

Industry Update — February 27, 2025

Parcel

USPS Privatization: A Framework

All Paths Lead to Better Parcel Pricing

Our Call

The US Postal Service is back in the headlines and with Trump 2.0's emphasis on cost cuts, we believe Postal reform may become a focus. True privatization would be tricky but possible, and all paths lead to better parcel pricing.

Postal Reform Provides Positive Optionality to FedEx and UPS - In this note we outline a possible path to privatization of the Post Office, which is highly uncertain. But given this administration's efficiency focus, we believe the USPS is an obvious source of value, given persistent losses and a mix of monopoly (mail) and competitive (parcel) businesses. Parcel can and should make money, and we believe any focus on efficiency will benefit price and therefore FedEx and UPS.

Path to Privatization Starts With Legislation - We believe any real change at USPS would need to start with legislation, effectively repealing the Postal Reorganization Act of 1970. Bipartisan consensus seems unlikely, but there could be a path through reconciliation if included with the administration's larger budget agenda. This could open the door to the USPS falling into the Department of Commerce headed by Howard Lutnick, who has expressed interest in privatization.

Mail & Parcel Can be Split - A possible path forward would be to split the mail and parcel businesses, with the intent of maintaining mail operations as a government enterprise preserving rural community access and the universal service obligation. Parcel could be carved out and sold or IPOed. A combination of IPO proceeds and monetization of the real estate portfolio could be used to build out stand-alone assets for parcel and modernize technology, as well as to subsidize potential mail losses.

Unlocking ~\$85b of Real Estate Can Underpin the Process - The USPS owns ~8,500 facilities, of which we believe ~7,200 are smaller post office facilities and ~1,300 are larger sort facilities. The USPS also owns ~20,700 acres of land. With assumptions on \$/sqft the smaller facilities could be worth ~\$12b, while the larger could be worth ~\$34b and the land would be another ~\$35b. We believe value can be harvested to help underpin the financial burden of separation (including LT labor liabilities).

All Paths Lead to Better Parcel Pricing - In any feasible scenario of improvement at USPS (privatization or profit improvement plan) we believe raising prices would be likely, which would be positive for FedEx & UPS. In order to stand alone and earn a reasonable return we estimate USPS would need to raise price by ~30-140% across its product lines & even if the status quo is kept (ie no privatization) the new Post Master General would continue the recent push to raise price (see here and here).

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Privatization Of USPS: The Required Five Steps

1. **New legislation** would need to reorganize the USPS as a private entity.
 - o Privatization requires a Congressional Act that is signed into law by the President.
 - o While we see standalone legislation as unlikely, as it would require Democratic buy in, a privatization provision could be included in a larger "must-pass" bill or through budget reconciliation.
2. **Restructuring** - >\$400b of pension and healthcare liabilities need to be addressed (RISC report).
 - o Our sense is these liabilities would likely be moved to another entity (likely to the US taxpayer where they arguably are now) since potential buyers and/or investors would be reluctant to assume such a large legacy liability, but could be addressed through a parcel sale/IPO or real estate monetization.
 - o Potential separation of mail and parcel businesses if privatization would entail only a portion of the USPS.
 - o Address the Universal Service Obligation (USO), which currently requires mail to be delivered to all US addresses six days a week. This provision would be a challenge for a third-party operator to profitably move mail and packages.
 - o Separating mail and parcel effectively answers the USO question and losses could be underwritten through some form of real estate portfolio monetization.
3. **Employees** - In order to drive efficiency and maximize value, especially amid recent DOGE efforts on federal cost control, it is likely that employees receive a type of deferred buyout offer to leave or layoffs could ensue.
 - o There is high likelihood that, given the union dynamics and collective bargaining agreements, there would be a sizable amount of opposition to any employee changes (potential strike), and it is also likely legal challenges end up being decided by the court on how the government could proceed.
4. **USPS parcel rates would likely be materially raised**, increasing the floor for US package delivery.
 - o The USPS parcel pricing was ~25%-60% below FedEx/UPS depending on product type in calendar 4Q24.
 - o To reach pricing parity with parcel competitors, USPS needs to increase parcel rates by ~30%-140% depending on product line.
 - o We believe this level of pricing increase is likely required to generate economic parcel profits on a standalone basis given the USPS' universal service obligations (poorly balanced freight) and its likely lower productivity levels.
5. **Federal government would raise proceeds from buyer(s) or investors** in return for the divestiture of some or all of the USPS, aligning with the DOGE cost efficiency initiatives and Trump's idea of seeding a sovereign wealth fund.

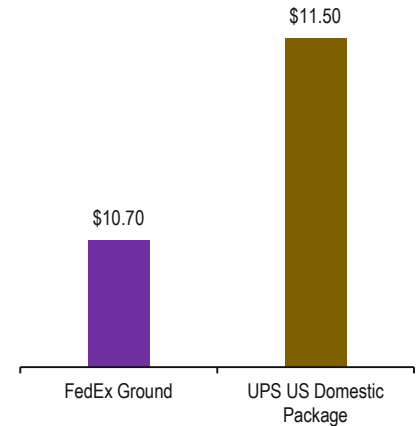
Challenges to Privatization of the USPS

- Public, private, labor, and federal support of the USPS remains high despite poor service.
- USPS is authorized by Congress and governed by the Postal Board of Governors.
 - o The USPS has bipartisan support, particularly in rural areas, making legislation difficult.
 - o The Postal Board of Governors and postal unions are against privatization or restructuring of the USPS.
- Rural communities have a particularly strong affinity for the USPS
- The USPS provides critical services to many communities.
 - o It delivers election ballots, medicine, taxes, government distributions and notices.
 - o In some communities it offers financial services.
- The USPS has poor financials and its Universal Service Obligation makes improvement difficult.
 - o According to USPS Postmaster General more than 75% of all mail routes are losing money in 2024.
 - o The USPS has "tens of thousands of trucks running around with nothing in them" Postmaster General noted in a speech to Congress.

Even Aggressive USPS Parcel Cost Per Piece Assumptions Requires Significant USPS Price Increases

- We believe the minimum USPS parcel EBIT margin investors would palate as a standalone private company is 5% to justify reinvestment.
- Applying the 5% EBIT margin to a variety of cost per piece (CPP) assumptions, requires a 30%-140% increase to USPS key parcel products as illustrated below.
- We believe the USPS' mail infrastructure subsidizes the operations for its parcel business, resulting in high parcel contribution margins (at today's low rates), but USPS likely does not generate parcel economic profits, when overhead and infrastructure is properly accounted.
- Encouragingly, the USPS has been consistently raising pricing under Postmaster General DeJoy.
- Surprisingly, the USPS has higher Next Day Air rates than either FedEx or UPS, but we believe this is entirely due to mix (SMB customers at USPS) and predominantly large enterprise shippers at FedEx/UPS.
 - USPS often ships these packages via UPS aircraft (and FedEx aircraft historically), perhaps requiring a higher RPP.
 - We suspect the USPS also ships heavier weight packages than UPS/FedEx (which generates higher RPP).
- [Exhibit 4](#) below we detail the USPS Air and Ground pricing as well as FedEx and UPS' Air RPP and our estimates for B2C Ground pricing as well as reported Ground RPP.

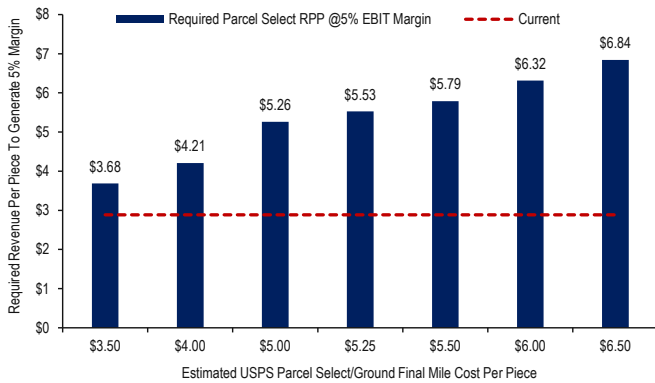
Exhibit 1 - Competitor 2024 Cost Per Piece (\$)



Source: Company data; Wells Fargo Securities, LLC estimates

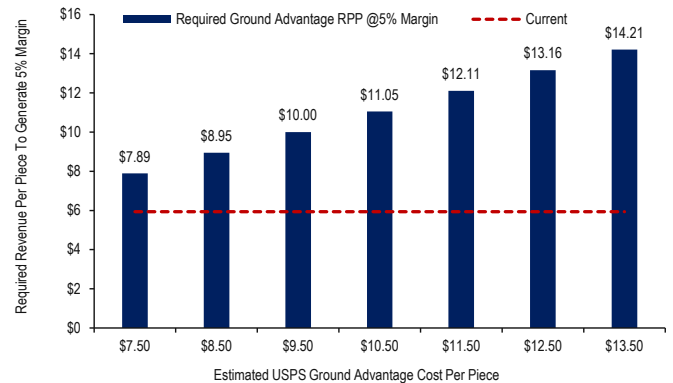
FedEx is based on F2024 assuming ~3% cost inflation. UPS US Domestic Package includes Air and Ground services). Data rounded to nearest 5c.

Exhibit 2 - USPS Parcel Select Revenue Per Piece (RPP) Needs To Increase Meaningfully To Generate a 5% Margin - Required RPP Under Different Final Mile CPP Estimates (\$)



Source: USPS; Company data; Wells Fargo Securities, LLC estimates
We believe UPS Ground and FedEx Ground final mile CPP is ~\$5.00-5.50.

Exhibit 3 - USPS Ground Advantage Revenue Per Piece (RPP) Also Needs To Increase Meaningfully - Required RPP Under Different USPS Ground CPP Estimates (\$)



Source: USPS; Company data; Wells Fargo Securities, LLC estimates
We believe FedEx Ground and UPS Ground CPP is ~\$10-\$11.

Exhibit 4 - USPS Parcel Pricing Discount Needs To Be Addressed To Generate Economic Profits

USPS	Delivery	USPS RPP (\$)	FedEx/UPS Equivalent	UPS RPPS (\$)	FedEx RPP (\$)	FDX/UPS RPP Avg.	USPS RPP Premium/(Discount)		
							UPS	FDX	FDX/UPS
Priority Mail Express	Next or 2nd day	\$32.36	Express/Next Day Air	\$23.22	\$25.38	\$24.30	39%	28%	33%
Priority Mail	1-3 biz days	11.28	Deferred Air/Express	14.65	15.20	14.92	(23%)	(26%)	(24%)
Overall Ground	N/a	N/a	Ground	10.81	11.63	11.22	N/a	N/a	N/a
Ground Advantage	2-5 biz days	5.94	Standard B2C Ground	9.85	10.43	10.14	(40%)	(43%)	(41%)
Parcel Select	2-7 biz days	2.89	B2C Ground Economy	6.90	7.30	7.10	(58%)	(60%)	(59%)

Source: Company data; Wells Fargo Securities LLC estimates
Shaded Grey areas are Wells Fargo assumptions. USPS and UPS quarter-ended December 31st. FDX quarter-ended November 30th.

A Large Real Estate Portfolio Could Provide Up to ~\$90 Billion in Value

- The US Postal Service owns ~8.5k properties and leases another ~22.8k properties, which are primarily smaller facilities
- Facility Valuation Assumptions
 - Larger facilities (>25k sq ft) : ~\$230-290/sq ft based on commercial comps \$200-300/sq ft
 - Smaller facilities (<25k sq ft) : \$170-200/sq ft based on the most recent transaction of the Postal Realty Trust (link)
- Collectively, we believe USPS's owned buildings are ~\$41-51b, vs BV of ~\$27.8b
- The USPS also owns ~900m sqft of land, or ~20.7k acres (link)
- Land Valuation Assumptions — details around USPS land holdings are not readily disclosed
 - Urban (~10% of acreage) at \$7.5m-\$15m/acre
 - Suburb (~30% of acreage) at \$750k-\$1m/acre
 - Rural (~60% of acreage) at \$5k-10k/acre
- We believe the land value is ~\$20-37b vs BV of ~\$2.9B
- Altogether we estimate the real estate portfolio to be in the \$61-88b range vs BV of ~\$31b
- This does not include any value received from its lease facilities (i.e. subletting under utilized space)

Exhibit 5 - USPS Real Estate Porfolio Valuation

Facilities	Square Footage (Millions)	Low-End		High-End	
		\$/sqft	Valuation (millions)	\$/sqft	Valuation (millions)
Larger Facilities(>25k sq ft)	130.3	\$230	\$ 29,964	\$290	\$ 37,753
Smaller Facilities(< 25k sq ft)	65.4	\$170	\$ 11,085	\$200	\$ 13,080
Total Facilities	195.7	\$210	\$ 41,049	\$260	\$ 50,833

Land	Acres	Low-End		High-End	
		\$/acre (thousands)	Valuation (millions)	\$/acre (thousands)	Valuation (millions)
Urban	2,066	\$7,500	\$ 15,496	\$15,000	\$ 30,992
Suburb	6,198	\$750	\$ 4,649	\$1,000	\$ 6,198
Rural	12,397	\$5	\$ 62	\$10	\$ 124
Total Land	20,661	\$978	\$ 20,207	\$1,806	\$ 37,314

Total Real Estate Portfolio	\$ 61,000	\$ 88,000
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Source: US Postal Service; Wells Fargo Securities, LLC estimates

Legislation: An Act of Congress Signed Into Law is Required to Privatize USPS

- A standalone act privatizing the USPS would require 60 votes to pass in the Senate (60% of votes), which we view as extremely unlikely.
- However, with a reconciliation bill, if privatization is included with the administration's larger budget agenda, would only require a simple majority (over 50%) in the Senate. We view this as the likely outcome should Congress move forward with potential privatization legislation.
- While Republicans currently control the Senate, if even three Republicans choose to not support legislation, then the path to law becomes even more difficult.

Exhibit 6 - Republicans Control Senate, But Narrowly Control House

	House	Senate
Republicans	218 50.3%	53 53.0%
Democrats	215 49.7%	47 47.0%
Total	433	100

Source: Bloomberg Government; Wells Fargo Securities, LLC

House does not = 435 due to Matt Gaetz (FL) and Michael Waltz (FL)

Who Governs The USPS?

- Postal Board of Governors is effectively the USPS' Board of Directors comprised of up to 9 Governors as well as the Postmaster General and Deputy Postmaster General.
- The Board directs the exercise of the powers of the Postal Service, directs and controls its expenditures, reviews its practices, conducts long-range planning, approves officer compensation, and sets postal policies.
- The Board determines service standards and capital investments and meet on a regular basis.

- The Governors are appointed by the President of the United States with the advice and consent of the Senate for a seven-year term.
- The Postmaster General serves at the pleasure of the governors for an indefinite term.
- The Deputy Postmaster General serves at the pleasure of the governors and the Postmaster General.
- Below we look at the composition of the current USPS Board of Governors.
- It's possible President Trump could look to replace the Board (or specific members) to enact more favorable strategy, which could effectively work to accomplish some of what could be done through privatization (ie rate increases and enhanced parcel profitability).

Exhibit 7 - USPS Board Of Governors Are Roughly Evenly Split Between Republican and Democrat Appointees

Members	Title	Appointee	Term Expiration
Amber McReynolds	Chair	President Biden	12/09/26
Derek Kan	Vice Chairman	President Biden	12/08/28
Robert Duncan	Member	President Trump	12/08/25
Roman Martinez	Member	President Trump	12/8/2024*
Ronald Stroman	Member	President Biden	12/08/28
Daniel Tangherlini	Member	President Biden	12/08/27
Louis DeJoy	Postmaster General	President Trump	
Douglas Tulino	Deputy Postmaster General	Postmaster General	

Source: USPS; Wells Fargo Securities, LLC

Postmaster General DeJoy announced his plans to complete his service and the Board is searching for the next Postmaster General. There are currently three open Member positions on the USPS Board of Governors.

*Roman Martinex served as Chairman from Jan 2022-Dec 2024, and is currently in his holdover year.

Addendum: More About the USPS Pension Liability

- The Postal Service Reform Act of 2022 (PSRA), was signed into law on April 6, 2022.
 - PSRA removed the requirement to fully pre-fund its retirees' health benefits costs by making multi-billion dollar advance payments into a dedicated fund and reduced retiree benefit costs.
 - Mandates a six-day-a-week delivery. This removed prior reform attempts for a five-day mail delivery standard.
 - Created a Postal Service Health Benefit program within the Federal Employees Health Benefits program.
 - Medicare integration (commenced in 2025) will reduce the USPS' health insurance premiums.
 - Requires the USPS to have an integrated network to deliver letters, flats, and parcels.
- Options for the liability:
 1. Stays with the company which would make privatization less attractive to buyers
 2. Goes to US taxpayer - there is precedent in Royal Mail's privatization effort in 2012, UK's government took over the historical assets and liabilities of its pension scheme, which relieved the newly private company of a large pension deficit.

USPS - Raising The Market Floor, Parcel

- The USPS has increased Ground Advantage RPP 7 consecutive quarters sequentially and has generally increased yields LDD YoY for the past 3 years as illustrated below.
- Encouragingly, the USPS has been increasing Ground Advantage pricing and growing volumes, lifting the floor on parcel pricing.
- The USPS tends to move lighter packages than either FedEx or UPS with Ground Advantage averaging ~1.25lbs per package and ~2.5lbs per Priority Mail or Parcel Select piece.
 - Ground Advantage has had a >400% increase in volume >1 lb since its debt in F1Q23.
 - This compares to FedEx of ~14 lbs (~13lbs legacy Express and ~15lbs legacy Ground).
 - UPS package weights are likely below FedEx, but meaningfully above the USPS.
- Parcel Select volumes have been flattish for the past year.
 - The USPS is focused on forcing shippers to leverage its linehaul network instead of just final mile delivery.
 - The loss of UPS will weigh on USPS volumes in 2025.
- Parcel Select moves volumes for ~20 large shippers on contractual rates.
 - As such, the Parcel Select big GRIs have barely impacted RPP to-date.
 - The USPS announced a 25% July 2024 GRI, but RPP increased just 2% in 2H24.
 - UPS elected to in-source SurePost instead of paying higher rates.

Exhibit 8 - USPS Has Been Driving Strong YoY Pricing Across Its Various Package Products, While Volumes Have Been Weak (ex Ground Advantage)

ADV (000s)	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24
Express Mail	3.9%	(0.8%)	(5.9%)	(17.9%)	(19.7%)	(12.0%)	(8.7%)	(5.8%)	(5.1%)	(10.2%)	(18.9%)	(16.0%)	(13.8%)
Priority Mail	(15.2%)	(14.1%)	(15.4%)	(15.4%)	(13.4%)	(11.9%)	(7.2%)	(9.5%)	(24.4%)	(33.7%)	(40.1%)	(40.9%)	(33.0%)
Parcel Select	(1.9%)	(5.0%)	0.0%	6.9%	1.3%	5.8%	5.3%	4.8%	5.6%	(1.0%)	1.5%	1.9%	(2.9%)
Ground Advantage	(13.6%)	2.5%	(4.2%)	0.2%	(2.5%)	(15.9%)	(13.5%)	3.6%	23.8%	24.4%	33.2%	22.8%	16.1%
Total Dom. Competitive	(8.0%)	(4.6%)	(4.2%)	0.5%	(2.6%)	(4.4%)	(2.4%)	2.1%	5.5%	0.7%	3.0%	1.8%	(0.4%)

RPP (\$)	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24
Express Mail	(5.5%)	(2.3%)	(0.2%)	3.8%	7.9%	6.1%	4.7%	3.6%	(0.4%)	1.8%	4.6%	4.7%	6.6%
Priority Mail	5.0%	7.0%	7.9%	6.9%	5.0%	3.8%	(1.1%)	(4.2%)	(5.9%)	(1.7%)	1.8%	7.0%	11.8%
Parcel Select	(5.4%)	4.5%	1.2%	5.9%	12.3%	6.3%	8.8%	(0.7%)	(1.3%)	(3.5%)	(2.6%)	1.8%	2.1%
Ground Advantage	9.7%	12.7%	10.9%	11.0%	12.8%	8.6%	8.8%	22.6%	18.0%	23.8%	24.5%	10.6%	9.4%
Total Dom. Competitive	(0.3%)	4.9%	2.5%	1.9%	5.1%	2.2%	2.2%	1.7%	(2.8%)	(0.6%)	(0.6%)	(0.2%)	3.6%

Weight/piece	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24
Express Mail	(20.3%)	(16.7%)	(11.7%)	(3.8%)	(1.1%)	(2.3%)	(2.6%)	(2.9%)	(2.8%)	0.1%	4.4%	7.7%	3.8%
Priority Mail	0.8%	2.8%	2.9%	0.2%	0.1%	1.3%	(0.7%)	(1.7%)	(1.7%)	(5.6%)	(7.8%)	(7.3%)	(4.6%)
Parcel Select	(8.7%)	(11.0%)	(10.8%)	4.0%	1.7%	2.7%	0.0%	(8.1%)	1.4%	(4.1%)	2.1%	1.4%	1.8%
Ground Advantage	2.5%	0.4%	1.0%	4.0%	7.4%	10.6%	8.1%	90.4%	118.2%	165.4%	171.5%	50.6%	24.5%
Total Dom. Competitive	(4.0%)	(9.1%)	(6.9%)	3.1%	1.3%	6.8%	3.8%	(0.9%)	4.6%	2.8%	5.8%	2.3%	1.3%

Source: Company data; Wells Fargo Securities, LLC

Calendar quarters. USPS fiscal quarter-ended December 31st is depicted as 4Q in the table above.

Universal Service Obligation

- The USPS' universal service obligation (USO) was not addressed in the PSRA and is an issue that may be addressed in the future.
- USO is a requirement to provide all US addresses a minimum service level at a reasonable price, but it is not clearly defined.
- The USPS must provide a range of postal services across the country, but does not define them.
- The USPS Office of Inspector General (OIG) and Postal Regulatory Commission (PRC) would both like the USO to be codified.

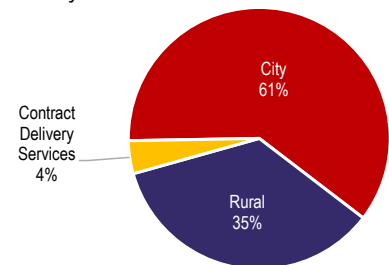
Challenges

- According to USPS Postmaster General more than 75% of all mail routes are losing money in 2024.
- The USPS has "tens of thousands of trucks running around with nothing in them" Postmaster General noted in a speech to Congress.
- Poorly balanced network with significantly more mail deliveries in rural American than outbound mailings.
- By law USPS can only invest its retiree and pension funds in low-risk Treasury bonds
- USPS lost money over the past 3 years because it incurred \$10b in retirement costs over 3 years that it didn't account for, contributing 80% of USPS losses in 2024.

Real Estate Portfolio

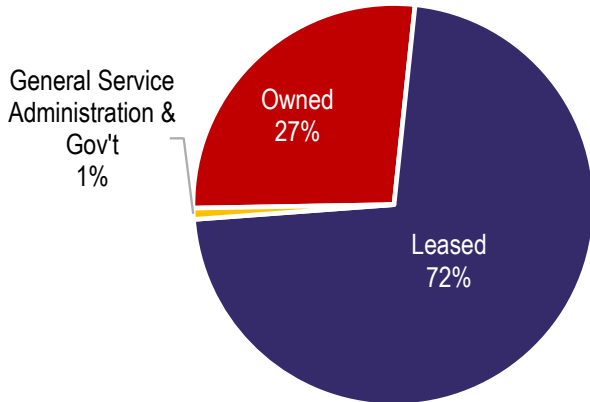
- The US Postal Service owns ~8.5k properties and leases another ~22.8k properties
 - Owned properties accounts for ~69% of the square footage, but only ~27% of count
 - ~57% of post offices are in rural areas (link) and represents ~88% of the service area

Exhibit 9 - USPS Routes by Type of Delivery



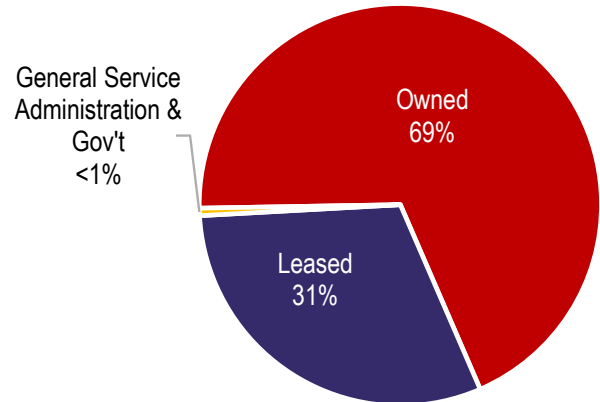
Source: US Postal Service; Wells Fargo Securities, LLC

Exhibit 10 - USPS Leases A Majority of Their Facilities



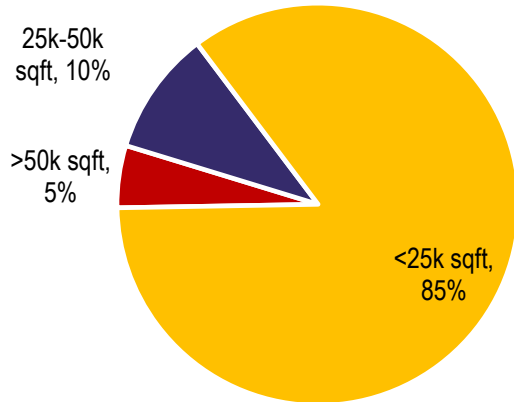
Source: US Postal Service; Wells Fargo Securities, LLC

Exhibit 11 - USPS Owns A Majority of Their Square Footage



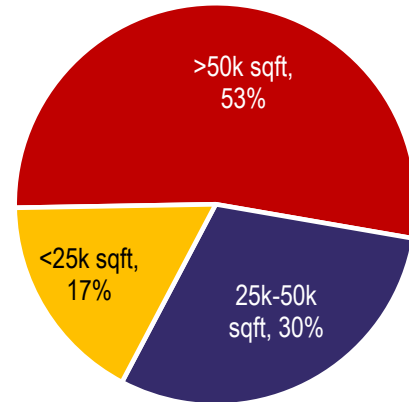
Source: US Postal Service; Wells Fargo Securities, LLC

Exhibit 12 - USPS Owned Facilities by Size



Source: US Postal Service; Wells Fargo Securities, LLC

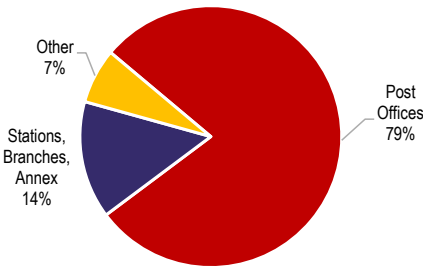
Exhibit 13 - USPS Owned Square Footage by Facility Size



Source: US Postal Service; Wells Fargo Securities, LLC

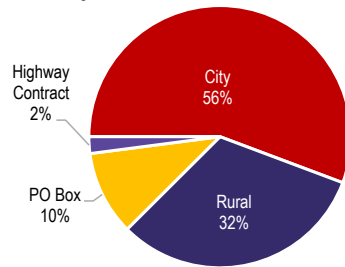
- Primary post offices make up ~80% of the commercial mail facilities, most are leased
- ~56% of the residential delivery points are in urban areas, while rural areas make up ~32%
- ~63% of the business delivery points are in urban areas, while rural areas make up ~15%

Exhibit 14 - Postal Offices, Stations & Branches



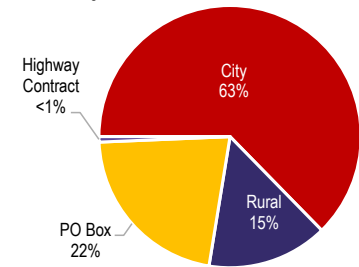
Source: US Postal Service; Wells Fargo Securities, LLC

Exhibit 15 - USPS Has ~1.56m Residential Delivery Points



Source: US Postal Service; Wells Fargo Securities, LLC

Exhibit 16 - USPS Has ~1.2.6m Business Delivery Points

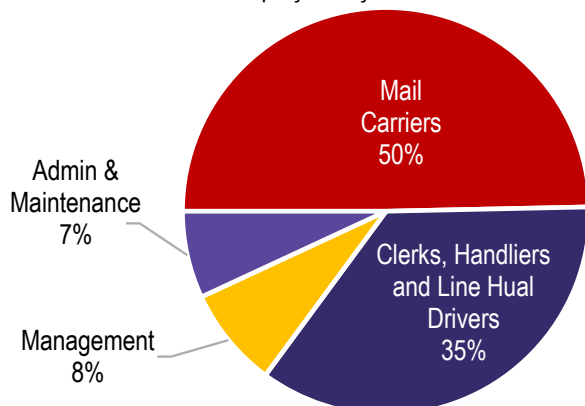


Source: US Postal Service; Wells Fargo Securities, LLC

US Postal Service Employees

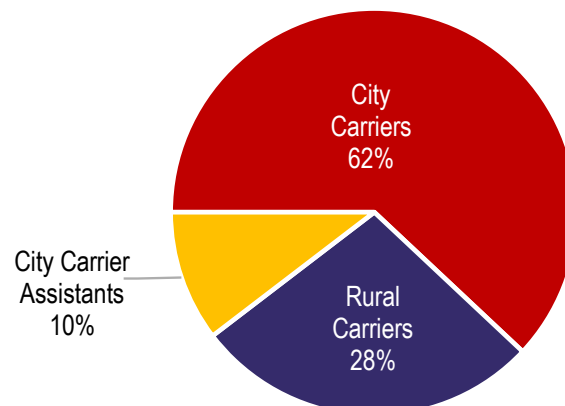
- USPS employees ~640k people, most of which are Unionized employees (~86% unionized)
 - ~83% of the workforce is out in the field full-time
- There are ~260k full-time mail carriers, with ~70% serving urban and suburban areas full time
 - Another ~30k employees assist city mail carriers

Exhibit 17 - USPS Field Employees by Job Function



Source: US Postal Service; Wells Fargo Securities, LLC

Exhibit 18 - USPS Mail Delivery Carriers by Population Region Served



Source: US Postal Service; Wells Fargo Securities, LLC

Employee Transition From Public to Private Sector

Key Employee Benefits (Current):

- **Job Security:** Not "at-will" employees due to unionization:
 - Nine collective bargaining agreements with seven unions covering ~550,000 employees.
 - Negotiations with unions cover wages, many benefits, and conditions of employment.
 - Negotiated agreements currently are in place with all nine bargaining units.
- **Competitive Pay and Regular Salary Increases:** Structured pay scale and regular COLA adjustments.
- **Health Insurance:** Federal Employee Health Benefits offering comprehensive, low-cost premiums.
- **Retirement Benefits:** Pension and Thrift Savings Plan (TSP).
- **Paid Time Off:** 13-26 days annual leave; 13 days sick leave; 11 federal holidays.
- **Life Insurance:** Federal Employees' Group Life Insurance covering basic life covered by USPS.
- **Disability:** Federal Employee's Compensation Act provides wage replacement and medical benefits for work injuries.

Should the USPS be privatized, it is likely that there will be less job security amid inevitable loss of union protections, loss of pension benefits, higher healthcare costs and employee/wage restructuring. For a legitimate deal to unfold, terms would likely include both/either laying off a portion of the existing workforce and absorbing most, if not all, of the pension/healthcare liabilities that USPS has incurred through a federal buyout program.

Risks:

- **Strike:** While it is illegal for federal employees to strike, it was also illegal in 1970 yet a major strike still occurred due to material disagreements between the employees and the government. As a result, a key risk to privatization would be employees jointly striking and causing material damage to USPS' already challenged financial standing, service and reputation (universal service obligations), and the economy as a whole.
- **Collective Bargaining Arrangement Negotiations:** Any potential bidder on a privatized USPS would likely need to re-negotiate the collective bargaining agreements currently in place, which would likely not benefit current employees and could result in material legal challenges given union representation.

Primary Union Representation

- National Association of Letter Carriers (NALC)
 - Represents city delivery letter carriers in the United States.
 - The union represents ~295,000 employees and retirees.
 - A current contract is in effect through November 2026.
- American Postal Workers Union (APWU)
 - Primary union for USPS employees and retirees.
 - The union represents >200k USPS employees and ~2k private-sector mail workers.
 - Represents Clerk, Maintenance, Motor Vehicle and Support Services employees and retirees.
 - Is represented by AFL-CIO and is currently negotiating a new contract.
- National Rural Letter Carriers' Association (NRLCA)
 - Represents letter carriers in rural and suburban areas in the United States.
 - The union represents ~133,000 employees

- o Previous contract expired in May 2024 and is currently negotiating a new contract.
- National Postal Mail Handlers Union (NPMHU)
 - o Represents mail handlers who load, unload, prepare, sort and containerize mail in the United States.
 - o The union represents ~50,000 employees.
 - o Current contract set to expire in September 2025 and negotiations to begin June 2025.

Exhibit 19 - Majority of USPS Employees Represented Through Bargaining Units of Four Unions

Union'	Abbreviation	Membership	Contract Through	Comments
National Association of Letter Carriers	NALC	295,000	November 2026	N/a
American Postal Workers Union	APWU	220,000	September 2024	Negotiations ongoing
National Rural Letter Carriers' Association	NRLCA	133,000	May 2024	Negotiations ongoing
National Postal Mail Handlers Union	NPMHU	50,000	September 2025	Negotiations to begin June 2025

Source: APWU, NALC, NPMHU, NRLCA, Wells Fargo Securities, LLC

Membership could include retirees; Remaining smaller unions excluded from table are PPOA, NPPN; Bargaining units Information Technology/Accounting and Human Resources roll-up through APWU.

The Postal Reorganization Act of 1970

- The Postal Reorganization Act of 1970 had bipartisan support and followed a country-wide postal strike that began in NYC during Spring 1970 (Great Postal Strike of 1970).
 - o Workers protested pay and postal reform proposals (1968 Kappel Commission).
- The Postal Reorganization Act (PRA)
 - o The PRA created the Postal Service as an Independent Agency, and Postal Board of Governors, which alone can hire and fire the Postmaster General.
 - o Prior to the PRA, the Post Office was a Cabinet office.
 - o The PRA attempted to remove politics from the post office and provide greater autonomy for it to respond to market conditions.

"Our present postal system is obsolete; it has broken down; it is not what it ought to be for a nation of 200 million people.... And now is the time to act."

~ President Richard Nixon, 1969

Strike Potential? Unlikely

- As a result of legislation passed in the Postal Reorganization Act of 1970 (last major strike at USPS):
 - o Striking at USPS is not authorized under federal law, as it is illegal for federal employees to participate in strikes.
 - o The Federal Service Labor-Management Relations Statute does not allow federal employees to strike.
 - o Various unions, such as the National Association of Letter Carriers (NALC), has a no-strike clause in its agreement with the USPS.
 - o The only legal way for mail carriers to negotiate better terms is through their union representatives.

Service Levels & Network Changes

- The USPS serves 167 million addresses six days a week, serving every residence and business through 31k Post Offices, processing >340 million pieces of mail and packages daily.
- On-time deliveries have been deterioration despite loosening its delivery standard.

Exhibit 20 - USPS Service Performance



Source: US Postal Service; Wells Fargo Securities, LLC

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I, Christian Wetherbee, certify that:

- 1) All views expressed in this research report accurately reflect my personal views about any and all of the subject securities or issuers discussed; and
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As of February 26, 2025

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