

Business and Trade Committee

Oral evidence: Royal Mail, HC 1796

Tuesday 24 March 2026

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Members present: Liam Byrne (Chair); Dan Aldridge; Antonia Bance; John Cooper; Sarah Edwards; Alison Griffiths; Justin Madders; Charlie Maynard; Nick Smith.

Administration Committee Member present: Nick Smith

Questions 93-127

Witnesses

- Natalie Black, Group Director for Infrastructure and Connectivity, Ofcom;
- Fergal Farragher, Director, Infrastructure and Connectivity, Ofcom; and
- Ian Strawhorne, Director, Enforcement, Ofcom.

Examination of witnesses

Witnesses: Natalie Black, Fergal Farragher and Ian Strawhorne.

Q93 **Chair:** Welcome to today's final session on Royal Mail. Natalie, Fergal and Ian, thank you very much for joining us. Natalie, where are your chief executive and chairman?

Natalie Black: Our CEO is very involved in the process of overseeing Royal Mail.

Chair: Why are they not here? Ofcom has been called this afternoon in part because we are deeply unimpressed with its ability to get Royal Mail services back on track. I am surprised that your chief exec and chair have not chosen to front this up in front of Parliament this afternoon. Where are they?

Natalie Black: First of all, Chair, I lead this on a day-to-day basis, and I think it is important that the Committee has the detail that we have to offer today. I will start by saying that we share the Committee's frustration with the fact that the Royal Mail has not been delivering the quality of service that people up and down the country tell us they urgently need. The fundamentals of the market have changed and we should talk about that, but it is very important to emphasise the fact that we have been pushing for a credible improvement plan.

Q94 **Chair:** And failing, because it has not been published.

Natalie Black: Well, as you heard in the last session, we are waiting for the negotiations between the Royal Mail and the CWU to finish. I would add that it is not just about the credible improvement plan; it is about the investment to back it up. We currently have a Royal Mail service that does not reflect the way consumers are using it on a day-to-day basis.

Q95 **Chair:** Let us just get the service stats fixed first. Our estimate is that Royal Mail is delivering about 220 million letters late each year. Is that your assessment?

Natalie Black: I would not want to give you a number off the cuff.

Q96 **Chair:** You are their regulator. This is Parliament asking you a direct question. Where is their service standard today?

Natalie Black: On first-class delivery, they are currently at 76.5%, against a target of 93%. On second class, they are at 92.2%, against a target of 98.5%.

Q97 **Chair:** What would that translate into in terms of the number of letters delivered late this year?

Natalie Black: I would like to write to you to set that out. Can I emphasise what consumers tell us up and down the country? Forty-four per cent of people say they have a problem sending or receiving letters. All the evidence you have heard this afternoon is a symptom of a system that is not working.



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Q98 **Chair:** Believe me, the members of this Committee have plenty of evidence, both from the whistleblowers who have come forward to the Committee and our own constituents, about the unacceptably poor performance of Royal Mail. What we are trying to understand is how you have let this failure unfold on your watch.

Natalie Black: Thank you for the question, because it is very important to set this out. Out of all the players you have seen this afternoon, Ofcom has been the organisation that has grasped the nettle.

Q99 **Chair:** We have just said that 220 million letters are delivered late. If that is grasping the nettle, Ms Black, I am afraid we are not impressed.

Natalie Black: In 2025, we consulted on how to reform the USO. That was on the back of a national conversation that we started in 2024. In previous years, there had been lots of talk about the need for reform, but no one came forward with a plan. It was only in 2024, when we forced a conversation, that Royal Mail came forward with a suggestion of how it could reform the system. Ultimately, it has to come from the company, because it is delivering the operations.

We then consulted in January 2025, and in July we announced the reforms to the USO—only six months later. From the point that we made that announcement, the USO could now be implemented. We are as frustrated as you that it has taken this long. We hear from consumers up and down the country that this is not good enough. We really welcome the fact that the Committee has engaged and helped us to force—

Q100 **Chair:** What is the budget of Ofcom?

Natalie Black: I don't know that off the top of my head, but I would be more than happy to write.

Chair: It is about £160 million a year. The taxpayer is forking out about £160 million a year to you, the regulator of Royal Mail, and we have a situation today where 220 million letters are being delivered late. We are trying to understand whether this is a powers gap or an enforcement gap that you have? What will it take for you to get a grip of Royal Mail?

Natalie Black: Chair, can I be absolutely clear and reiterate my earlier point? It is only Ofcom that has stood up to the table here. First, we have changed the regulations to enable a company to modernise, to fit the way that consumers are now using it. At the same time, we have held its feet to the fire by fining it £37 million over the last three years. However, absolutely, the job is not done, and we are laser focused on getting this across the line. That is why it is so important not only to see an improvement plan—we all know we have been there before—but to make sure it is absolutely backed with investment from the owners of Royal Mail.

Q101 **Chair:** But with all those measures you have set out, the service has not improved; if anything, it has deteriorated to crisis levels. Help me understand how the next 12 months will be different. How is Ofcom finally going to get a grip of this failing service?

Natalie Black: I would reiterate again that we are the only ones who have stepped up to the table on this—

Q102 **Chair:** I appreciate that, but you are the lead regulator. I am not sure who else you think should be doing this job for you, for the £160 million we give you each year.

Natalie Black: We would very much welcome an agreement coming together from the Royal Mail and CWU to get on with implementing the USO reform, but please let me answer your question on the next 12 months. We would like to see an agreement to implement the USO reform. I totally agree that it is not a silver bullet—we have said that multiple times ourselves—but the company needs to get on with implementing the USO, because consumers up and down the country tell us that they are losing confidence in the service. We absolutely cannot have that. People value it. What they really value is the opportunity to connect with their communities. We receive the same letters as you, from up and down the country. We have heard from the same whistleblowers. That is why we take it incredibly seriously.

Q103 **John Cooper:** What lay behind the latest fine of £21 million in October 2025? What triggered that?

Ian Strawhorne: The Postal Services Act tells us how we make that assessment. We need to think about the seriousness of the breach and ensure the fine is proportionate, and we have to take account of our enforcement guidelines. There is a whole host of factors that we need to take into account and that we did take into account.

There are three really big ones, though. The first is that seriousness point. That is about consumer harm. We have seen consumer harm growing in the last three years. We also have to take account of the company's financial circumstances. That is about making sure that the fine is proportionate. Finally, we have to take account of the fact that this is a repeated breach. This is the third year in a row. All of that is driving this number up.

I want to clear that there is no formula here. It is not an algorithm; it is a judgment call. It is a judgment call on what we think the right penalty is to hold the company to account, but also to promote improvement and support the investment we want to see over the coming months.

Q104 **John Cooper:** You say it is a judgment call, but it is a repetition again, isn't it? It is another fine that has followed on. You asked them to produce an improvement plan. What else have you done? Did you give them a warning about future performance? You referred to your system—your scorecard, if you like. Have you talked that through with them? What do you expect from them?

Ian Strawhorne: We have set the expectations really clearly. We told the company that its performance was not good enough, and that we needed to see this credible improvement plan and to see it actually happen. We have been clear that words are not enough. We have also said to the



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company that if we do see that, we will be able to step away from financial penalties and chart a different course. But we have been really clear that if we do not see those improvements, we will not hesitate to continue to use those enforcement powers—potentially even larger numbers.

Natalie Black: If I could re-emphasise: this is a two-pronged strategy. Ultimately, it is about the long-term vision for the company, which is USO reform, but in the short term we will maintain our laser focus and keep their feet to the fire to ensure that we hold them to account on quality of standards. That is where the fining comes in.

Q105 **Charlie Maynard:** Do you agree that Křetínský and IDS make more money if the USO is loosened?

Natalie Black: It depends how the USO is loosened.

Q106 **Charlie Maynard:** Okay. I would say that, if the conditions are looser, it is easier to make money, because you have to do less work to meet those conditions. Therefore, the incentives do not add up. You mentioned that this may not be a silver bullet. We are worried that we are back here again and again, as we have been for the past decade, because these incentives do not work. He is clearly a very capable capitalist, and he is doing what capitalists do, which is making all his money on the GLS side of the business and cutting his costs as much as he can on the Royal Mail side of the business. What are your ideas for fixing the incentives so that we have a Royal Mail that is fit for purpose and serves our posties and consumers well?

Natalie Black: I understand the question. I really want to emphasise this point: it is not an improvement plan for the sake of it. We also need to collectively push on investment in the business, particularly on the letters side, to make sure that you see the modernisation that has been seen elsewhere in the world.

I would re-emphasise the fact that everyone in the world is struggling with this problem at the moment, because the way that letters are being used has fundamentally changed. That is why we have thought so carefully about how we have done USO reform. We were under a lot of pressure from the Royal Mail to loosen some of our regulations, including on access mail, for example, which the NHS and small businesses really rely on. We didn't: we maintained our regulation on the D+1 product.

There is a balance to be struck here, but we ultimately need to end up with more investment in the business to make sure it is fit for purpose.

Q107 **Charlie Maynard:** What comfort can you give us that we will not just be in a cycle—or continue the cycle we are already in—where there is a weaker and weaker USO?

Natalie Black: I cannot give 100% comfort, because we do not know what will happen in the future. What I can assure you of is that we have taken these decisions very carefully, and we have talked to people up and down the country. They tell us that they really value reliability, so that is how we have reformed the USO. We have focused on ensuring that the



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postal service becomes more reliable, particularly for first and second class, but that has not been implemented yet. Today we have heard about many frustrations and sticking-plasters around the edges; that will not support the business in the long term. We need to see the USO implemented, and we need to see a credible plan to get us there that is backed by investment.

Q108 **Charlie Maynard:** If EP Group fails and breaches its obligations, what are you going to do about it?

Natalie Black: If, by obligations, you mean the undertakings—

Charlie Maynard: The undertakings, yes.

Natalie Black: That would be a question for the Government, because those are not with Ofcom as the regulator. It is an agreement between EP Group and the Government. When you read the text, there are undertakings and commitments to making sure it meets its regulatory requirements—

Q109 **Charlie Maynard:** So that is undertakings up there, and your obligations down here at the Ofcom level.

Natalie Black: With the Royal Mail, yes.

Q110 **Charlie Maynard:** Yes, so what if they fail on those? Frankly, £37 million over three years—it is a big business—is pretty minor; that is a little over £10 million a year. Does that really change anything? I don't think it does.

Natalie Black: I would disagree, when you look at how the business is struggling at the moment. Ofcom has two roles here: looking out for consumers and making sure their interests are looked after, but also monitoring the financial sustainability of the business. It is clear that, as we have heard, that the finances are in a difficult situation, so these fines are not insignificant at all. Ultimately, it comes back to what the long-term solution is that will get us, collectively, in a better place and satisfy the consumers we are here to serve. That is about having a credible improvement plan backed by investment.

Q111 **Chair:** How much investment?

Natalie Black: In the letter from the CEO of the Royal Mail, you will have seen that it has committed to £100 million a year for the next five years. Until we see the agreement between the Royal Mail and the CWU on exactly how the USO will be implemented, I cannot give you a figure on that. When we undertook the USO reform, we made an estimate of somewhere between £250 million and £425 million. Royal Mail has come back and said that it anticipates savings of £300 million. Once the agreement is made, which we very much hope will be soon, that is a question that we will want to ask.

Q112 **Chair:** Do you think the investment proposed is in the right order of magnitude?

Natalie Black: It is difficult to say at the moment, but I think we have all heard that there are some fundamental challenges in the business, which is why the investment argument is so important.

Q113 **Sarah Edwards:** I want to pick up on your point, Ms Black, about USO reform, particularly because I think it is an interesting term to use, given that we are seeing it move in the wrong direction—the Committee would probably agree.

At the moment, from 1 April this year, we are going to see first-class delivery targets dropping from 93% to 90%, and second-class delivery targets dropping from 98.5% to 95%. Effectively, that is moving the goalposts to make it easier to meet the USO obligation that we know Royal Mail has to meet. Are we not just masking that failure? How is that going to be an improvement, when it is in fact allowing more letters and parcels to be delivered late?

Natalie Black: Thank you for asking this question, because I think it is very important. First, I want to re-emphasise the point that USO reform has not yet been implemented, because it has not yet been agreed between the Royal Mail and the CWU.

On the quality-of-service targets, we need to be honest with ourselves that the way in which we use the Royal Mail has fundamentally changed. Twenty years ago, we sent 20 billion letters, but today it is more like 6.5 billion—that is a 70% decrease. At the same time, the number of households that our posties are having to visit has increased from 4 million to 32 million, and we have heard how hard those jobs are.

We have tried to strike a balance that reflects the fact that it is much harder now to deliver mail in this country, because the way in which we are using it is fundamentally different. To be absolutely clear, when you compare these standards with other countries in the world, our targets are much higher than the rest of Europe's.

Q114 **Sarah Edwards:** I do not necessarily think we want a race to the bottom, though; we want a good service for the entirety of the country. There is also an additional reliability target that effectively says that mail—if it is first class or second class—cannot be delivered two days later than the allotted time it is supposed to arrive in. How is that going to be used for you to measure the performance of Royal Mail? How is that going to be calculated in the kind of fines that you might potentially have to put on Royal Mail this coming year?

Natalie Black: That is a great question. Again, this is where we have tried to walk this really fine line of reflecting the fact that the world has changed, but equally consumers, quite rightly, have high expectations of the Royal Mail.

Alongside the changes to the targets, we have implemented a “tail of mail” target. As you might also have heard, we were hearing that, on occasion, there might be letters that have not been delivered, for whatever reason, that are then left around. We want to make sure that, if the first target is



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not met, the Royal Mail is still incentivised to make sure that those letters go out as quickly as possible. That is the point of the target. Ian is our director of enforcement, and I am sure he would reiterate that that is something we take into consideration.

Ian Strawhorne: Absolutely. This change is about increasing accountability, so we will hold Royal Mail to account for these new reliability targets, and we will hold it to account for its existing one-day and three-day targets in exactly the same way we have in recent years.

Q115 **Sarah Edwards:** How is that going to translate into the way in which you decide whether to issue a fine? Obviously, this is adding to a structure that you currently have, so you are broadening the KPIs, as such, that you use to measure its performance. How do you think you are going to use these reliability targets? How are you factoring those in?

Ian Strawhorne: The reliability targets look at managing the overall length of time for which letters get delayed. That is also about consumer harm, so it is the same kind of consideration that we have always had—the level of consumer harm and the seriousness of the breach. We will take all of that into account and think about the right penalty to incentivise a change in the organisation.

Q116 **Nick Smith:** Ms Black, Mr Křetínský talked about a first-class mail delivery success rate of over 90%, but in your introduction you talked about a success rate of 76%. Is someone not telling the truth, or do you have mixed targets going on here?

Natalie Black: Let me be absolutely clear: Ofcom is the independent regulator of the Royal Mail, and we collect data that we then use as part of our enforcement process. I think it might be worth talking through exactly how we collect that data, because you have heard lots of numbers this afternoon.

Chair: Just very briefly.

Natalie Black: There is an independent agency that the Royal Mail asks to collect this information. That involves individuals posting letters to themselves. Royal Mail do not know who they are and it cannot be involved in that process. That is then audited. Ian might want to come in on that.

Q117 **Nick Smith:** Can we please have agreed and accurate facts so that everybody can understand what is going on for the future?

Natalie Black: Yes, I would urge the Committee to use Ofcom's data as the independent regulator here. You have heard different presentations this afternoon, but I urge the Committee to use our data.

Q118 **Nick Smith:** Many of the letters that our constituents depend on are not covered by the USO because they use the Royal Mail access service. What is Ofcom doing to ensure that the Royal Mail delivers those on time?



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Fergal Farragher: That is right. As you say, the majority of mail is bulk mail, and some very important and large organisations use those services. We currently have a system where providers can get access to Royal Mail's network and can inject mail in for delivery in the final stage. That gives these large organisations some choice in the market.

There is a competitive market there and there are commercial agreements between those operators and Royal Mail that dictate the level of service quality. When those targets are not met, Royal Mail will have to pay compensation to those companies.

Q119 **Nick Smith:** What are you doing to ensure that it is a better service in future?

Fergal Farragher: As I said, it is a competitive market, and those agreements are commercially held. We keep a close eye. We reviewed the market alongside our USO reforms late last year and we talk regularly to the providers. However, it is a function of competition.

Q120 **Antonia Bance:** The reforms that you have approved to the USO would see second-class letters only delivered on alternating weekdays. Why should our constituents have to put up with a worse service to clear up Royal Mail's mess?

Natalie Black: Thank you for the question. It gets to the nub of the problem that we face: people are sending fewer letters and the number of postcodes that our hard-working posties are expected to go to has increased. I want to be absolutely clear, though: we have maintained a six-day service through first class—although I recognise that price is quite often a problem.

There is then an alternate-day service. That means that if before the USO you sent a letter on a Monday, it would previously be delivered on a Thursday—and that will still be the case. However, the difference is that the post does not cover Saturday. Whereas previously if you posted the letter on a Wednesday, it would arrive on a Saturday—that will not happen anymore—because there will not be any deliveries on Saturday for second class—so the letter should arrive on the Monday. That is a change, but we have tried to recognise that there is still first class for those really urgent letters and that if you post your letter at the beginning of the week, the change will not feel as significant as it will at the end of the week.

Q121 **Antonia Bance:** Are you confident that the negotiations between the company and the union will come to a conclusion where the changes that you are proposing to the USO will be successfully delivered? At the moment, my constituents would say that they are not getting letters posted on a Monday on a Thursday, nor are they getting the letters posted on a Tuesday on a Saturday. In fact, some of them are waiting for weeks for birthday and condolence cards, appointment letters, penalty fares and important legal documentation that they have been missing. Do you think that that is going to happen?



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Natalie Black: We absolutely share those frustrations and that is what consumers tell us up and down the country. I re-emphasise that this is why we need to see a credible improvement plan backed by investment. The USO implementation has not happened yet. We need to make that happen as quickly as possible and to see the trajectory on which it is going to happen by seeing that plan and the investment to back it.

Q122 **Dan Aldridge:** The sad situation is that my constituents can rely on Amazon to deliver next day, but that is not what they are seeing from Royal Mail. The price of first-class stamp has tripled from 62p to £1.80 in 10 years. Second class has had a more moderate rise from 65p to 87p. You are due to consult soon on changes to postal pricing. That could include scrapping the cap on second-class stamps. If the public are going to be asked to pay more, should that not be made conditional on Royal Mail getting its act together?

Natalie Black: You are absolutely right: the cap is due to run out in April next year. We are actively considering all the different possible options. The one that you outlined linking price to quality of service is on the table. One of the challenges that we must keep in our minds is Ofcom's role looking after the interests of consumers while also keeping an eye on the financial sustainability of Royal Mail. We will have to look at those options through both of those prisms.

Q123 **Chair:** What has happened here over the last 12 months? What is your take on how things have just slid? Why are we here today? What has happened?

Natalie Black: My honest view is that we are at a crunch moment. There is a way through this. We have laid that path out: reforming the USO in six months and making our changes as quickly as possible while consulting up and down the country. What we now need to see is action. That is why people are so frustrated.

Q124 **Chair:** What is your take on what has happened over the last six to nine months to get to this point? It has felt like they have had a bit of a stand-off. They have now got things back together. We are now promised a deal on the table by 16 March, but how do you think it has come to this?

Natalie Black: I think we shouldn't underestimate the scale of the challenge. This comes back to my point about the fact that the way we use the Royal Mail has fundamentally changed—not only here in the UK, but around the world. We send many fewer letters, but the challenge is that the fewer letters we are sending really, really matter to people, and that is what they tell us.

Q125 **Chair:** Is your mental model of what has happened here just that the pressure has suddenly built up and that we have just now hit a tipping point? I think you described it as a crunch point.

Natalie Black: We are at a moment of transformation. We have fundamentally reviewed the USO. We have provided a flight path to help the company to become more fit for purpose in terms of how consumers are using its services going forward, but the USO implementation has not

happened yet. That is why we need to see this credible improvement plan so that consumers can get confidence back in the Royal Mail and there will be the investment to see it properly implemented. It will not be a silver bullet, but it will get us on the right track and that is where we need to be.

Q126 Chair: What does Parliament need to do?

Natalie Black: We very much welcome this scrutiny. It has been very helpful to see the correspondence between yourselves and the Royal Mail, but we would encourage you to help us continue to keep its feet to the fire on seeing this credible improvement plan.

Q127 Chair: How do we do that?

Natalie Black: Hearings like this one have been very helpful. The negotiations are ongoing. They have not finished yet. We have heard commitments today from the Royal Mail that it will be very quick with coming forward with the improvement plan, but please note that I keep using the word “credible”. It is not just any improvement plan; we want to see a credible one that is backed up by investment.

Chair: This set of evidence has been extremely helpful. Thank you very much indeed for being candid and forthright with us this afternoon. That concludes the panel and the session.