	Television	BBC in-house	Recorded message	[X]	[X]
Strictly African Dancing Special SMS	2005/06	[X]	[X]	[X]	0.25	SMS	Entertainment	Television	BBC in-house	Vote	[X]	[X]
Top of the Pops reloaded	2005/06	[X]	[X]	[X]	0.1	IVR	Children's	Television	BBC in-house	Recorded message	[X]	[X]
Short Change Pricebusters	2005/06	[X]	[X]	[X]	0.1	IVR	Children's	Television	BBC in-house	Recorded message	[X]	[X]
Great Big Bid SMS1	2005/06	[X]	[X]	[X]	1	SMS	Entertainment	Television	Independent	Competition	[X]	[X]
Other Audiocall 05-06	2005/06	[X]	[X]	[X]	N/A	Other/Unknown	Other/Unknown	Other/Unknown	Other/Unknown	Other/Unknown	[X]	[X]

Programme	Year	Caller Exp- enditure	Service Provider	Volume Calls/Texts	Call tariff £	IVR - voice / SMS - text	Genre	Media	In-house/Indie	PRS Type	Contract?	Tender?
Other CBBC 05-06	2005/06	[<]	[<]	[<]	0.1	IVR	Children's	Television	Other/Unknown	Recorded message	[<]	[<]

n.b. 'Unknown' means that we did not have information on this, and not necessarily that the information is unavailable anywhere within the BBC.

Total expenditure figures were calculated as the total of the third column above. Note that these expenditure figures assume that all calls were made from a BT landline. This means that the total figure underestimates expenditure. We were unable to obtain information concerning the rates from different mobile networks and the volume of calls from these sources.

We did not seek to summarise the information relating to contracts and tenders (for example by calculating the percentage of all PRS use which was put out to tender), as it was not easily comparable across uses. For example CBBC had one contract with [an independent service provider] and [an independent service provider], which covered most of its PRS use, but not programmes where PRS was used for fundraising. Instead this type of information is discussed qualitatively in the text. Nevertheless, the table can provide an illustrative overview (we relied on our sources for information about whether contracts were in place, and have not seen contracts for each of the services shown above).

Note that the data often include SMS and voice services for the same programme in separate lines. It also includes separate data for different PRS services used by the same programme. Thus we have referred in the text to separate examples of PRS services, rather than the number of programmes using PRS.

We are not aware of which programmes were covered by the Deloitte Report into the BBC's use of PRS, and are therefore unable to comment on the overlap between our samples.

PRS call breakdown calculation

Audiocall provided us with data which included the overall call rate, the amount to charity, and their own revenue for each programme. We used this information, along with information from other publicly available sources (Ofcom website, PayPhonePlus, BT website) to calculate how the cost of a call would break down.

The information we had allowed us to identify the share of the call tariff going to pay VAT, the share paid to the regulator ICSTIS (now PayPhonePlus) and approximate share going to pay the bad debt service charge levied by [redacted]. After excluding the amount paid to charity and the amount going to Audiocall, we were left with a figure which we assumed would be paid to the call termination platform (e.g. [redacted]). This information, which was considered to be too commercially sensitive, was not provided to us directly by Audiocall. As such, the breakdown should be regarded as illustrative, and has not been confirmed by the players at each level of the supply chain.

The information provided shows that in general, Audiocall receives the same share of revenue for each call regardless of the number of calls received for a particular programme.

Appendix II – Extract of Report from BBC Director General to the BBC Trust

The remainder of this Appendix contains an extract from the Final Report from the BBC Director General to the BBC Trust, May 2007. We quote section 5.4, which outlined that actions that the BBC management proposed to take in the area of PRS:

Actions in Relation to Premium Rate Telephony

Leaders of Editorial Policy, Business Affairs and Fair Trading have been involved alongside senior editorial leaders in considering the incidents detailed and helping the Director General to identify a way forward. The actions identified which in many cases are already underway are:

- 1. To set up a pan-BBC Working Party** to focus on the issues around telephony and to ensure the effective implementation of changes to current practices. This will include representatives from Vision, Nations and Regions, and Audio & Music - the key programme areas using telephone interactivity, as well as Editorial Policy, Legal, and Business Affairs. The group will be sponsored by Jana Bennett, Director, BBC Vision, and led by Peter Fincham, Controller BBC1.
- 2. To set up an interim editorial policy referral system** while further consideration is given to a permanent system. Editorial Policy will remind all divisions that, as outlined in the BBC Editorial Guidelines, all proposals involving premium rate interactivity must be referred to and approved by a senior editorial figure or for independents the commissioning editor. Over the next few months, the Working Party will consider the value of proposing a change to the guidance to require all projects which are heavily dependent on high level interactivity to alert Editorial Policy to obtain specialist advice.
- 3. To set up an interim approved service provider system** for telephony suppliers, while the Working Party considers establishing a permanent system for approving suppliers and mandating their use across the BBC.
- 4. To establish a BBC policy for use of appropriate premium rate tariffs** to ensure that all the rates used by the BBC are appropriate; that there is clarity and consistency around the circumstances in which the public should be asked to pay more than the standard national rate for phone call in order to raise money for charity; and the rates that are charged in order to raise funds for charities.
- 5. To review the use in any circumstances of premium rate telephony in BBC Children's** whilst recognising that premium rate telephony can be an effective way of capping the cost of calls for children.
- 6. To suspend any further "live" telephone competitions which are intended to be run in their entirety with a winner selected within the framework of a half hour programme** while further consideration is given to the measures and safeguards which should be put in place to ensure that such competitions can be fairly run.
- 7. To identify a senior editorial figure on every production who is formally responsible for the compliance of its premium rate service.** This would be a senior member of every in-house production team, and, for independent productions, a senior BBC commissioner. They will have responsibility to ensure that all relevant guidelines are followed and the appropriate business affairs input has been sought and given.
- 8. To identify a single individual within each of Vision, Audio & Music and Journalism to take responsibility for managing processes and risks around the delivery of telephony services across the area.**

- 9. To produce new telephony compliance forms for live programming and amendments to the existing compliance form for recorded programmes.** Every live programme which plans to use premium rate telephony will be required to complete paperwork in advance of transmission to indicate the nature of the telephony, that the interactivity meets BBC Editorial Guidelines and BBC Interactivity Guidance, whether Editorial Policy has been consulted, and in the case of competitions, that Programme Legal Advice has been consulted. It should indicate whether the programme is to be repeated and that appropriate measures have been taken to ensure repeats are compliant. Existing compliance forms for recorded programmes will be amended to include a new section on premium rate telephony compliance (as above) and also to ensure that appropriate scripting has been used to ensure the interactivity proposed is suitable for a recorded programme, that it does not confuse the audience and does not suggest the programme is live.
- 10. To provide additional editorial and operational guidance and training in this area.** Within the next few months Editorial Policy will issue additional detailed guidance on interactivity, specifically covering issues around voting, competitions, and use of premium rate telephony. The guidance will also update existing advice on contingency planning and how to respond appropriately when things go wrong in a live situation. As part of its regular programme of training seminars for relevant areas, Editorial Policy will also incorporate advice on the use of premium rate telephone services.
- 11. To identify a post in Finance and Business Affairs to scrutinise premium rate telephone service contracts.** A specialised post will be identified with expertise in telephony contracting and to take on responsibility for approving all contracts involving premium rate telephony and ensuring all proposed technical systems and business arrangements are compliant with BBC policy.
- 12. To examine the use of text voting in very popular programming with high levels of interactivity.** Although no specific problems have been identified, this appears to be an area which could benefit from some further examination. The Working Party will work with telephone service providers and mobile network operators to ensure use of text voting meets audience expectations and establish whether further safeguards are needed.
- 13. To review current measures for preventing vote rigging and to explore new ones.** Editorial Policy and BBC Legal will work with telephony service providers to look at existing measures to detect and tackle vote rigging and explore future technical solutions.
- 14. Working with telephony providers to explore measures to close phonelines after high level interactivity is concluded.** At present there is no technical mechanism to prevent callers being charged for contacting lines even after they have closed. The BBC uses on-screen captions and presentation to deter audiences from using phone lines once they have "closed". The Working Party will engage with telephone service providers and telephony platform operators to explore whether a technical solution can be found to this problem.

Appendix III – Data on calls when lines not open

Channel & Programme	Service Period	No of calls/texts counted for result	Total number of calls/texts	Difference	Difference as % counted calls	Difference as % total	"Foregone charity revenue"
Sports Personality of the Year 2006	10.12.06	[X]	[X]	[X]	[X]	[X]	[X]
Your Country needs you	13.01.07	[X]	[X]	[X]	[X]	[X]	[X]
How do you solve a problem like Maria?	12.08.06-16.09.06	[X]	[X]	[X]	[X]	[X]	[X]
Just the two of us 2007	02.01.07-07.01.07	[X]	[X]	[X]	[X]	[X]	[X]
Strictly Come Dancing 2006	07.10.06-23.12.06	[X]	[X]	[X]	[X]	[X]	[X]
Strictly Dance Fever 2006	15.04.06-06.05.06	[X]	[X]	[X]	[X]	[X]	[X]
When will I be famous	3.02.07-24.03.07	[X]	[X]	[X]	[X]	[X]	[X]
Making your mind up Eurovision 2007	17.03.2007	[X]	[X]	[X]	[X]	[X]	[X]
Strictly It Takes Two	07.10.06-23.12.06	[X]	[X]	[X]	[X]	[X]	[X]
The Underdog Show	20.03.07-24.04.07	[X]	[X]	[X]	[X]	[X]	[X]
How do you solve a problem like Maria? SMS	12.08.06-16.09.06	[X]	[X]	[X]	[X]	[X]	[X]
Sports Personality of the Year 2006 SMS	10.12.06	[X]	[X]	[X]	[X]	[X]	[X]
Making your mind up Eurovision 2007 SMS	17.03.07	[X]	[X]	[X]	[X]	[X]	[X]
Great Big Bid	13.11.05-17.11.05	[X]	[X]	[X]	[X]	[X]	[X]
Just the two of us 2006	23.02.06-05.03.06	[X]	[X]	[X]	[X]	[X]	[X]
Making your mind up Eurovision 2006	04.03.06	[X]	[X]	[X]	[X]	[X]	[X]
Sports Personality of the Year 2005	11.12.05	[X]	[X]	[X]	[X]	[X]	[X]
Strictly African Dancing Special	09.07.05	[X]	[X]	[X]	[X]	[X]	[X]
Strictly Come Dancing 2005	01.10.05-23.12.05	[X]	[X]	[X]	[X]	[X]	[X]
Strictly Dance Fever 2005	26.03.05 - 04.06.05	[X]	[X]	[X]	[X]	[X]	[X]
Casualty - Donors	27.08.05	[X]	[X]	[X]	[X]	[X]	[X]
Sports Personality of the Year 2005 SMS	11.12.05	[X]	[X]	[X]	[X]	[X]	[X]

* There were a small number of occasions on which the number of calls/texts counting towards the result exceeded the number on which Audiocall eventually received payment. This is most likely to occur for SMS services. Where a caller has sufficient funds to send an outgoing text message this counts towards the programme result, but in some cases the funds are no longer available when the acknowledgement message is received (this is the point when they are billed), and no revenue is receive

Appendix IV – Relevant regulations and guidelines

This Appendix provides a list of the regulations and guidelines with which the BBC's use of PRS must comply:

- **The BBC Editorial Guidelines.** These contain specific section relating to interactivity and telephony.
- **The PayPhonePlus Code of Practice.** There is a separate body which regulates PRS formerly ICSTIS, this organisation is now known as PayPhonePlus. In the past service providers, rather than broadcasters have been responsible in the case of a breach of the ICSTIS code.
- **Ofcom's Broadcasting Code.** This includes a requirement for compliance with the ICSTIS Code. It contains a specific rule on fairness in competitions which applies to all broadcasters including the BBC. Other rules on PRS in Section 10 do not apply to BBC services.
- **Ofcom Guidance to the Broadcasting Code.**
- **The BBC Trust** regulates the BBC's use of PRS.

On 5th December 2007, Ofcom published a new framework agreed by Ofcom and PhonepayPlus, designed to strengthen consumer protection and clarify the existing regulatory arrangements for PRS.

A fuller discussion of the regulatory context for PRS can be found in Section 5 of the "Report of an inquiry into television broadcasters' use of premium rate telephone services in programmes" by Richard Ayre to Ofcom.

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