

# THE ECONOMIC CLUB

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O F W A S H I N G T O N, D. C.

## **Virtual Signature Event**

**Scott Kirby**  
**Chief Executive Officer**  
**United Airlines, Inc.**

**David M. Rubenstein**  
**President**  
**The Economic Club of Washington, D.C.**

**Tuesday, July 13, 2021**

ANNOUNCER: Please welcome David Rubenstein, chairman of The Economic Club of Washington, D.C.

DAVID M. RUBENSTEIN: Thank you very much and welcome, everyone, to our event today. This is our first Virtual Signature Event of our 36<sup>th</sup> season. And our guest is Scott Kirby, and Scott is in Colorado today. He is the chief executive officer of United Airlines, a position he assumed on May the 20<sup>th</sup> of 2020. He assumed that position about a year-and-a-half ago or so.

Scott is a person who's a graduate of the Air Force Academy. Majored in a degree in computer science and operation research. He got a master's degree in operations research from George Washington University. Prior to becoming the CEO, he served as United's president from 2016 to 2020. And prior to that, he was the president of American Airlines from 2013 to 2016. And prior to that, he was the president of United – U.S. Airways from 2006 to 2013.

So, Scott, thank you very much for making time to be available to us today.

SCOTT KIRBY: Thank you, David. Good to be here.

MR. RUBENSTEIN: So can you – do you think that the worst is behind the airline industry? In other words, the airline industry had the worst time, I assume in modern history, because of COVID. Do you think the worst is behind the industry now?

MR. KIRBY: Yeah, the short answer is, I do. And, you know, we kind of joked a little tongue in cheek that we were a FILO industry – the first in and the last out – from COVID. We were the first impacted – you know, it hit us in China – and the last to kind of fully recover. But we've seen huge pent-up demand. And anybody who's flown recently, airports are crowded again. It's mostly leisure demand. It's mostly domestic.

But we started to actually see an acceleration of business travel. It's still down 60 percent, but it was down 90 percent just a few – couple of months ago. And then we're waiting for international borders to open. But as soon as international borders open, there's a huge wave of demand to travel internationally. So I do think we're coming out of the tunnel. We talk about seeing the light at the end of the tunnel. We're starting to emerge. There's still a hill to climb, but we're starting to emerge from the tunnel.

MR. RUBENSTEIN: OK. You have three types of customers, I guess, generally, you could say. One is business. One is leisure. And the other is international – you could say it's business or leisure. But let's talk about the different types. On business, are businesspeople saying, well look, I'm now doing virtual meetings all the time. Why do I need to get on a plane and travel? Is that a concern of yours?

MR. KIRBY: Well, that's been the consensus from the beginning. If you went back, you know, over a year when COVID first started, literally everyone thought business travel would never come back and it would be permanently impaired by Zoom. At United, we actually – we're the only ones that I know of that thought business travel would ultimately come back. And that's because business travel is not transactional. It's about people. It's about relationships. And it is

not the same as being there in person. There are going to be some parts of it that are probably different, but everything we see now makes us more and more confident that that prediction is, in fact, going to come true.

And a lot of our customers who told us business travel is going to be down 50 percent over a year ago are now saying, well, as least in the short term we're going to have to travel more once the restrictions come off than we did before, because we got to get back out and see customers. We got to get back out – even doing internal events – to reconnect with our co-workers. And so, you know, we're still in the minority opinion with that view, but I think business travel is going to recover 100 percent.

MR. RUBENSTEIN: OK. What about leisure?

MR. KIRBY: Leisure's already over-indexed at over 100 percent. And, you know, I think it demonstrates – you know, people say pent-up demand. I don't really think that's the right term. It's more about the importance of human connection and human relationships, the desire to reconnect with others. And it's so powerful. Once you get out and start seeing friends and family and traveling again for the first time, in a way you realize how much you missed before and how much you took it for granted. And so leisure demand, you know, is more than 100 percent recovered domestically, and anywhere that's open internationally. People going to Greece, or Iceland, or Croatia is more than 100 percent recovered. And I think really it speaks to human nature more than it speaks to pent-up demand.

MR. RUBENSTEIN: And what about international. International is not within your control as much, but is international still behind where it was?

MR. KIRBY: Yeah. International – it depends on whether the borders are open or not. Places where the borders have opened up and American citizens are allowed to go, to continental Europe, for example, demand is really, really strong. But Europeans are not yet allowed to come to the U.S. without a quarantine. So there's none of that traffic. And Asia is still essentially closed to travel back and forth. And so that's down, you know, 90 percent. But once the borders open – that's the key. Once the borders open, there's a huge demand to travel and start flying again.

MR. RUBENSTEIN: Put it in perspective. Before COVID, on an average day United Airlines would fly how many flights around the world? On an average day before COVID?

MR. KIRBY: We flew about 6,500 before COVID. We're going to fly about 4,200 today. So we're still down a lot. But at one point we got down to, you know, fewer than 500 flights a day. And those 500 flights a day, most of them had zero passengers on board. They were just planes that were flying internationally to load the bellies full of ventilators, personal protective equipment and such, and bring it back into the United States.

MR. RUBENSTEIN: So before – let's say, the year 2023. Do you think that by that year you will be back to exactly where you were before COVID, 2023? Is that where you think it will be?

MR. KIRBY: So, yeah, our guess is that by 2023 that we have a full recovery in business demand, certainly that continued full recovery in leisure demand, more than full recovery to Europe. But also, our guess is that even by 2023, Asia has not yet fully recovered. With the Asia borders, there still could be restrictions, at least in some parts of Asia. But the rest of the world will largely be fully recovered by that point in time. Now, of course, for us financially, you know, it's not exactly the same, because we took on a lot of debt during the crisis and we're going to be paying down debt. So the financials can be a little bit different just because interest payments are a lot higher. But from a demand perspective, we think everywhere except for Asia will be 100 percent recovered.

MR. RUBENSTEIN: Now, there is a new kind of variant of the – of COVID. And I don't know if you're worried about that. But are – how did you plan to get it named Delta versus United? And why is it now named Delta and you didn't get it named United?

MR. KIRBY: Well, I did enjoy giving Ed Bastian<sup>1</sup> a hard time about that when I saw him a few weeks ago. But look, the Delta variant is – it's important that we keep track of it and follow it. And I, I think more than just about anyone, have paid attention to the science and the data as we've gone through this. The really fantastic news about the Delta variant is that the vaccines are effective against the Delta variant, particularly at preventing severe illness and deaths. And, you know, that's really encouraging. Everyone should get vaccinated to get that protection. But, you know, I think we're on a – there may be some bumps in the road – but a continued trajectory to recovery, even with the Delta variant, because the vaccines are so effective.

MR. RUBENSTEIN: So recently you've been buying a lot of airplanes – I think more than anybody else in the world. Let's go through why you're buying these, and why they're so great. So today you announced you bought 100 electric airplanes. And they can fly about 250 miles, maybe 19 people on a flight. Why do you need electric airplanes?

MR. KIRBY: Yeah. So there's kind of three categories of airplanes we're buying. First is the electric aircraft that you talked about. And, you know, for me, dealing with climate change is a personal passion. It's a business imperative, but it's also a personal passion. And it's the biggest issue our generation faces. We simply have to solve climate change. Electric aircraft can't ever fully replace big airplanes flying long distances. And later I'm happy to talk about what we're doing on that if you want. But they can replace small aircraft flying short distances. So we've actually invested in and started to partner with two companies, Heart Aerospace and Archer Aviation, to begin the development of electric aircraft. And so that's really critical, particularly for sustainability.

MR. RUBENSTEIN: OK. You've also announced the purchase of 15 Boom Supersonic planes. Now, supersonic planes I thought used more carbon than any regular planes. So how is that going to help?

MR. KIRBY: So we were excited to be the airline that relaunched the potential for supersonic travel for our customers. It's a great customer benefit. And from a sustainability perspective, we worked with Boom, the company that's building the airplane. And we insisted, actually, on

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<sup>1</sup> Edward Bastian is the CEO of Delta Air Lines.

building airplanes that run on 100 percent sustainable aviation fuel. So this, to the best of my knowledge, would be the first jet engine ever designed from the ground up to run on sustainable aviation fuel.

MR. RUBENSTEIN: When will they be available to fly?

MR. KIRBY: Well, I've heard from a whole lot of customers asking to book on the first flight. But we don't expect those airplanes to be available until the end of the decade. So it's a ways away.

MR. RUBENSTEIN: OK. You also bought 200 new Boeing 737 Max planes, and 70 new Airbus A321 planes. Why do you need all these new planes?

MR. KIRBY: Boy, we have a been buying a lot of airplanes, haven't we, David? Look, these airplanes are – the 270 aircraft we bought from Boeing and Airbus are really about our core business. And it's less about buying airplanes – that's kind of the headline for some of the stories, is we bought 270 airplanes. But it's really about changing the product for our customers. That's the real bet we're making. So those 270 airplanes are going to replace 200 of the small regional jets we use to fly. They're also going to be the best product in the skies, with seatback entertainment for every single customer on the plane, and bins that have one-for-one seating – or one-for-one capacity on the airplane, to take away that whole gate-checked bag thing that everyone has to deal with. And it really allows us to create a much better product for our customers. And that's the goal.

MR. RUBENSTEIN: So when you buy 200 Boeings at one time do you a discount, or something?

MR. KIRBY: We get a reasonably good price. [Laughs.]

MR. RUBENSTEIN: OK. So let me ask you how you're improving the flight experience. And we talked about some things earlier, but for example now you've changed it so that if you do – if you have a connection fee – or, a change fee, I should say, you used to charge people. Now – if they were changing their plans. You've now eliminated that. How are you going to make up that profit?

MR. KIRBY: Well, look, we're going to make it up – the short answer to that question is, we're going to make it up by making the travel experience better for customers, and I think we'll have an increase in market share and more people flying us. But we are dedicated at United Airlines to make – to making travel not a burden – the flying not a burden that it often is, but trying to make it humane and trying to make it better for customers. And just a huge focus on customers. And that one is a good example, eliminating change fees. Customers hated it. Our connection saver program.

Yesterday, with storms around the country, we saved over 2,700 passengers' connections. Those are passengers – everyone that's watching that's flown very much has probably been on some airline at some airport where you've run to a gate, and you can see the airplane sitting

there, and you say please let me on, and you're out of breath. And the door is closed, and they say you can't get on the airplane. We now have automation to let our gate agents wait for those connecting customers, to tell them. Those are just two small examples of all the things we're going to change the customer experience at United.

And we're not perfect, but any stretch of the imagination. It's tough running an airline, with weather. Newark Airport right now, close to where you are, has only one runway in operation because of construction. And that brings all kinds of challenges. But we are focused on changing the customer experience.

MR. RUBENSTEIN: OK. Well, explain that to me. Let's suppose I have a connection flight and I'm running to catch my connection. The gate agent – how is he or she going to know that I'm running there? And how much longer do you have before they actually say goodbye, we just can't wait anymore?

MR. KIRBY: Yeah. So historically at airlines – airlines focus on what's called D0, departure zero. And actually, every airline except for United still does this. And that means for the gate agent, when it gets time to close the door, you close the door no matter what because the downline implications of letting that airplane depart three or four minutes late could be bigger. And it's a terrible customer experience, of course, where customers come up, they see the plane still there. It also impacts the culture, because if you're a gate agent and your management team has been telling you your whole career, do the right thing for customers, then they tell you to slam the door in the customer's face, you think your management team is full of it, because they were full of it.

What we're doing now is we built automation so we can now look at all the downline implications. And sometimes we tell the gate agent, you can wait five minutes, you can wait seven minutes. We're waiting for these connecting customers. We know when they're going to arrive at the gate. You can wait for these. But sometimes we tell them, you can't wait because we got another flight an hour and a half from now. We can get these customers on that next flight, but if we delay this airplane there's a lot of connecting customers going onto Chicago and it'll have ripple effects. Building the automation was the key to allowing us to change those rigid D0 connection policies to do better – to do the better answer for customers.

MR. RUBENSTEIN: Well, the biggest problem in connecting, I always thought, was getting your bags on the new plane. So what are you doing to make sure people's bags actually show up on the new plane?

MR. KIRBY: That one is tough still. And we're working harder to improve that. One of the things that we got coming – we call it Uber for bags – where we're now – we're just starting this – but using GPS and having more real-time information to say: This is the most important bag to get to that connecting flight. Today, if you're on a connection-saver flight and don't make – and you run and rush and make your flight, there's a reasonable chance that your bags will be on the next flight, and you won't make it. We try to get you there on time. We try to do both. But that's still a challenge that we haven't fully solved yet. I think we've done more than any other

airline in the world to solve it. And we're focused on this Uber for bags as the way to help us solve that problem.

MR. RUBENSTEIN: What about people who say, look, I don't trust your system. Maybe it's good, but I want to carry my bags on. Do you have more people saying: I want to carry all my bags on? And how difficult is that. Is there enough space for people to carry all their bags on?

MR. KIRBY: Well, this is one of the great things about the aircraft order. And we're going to reconfigure 100 percent of our narrow-body aircraft, so that we will now have enough bins on the airplane that, for a hundred-percent-full airplane, every single customer on the plane can bring their rollaboard and put it on. And the goal of that is to eliminate the problem you just had. The reason people rush and there's a mad rush to get on not just United but every airline at the gate is people want to make sure they have room to put their bag. Once you're assured that there's going to be space on the airplane, we are hoping to eliminate that problem, to eliminate the gate-checked bag challenge. And that's the reason we're making a multimillion dollar investment in the new fleet, but also the existing fleet, to really eliminate that problem for customers.

MR. RUBENSTEIN: Well, I've noticed that sometimes people have these gigantic pieces of luggage. And then when they get on the plane, they can't pick it up and put it up in the overhead bin. Who's going to – who's going to pick up all these bags? They're so heavy.

MR. KIRBY: Well, mostly the customers are going to still be responsible. But how long ago was it that you noticed that David? [Laughs.] I don't think you've been on a lot of airplanes in a while. [Laughs.]

MR. RUBENSTEIN: That's not a problem? OK. So let me ask you what is a problem is this, clearly there's a lot of agitation by wearing masks on planes. And many people have had to be hauled off of planes because they won't put their mask on. Your policy is they have to wear a mask, or not? What is your policy?

MR. KIRBY: Well, right now – first, we were the first airline to require masks back in April of last year. It's now a government policy that came into place in January. So it's not optional for anyone of any airline to wear a mask. And 99.99 percent of our customers do the right thing, regardless of what their view is on masks. They comply. They listen to the directions from the flight attendants. They may not like it, but they do it anyway. We also, at United, have – because we were the first airline to require masks, we knew that the potential for escalation was a big issue.

So we built a process with our flight attendants – they've been amazing professionals – to not let those things escalate. And in particular, we just have a card that they hand to the customer that says: If you don't put your mask on, you're going to be banned from flying United for the rest of the crisis. And we had to ban almost 1,000 customers as a result of that. But because of that policy, the training, and the flight attendants' professionalism, we've avoided some of the in-flight escalation and issues that have happened elsewhere. Instead, we just banned those customers from flying.

MR. RUBENSTEIN: Now, some people drink alcohol on the planes. And sometimes the alcohol produces bad reactions. Have you thought about reducing the amount of alcohol you can give a customer? Because sometimes these people get a little bit too much alcohol, and then they fight with the flight attendants, and so forth. What is your policy on alcohol?

MR. KIRBY: So we are serving alcohol again on United airplanes. And, again, this is – this kind of goes to the same thing that I said before. The professionalism of our flight attendant corps and the way that they've managed through the pandemic. And, you know, mask incidents, which we just talked about, we've actually had a 50 percent reduction in mask incidents from the beginning of the year. And our team has done a – does a really good job of deescalating. And that's what our training focuses on, deescalating in those situations. And so some of the other issues that may have happened in other airlines just haven't happened at United. And for us, service is about customer service, whether it's alcohol, meals, water, anything. And we're trying to do the right thing for customer service.

MR. RUBENSTEIN: OK. So your predecessor came to the Economic Club of Washington a few years ago. And he mentioned that you let support animals on, emotional support animals. And one time you had an emotional support animal who had its own emotional support animal. I think it was a miniature horse with a dog, or something like that. Do you still have two emotional support animals that somebody can bring on at the same time?

MR. KIRBY: No. Fortunately, the DOT revised those policies about a year ago and eliminated the abuse of emotional support animals. You can still bring a service animal – a trained service animal – on board United Airlines or any other airline. But some of the craziness that happened with pigs, and horses, and peacocks and other things flying on airlines hopefully are now a relic of the past.

MR. RUBENSTEIN: OK. Let's talk about when COVID hit. All the airlines were in, obviously, financial trouble. The U.S. government came in and, I guess, invested or lent money. What's the status of that? Do you have to pay that back or do they own a piece of you now? How did that work?

MR. KIRBY: Yeah. So first what I'd say is thanks to everyone on both sides of the aisle in Congress, the last administration, this administration for the rapid response to COVID, for payroll support for airlines, but really for the whole economy. I mean, I don't think any of us – given what happened the last year and a half – would have expected the economy to be as strong or as robust as it is today. And so this was a case where our government worked together, stepped up. I wish – I hope that they can work together more in the future. But really did the right thing for the country.

And for aviation, there is a lot of debt that we have to pay back. They have warrants in all the airlines, including United. We do have a lot of debt to pay back. But what it really did was give us a bridge, in the worst of times when nobody knew what was going to happen, to give us enough time to go raise private capital. We raised a total of over \$30 billion as we went through the crisis. Most of it was private. We couldn't have gotten that done without that bridge. And that bridge that the government gave us allowed us to do that, allowed us to keep all



of the jobs in place. But, importantly, now is allowing us to be a part of the economic recovery for the whole country. We're a big – there's a big multiplier effect to airlines. And keeping that infrastructure in place was really important.

MR. RUBENSTEIN: Well, since your stock has more than doubled, I assume the warrants are going to be pretty profitable for the U.S. government. Is that true or not?

MR. KIRBY: The government is doing well so far on the warrants. And we're happy about that. [Laughs.]

MR. RUBENSTEIN: So before the COVID came, how many employees did United Airlines have, about 100,000, or something? Close to that?

MR. KIRBY: Yeah, we were a little under 100,000 and we're at about 78,000 right now.

MR. RUBENSTEIN: And when – at the worst part of COVID, how low were you in terms of employees coming to work?

MR. KIRBY: Well, because of the government payroll support programs, we actually didn't furlough – involuntary furlough or lay people off. But people that either took early retirement or were on various voluntary programs where they weren't coming to work, you know, we probably were down to 40 or 50,000. The truth is, we only needed – at some of those points we needed less than 10,000. But because of those government support programs, we kept them on the – not just kept them on the payroll, but kept them current, kept them trained. And that meant that as the recovery started, they were there ready to respond to the recovery. And had that not happened, it would have taken years to get pilot training, to get all the pilots retrained, for example.

MR. RUBENSTEIN: So, for example, out of your current number of employees how many pilots do you actually have? Is it, like, 20,000 or something?

MR. KIRBY: No, we have about 13,000 pilots.

MR. RUBENSTEIN: Thirteen thousand. And a pilot – a pilot starts at, like, what kind of compensation? And can go all the way up to, what?

MR. KIRBY: Well, I know the top of the scale better. They rapidly escalate. So once – our seniority scale is 12 years. Once a pilot's been there for 12 years, they're at the top of the pay scale. And we fly 200 widebodies at United Airlines. And our widebody captains last year made all in comp about \$400,000. So it's a good job.

MR. RUBENSTEIN: What about a flight attendant, a beginning flight attendant or a senior flight attendant? What kind of compensation do they get?

MR. KIRBY: So flight attendants, gate agents, and folks who work on the ramp, one of the things I'll say is, you know, they're not really jobs. They're careers. Those are people that start

those – in those areas. They typically stay until retirement. Our voluntary turnover is less than 1 percent in those jobs because they're jobs that they can make basically a six-digit – close to a six-digit income by the time they hit the top of the seniority scale. One of the very few careers left in this country where somebody with – you know, starts – doesn't require a college education can have a six-digit income with great health, retirement benefits, can support a family, can have a comfortable, solid, middle-class lifestyle in a job like that. And so one of the things we're proud of at United is that we actually create real careers for people, instead of just jobs that you're hustling from one job to the next.

MR. RUBENSTEIN: OK. And in recent years, what's been the safety record of, say, United Airlines and the commercial aviation industry? You don't have as many accidents as maybe 25 years ago, or so?

MR. KIRBY: Yeah. The U.S. industry in particular is incredibly safe. It is by far the safest industry. And the standards of safety are by far the highest of any industry anywhere in the world. I think that's unquestionable. And, you know, in the U.S. in the last decade there's been one fatality in the entire aviation system, across all airlines.

MR. RUBENSTEIN: So today if you fly on your plane, one of your planes, you get internet service. Is that for free?

MR. KIRBY: It is not for free today. We hope someday to make it for free, but today we actually don't have the bandwidth – if it was free, it wouldn't work for anyone because the bandwidth isn't high enough. One of the other things in these new airplanes is we're investing in enough bandwidth, and the technology's caught up where hopefully we can make it free someday.

MR. RUBENSTEIN: All right. At one point the FCC was considering whether or not to let people have telephones on planes. And overwhelmingly the public didn't want that because it would – people didn't want to hear other people's conversations. So that's not going to change, or you're not going to have telephone booths in your airplanes so people can have private conversations?

MR. KIRBY: I certainly don't think that's going to ever change. People like having a little time to have some peace and quiet away. [Laughs.]

MR. RUBENSTEIN: OK. So when you were dealing with COVID you were working remotely, or were you coming to the office because you're an essential industry?

MR. KIRBY: We were mostly working remotely. Obviously, a lot of our people were coming to the airports. And I spent some time in the airports. But most of the office kind of work was mostly being done remotely.

MR. RUBENSTEIN: So if somebody wants to fly United today, do they need to be vaccinated or not?

MR. KIRBY: They do not have to be vaccinated. There's no airline in the world that's made that a requirement for –

MR. RUBENSTEIN: OK. What about your employees? Do they have to be vaccinated or they don't have to, either?

MR. KIRBY: It depends on where we're flying. So one of the things – United is the only airline that has done this – we negotiate deals with our pilots and with our flight attendants for certain international destinations. We can designate them as vaccines required. So if you're going to India, if you're going to Argentina, Brazil, and a longer list of countries, you have to be vaccinated before you can go.

MR. RUBENSTEIN: So when you have – a plane lands, people get off the plane. You clean the plane before you use it. How long does it take to clean a plane? And what are the most ridiculous things that people leave behind? Do they leave behind any, you know, pets, or anything like that?

MR. KIRBY: So it depends. We have different levels of clean. During the day we clean an airplane between each turn, so each flight. And that's typically about a 15-minute process where, you know, you're just picking up trash, making sure there's nothing in the seat backs. Then we do a deep clean, you know, which takes a couple of hours. And then we do an even deeper clean, like, ever 30 days, where you're shampooing the carpets and doing everything.

People leave all kinds of stuff on airplanes. I often get a lot of – the most common things are things that people want. I got yesterday an iPad, a watch, and a suit coat – me personally got from customers – that people walk away and leave behind. I will tell you, for all of you that leave something, we try very hard to get it back. I personally have lost two iPads and two suit coats on airplanes. So sometimes it's just impossible to find it. If they can't find mine, we're not going to always find yours. But we're going to work really hard and try if you leave it behind.

MR. RUBENSTEIN: So I got a feeling when the CEO leaves something behind, they get it to you. Is that not true?

MR. KIRBY: That is – so I've lost two – as I said, two iPads and two suit coats. I mean, the problem is if you wait too long, something's happened. If you realize immediately, we tend to get it. But if you realize too late after the fact – you know, there's been customers on, people on airplanes – somehow it disappears.

MR. RUBENSTEIN: Now, in sporting arenas – when they build new sporting arenas, because Americans' backsides have gotten wider in recent years, they have to make the seats a little wider. Is that a problem in airlines, or you can't make them wider because there's no space?

MR. KIRBY: Yeah. On an airplane – the airplanes don't get any wider. But one of the great things that we're doing at United, when we did this aircraft order, is we're actually increasing the amount of space per passenger that will be available on our airplane. We're somewhat unique

amongst most airlines of not densifying airplanes, not cramming more seats onto the airplane. And really, that's – again, that's – we're trying to make the customer experience – we think we're at the level of seating that we're not willing to go – personal space we're not willing to go below and increasing the space on average as we bring on these bigger airplanes.

MR. RUBENSTEIN: The biggest complaints I often would see were people were leaning back in their seats, and the people – it went into their knees. Have you fixed that problem, or that's always going to be there?

MR. KIRBY: We haven't fixed it. You know, we've experimented over the years with minimizing – in fact, that's what we've done. We've lessened the amount of seat recline that can happen, to try to, you know, have a balance. There's some airlines that have tried no seat recline. That gets a lot of customers unhappy. It's an unhappy balance. But the best thing we can do is what we are doing at United. The more personal space you can give to people, the more – the less those things become issues.

MR. RUBENSTEIN: So you don't break out your numbers directly like this – I don't think any airplane – airline does. But I assume the most profitable thing for you is a long first-class flight, where somebody is flying first-class internationally. Is that very profitable, or is that not profitable?

MR. KIRBY: Well, we don't break it out like that. It's hard. But if you looked at it per square foot of an airplane – that's how we actually look at it – business class and long haul international, at least for United, tends to be among the most profitable. But that's not the only place. You know, flights – you know, depending on time of year a flight from New York or Washington to Florida, the whole airplane does really well because there's huge demand, you know, at spring break to leave New York and go down to Florida. So really kind of – it varies, but long-haul international per square foot is amongst our most profitable, yeah.

MR. RUBENSTEIN: But for those long-haul international flights, you're competing against airlines that are owned by governments to some extent and therefore they're being subsidized. How do you make a profit compared to those kind of airlines, or you don't make as much profit?

MR. KIRBY: Well, look, that is a challenge that we have at United and for the whole industry. The good news is, for United, one, our hubs are in the best location – places like Newark, Dulles, Chicago, San Francisco, L.A., the biggest markets in the world. And we're working really hard to make our product and the experience onboard on par with those other airlines, even though we don't have the government subsidies that some of them have to support. And we're pretty successful, particularly with U.S.-based travel.

Our international, you know, it tends to be that travelers fly the home airlines. So if you're an American flying overseas, you'll typically fly on a U.S. airline. If you're, you know, an international passenger coming to the U.S., you'll typically fly on that airline. A lot of that is cultural – language and such – but we're working hard to have a product that is competitive. And the Polaris product for United, at least amongst U.S. airlines, a business-class product flying internationally, is the best in the business.

MR. RUBENSTEIN: So very – not very often – sometimes people get sick on an airplane and they'd say, is there a doctor in the plane. Do you always have a doctor somewhere in the plane, or sometimes you don't?

MR. KIRBY: We don't. You know, those are volunteers. But what we have on the airplanes, too, is a MedLink connection where anytime that an incident like that happens we're immediately connecting to medical professionals on the ground and deciding if that's a place – a time that we need to divert. And if somebody's life is at risk or there's a serious situation, whether there's a doctor onboard or not we will divert the airplane to the nearest airport and have emergency medical personnel meet the airplane for those customers.

MR. RUBENSTEIN: OK. So let's talk about how you got into this industry. Where did you grow up?

MR. KIRBY: I grew up in a small town called Rowlett, Texas, outside of Dallas, and then I – by the time I was a freshman in high school I had read every book on World War II in my little small-town library. And World War II was about airpower – the Battle of Britain, the war in the Pacific – so I decided I wanted to be a fighter pilot and then an astronaut. I went off to the Air Force Academy. Turned out I wasn't a very good pilot – [laughs] – so I went into a different area.

MR. RUBENSTEIN: OK. So you went to the Air Force Academy, and after you graduated you then – did you then go to George Washington, or?

MR. KIRBY: Yeah. I went to the Pentagon and worked at the Pentagon in economic analysis and resource planning under Dr. Chu<sup>2</sup> in the first Bush administration, and I got my master's degree in operations research at GW at night.

MR. RUBENSTEIN: And so when did you join the airline industry?

MR. KIRBY: So when I got out of the Air Force, end of '92, I had gone off and interviewed, and I came down to choosing between going to – I wanted to do something with math because my degree was in OR<sup>3</sup>, and I was either going to – I had an offer to go be a quant at one of the Wall Street firms – it would have been right down there where you are now – or go to American Airlines. And you know, I grew up out – kind of out in the country. I like seeing the stars at night. And when I went to New York, it was hard for me to look up through those canyons and I could never see the stars, and so I went to American Airlines. [Laughs.]

MR. RUBENSTEIN: OK. So what is the appeal of working in the airline industry? It always seems to be like a "Perils of Pauline" kind of industry – ups and downs and lots of problems. Why is it so appealing to be an executive in the airline industry?

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<sup>2</sup> David S. C. Chu was the U.S. Assistant Secretary of Defense for Program Analysis & Evaluation from 1981-1993, serving under Presidents Ronald Reagan and George H. W. Bush. He later was the U.S. Under Secretary of Defense for Personnel and Readiness from 2001-2009, serving under President George W. Bush.

<sup>3</sup> Operations Research

MR. KIRBY: Well, you know, I wouldn't change a thing. It's been fun. It's a great industry. It lets you connect with people. You know, going through the crisis, the humanitarian role we played, you know, it's not just about being an airline. The role we play is so much bigger.

You know, at the beginning of the crisis we were flying airlines with three or four people onboard. All of those people were medical professionals flying into New York, New Jersey to help with the crisis. Our crews were bravely flying to China to load the belly with ventilators and medical equipment. And they didn't know what the risk was back in March of last year, but they took the risk. And more recently, you know, a couple of months ago in India our planes – we were flying airplanes. No people going over to India, but the airplanes were full of oxygen cannisters going in to help with India, and the planes coming back were filled with our embassy personnel and their families and U.S. citizens coming home.

You know, it just makes you feel like you're making a difference in the world. And now at United, where, you know, we have a real platform, what we're doing for diversity, what we're doing for sustainability. Like, I think when I retire someday – at least I hope when I retire someday – that people write about me not about what I did so much as an airline executive. I hope they do that, but also what we did on those bigger things to make a difference in society. And this is a platform we can do it, unlike a lot of businesses.

MR. RUBENSTEIN: Let's talk about diversity. Right now your workforce – how diverse is your workforce and your executive team?

MR. KIRBY: Yeah. So our workforce overall, if you just sort of look at normal metrics, is really – is quite diverse. But our executive team and our leadership team is not as diverse as we would like it to be, and so we are focused on that and doing simple things like requiring people to have an interview slate that includes diverse candidates is actually starting to move the needle there.

The bigger things that we're doing – like, one of the things I'm most proud of is Aviate, which – we are the only U.S. airline that owns our own training academy. We're expecting to train about 500 pilots a year at the Aviate Academy, and today only – or 81 percent of our pilots are white men. Only 19 percent of our pilots are people of color or women. And that's because of the historical barriers to entry. You either went to the – through the military or you had to spend \$150,000 a year to become a pilot. That barrier – that \$150,000 expense – meant that women and people of color just didn't have the opportunity to get these jobs. Now we – kind of joking, we're going to be able to be more selective about people coming to the academy than any Ivy League school given the number of applications we have.

And to be clear, all those people are going to have to go through the same rigorous training, safety – actually, it will be more rigorous than what most people have done historically, and some of them won't make it through. But if they do, they can come fly at United, have a career where they ultimately end up at that \$400,000 a year salary. We're really trying to take action – instead of just talk about it – at United that will make a difference.

MR. RUBENSTEIN: Right. Now, the air traffic control system is like about 50 years old or something like that. It doesn't – it's not as modern as some other countries. Is that a problem for United Airlines, we still have planes being stacked up and we don't have as efficient an air traffic system, or it's not a problem?

MR. KIRBY: Oh, it's certainly an opportunity to improve the air traffic control system. This is one of the lowest-hanging fruits that's out there on a whole bunch of fronts.

One, we could increase capacity. You know, I mentioned Newark earlier, but you know, there are a lot of airports like Newark or San Francisco or LaGuardia where we simply – there's more demand for people to fly but there's not enough airspace for people to fly. So we can improve capacity.

But importantly, we could also use today's essentially GPS technology to fly straight lines in the sky and to do curved approaches and to do more precise flying with GPS. And we could cut the time airplanes are in the air – that you spend as a customer on the airplane – but also carbon emissions by about 10 percent with next-gen aviation. And so we're pushing really hard.

This all got wrapped up in Washington in privatization of the – of air traffic control. It shouldn't have been about privatization. That was a mistake on all of our parts. It really should be about modernizing the system. And this is one of those big opportunities at an infrastructure level, you know, as we're trying to push infrastructure – and hopefully we'll get something done on a bipartisan level for infrastructure – but to push next-generation air traffic control.

MR. RUBENSTEIN: Warren Buffett famously said that if a capitalist had been around when Orville and Wilbur Wright were getting ready to fly, he would have shot them down because airlines have lost so much money over so many years. And he – but he did change his mind and bought some stocks. Now he's sold them. Does that upset you that he's sold all of his airline stocks? Do you think that was a bad decision by him?

MR. KIRBY: [Laughs.] Not in the least. It certainly doesn't upset me in the least, and I hope that we'll prove that decision to be one that looking back on was a mistake.

And look, I think a big part of this is aviation for so long has commoditized travel. So many people in aviation have thought the only thing customers care about is price, and when you do that it drives a race to the bottom in terms of price but also a race to the bottom in terms of customer experience – cram as many seats on the airplane as you can, don't give people in-flight entertainment, don't put big bins on airplanes.

The real bet that we've made, with all the aircraft orders that we talked about at United is that customers care about the quality of the product. You know, that's what we're trying to change. And I think that's going to make it different for United Airlines shareholders, at least, because I do think the customers care about the quality.

MR. RUBENSTEIN: You know, I always thought it was price. I thought price was the biggest factor in deciding what airline to fly. That's not, in your experience, the case?

MR. KIRBY: Well, that's been the sort of historic view of airline executives. I don't think that that's the case. People care about price. We got to keep prices reasonable, and people do care about price. But if you have a better experience, you know, I think we're going to have ability to differentiate airlines. And you can have airlines that, you know, you get 28-inch seat pitch and you sit like this and there's no entertainment and you have to check your bag and you get nicked and dimed to death, or you can have airlines with a better experience. And our bet at United is that there's a lot of customers that care about the experience and how the airline makes them feel when they fly.

MR. RUBENSTEIN: Speaking of experience, you have frequent flier miles, right, and you get those forever. Is that right? You can keep them forever?

MR. KIRBY: You do at United now. That's not true at all airlines, but at United we changed the policy a couple years ago that frequent flier miles no longer expire.

MR. RUBENSTEIN: And is that a cost drain to have frequent flier miles or is that something that actually gets you – makes you a profit?

MR. KIRBY: Well, net, I think it helps. It, obviously, creates more profit. It's a liability. It shows up as a liability on the balance sheet. But customer loyalty and rewarding our best customers is important. In fact, we're trying – you know, as we've gone through the pandemic, one of the things we've changed and intend to keep going forward is over-indexing, making more seats available for frequent fliers. Each year – for us, we have about 7 to 8 percent of our miles are people that are flying on reward tickets, so flying for free – using their miles to fly – and we'd like to get that up closer to 10 percent.

MR. RUBENSTEIN: So when you do surveys of your passengers, what is their biggest complaint and what's the biggest thing they're happy about?

MR. KIRBY: Well, you know, the biggest issue for customers is almost always operational challenges. You know, flights get canceled or flights get delayed. And the biggest issue, frankly, that they have is lack of transparency. We're working – I mean, it is hard, you know, to tell people what's going to happen in uncertain weather events.

I told somebody in New York the other day it's like you're going to drive, you know, from New York back to Stamford, Connecticut, and your wife says what time are you going to be home. And there's a storm outside and you're not really sure, but she wants a precise time. But worse, if there's a lightning strike within five miles of you as you drive home you have to pull off to the side of the road and stop until there's no lightning for 30 minutes. That's what happens for an airline, so it's really hard to do.

But communicating to customers what's going on I think is going to be one – we've already seen it – is one of the most powerful things we can do. People understand if something



happens that's outside of your control, but when they feel like they're being lied to and there's a rolling delay and you can't tell them what's going to happen, tensions just escalate through the roof.

MR. RUBENSTEIN: So let's talk about climate change. There seems to be a lot of weather problems we're having, at least the United States. I assume some people would say it's because of climate. How has climate change affected you? Because the weather problems are so endemic now.

MR. KIRBY: Well, I said before this is a personal passion of mine. I've been following this for – since I was in college back in the '80s. It is because of climate change. You put more heat in the atmosphere, that's going to create more storms. It's pretty simple physics. We had our, you know, earliest hurricane that I can remember, you know, that just happened last week. Or, you know, we could look at the data and see more thunderstorms, which are really tough on airline operations, that are happening. And that is going to happen. That's the new normal.

What we have to do is try to get better at flying in weather. We don't have all the answers yet. [Laughs.] I wish we did. But trying to find ways that we can do more in weather. We're even starting to do things like – we're doing this today at Newark because there's a forecast for thunderstorms later in the day today. Instead of trying to fly the whole schedule and really having things sort of melt down, we are pre-canceling flights. We did it yesterday, and we notified customers, and trying to get those customers re-accommodated, because the chances are – it's not 100 percent, but it's a 90 percent chance that later today in Newark there's going to be a lot of flight problems because there's going to be thunderstorms in the afternoon.

So we're trying to do things like that to lessen the impact to customers when we deal with weather. And we're getting better at it, but we got a long way to go.

MR. RUBENSTEIN: So how do most people make airline reservations? Do they go through a travel agent? They do it online now? And if they want to speak to a human, where are your humans that are speaking to the passengers?

MR. KIRBY: So the vast majority of people making reservations do it online. Most of them – you know, over half do it direct at United Airlines. Some of them are doing it through their travel agencies. But still, most of them are doing it online.

Most of the volume into our call centers is about dealing with disruption or changes, things that they can't do online. I'm at an airport, and the airport just closed, and my flight's delayed or canceled; what can I do? Those are the biggest areas.

And look, there's been some media about other airlines having long hold times. They're longer than we would like at United, but mostly we've kept them within the 15- to 20-minute range even as we've gone through this.

The biggest thing that we're doing on that is trying to use more technology to let customers self-serve. But also, we've created something I – this is really cool – called Agent on

Demand, where if you go to one of – but it’s not at every airport yet, but it will be. If you go to a United airport, you can take your phone and click on a QR code and we can connect you to an agent directly at an airport [inaudible]. So instead of having to go to a call center and a reservation and wait in a queue, you can do it – it’s virtual. You can do it with video. You can do it with phone. You can do it with text. However you want. But you can talk – you can see and talk to a human being right there.

And that’s been a win for us from an efficiency perspective and it’s a huge win for customers. Instead of waiting in a line hundreds of people long for a customer service counter, they’ll click on that QR code, get an agent right away. That’s one of those really, really powerful ways to use technology to change the customer experience when things go bad to make it less bad.

MR. RUBENSTEIN: Will all paper tickets be gone soon? I mean, nobody anywhere in the world will ever need a paper ticket, everything is going to be on their iPhone or equivalent?

MR. KIRBY: I don’t think there are paper tickets anymore. If there are, I don’t –

MR. RUBENSTEIN: Nowhere in the world?

MR. KIRBY: It’s very, very rare.

MR. RUBENSTEIN: Oh. I thought some places in the world they still use them. No?

MR. KIRBY: Maybe. But if so, nobody’s talked to me about a paper ticket in about a decade.

MR. RUBENSTEIN: OK. So how do you stay in shape? You’re obviously very fit, I can see, and I know – we were talking earlier – you were running or walking today up a mountain. How do you stay in shape?

MR. KIRBY: [Laughs.] Well, I think I have good personal habits. First, I sleep eight-and-a-half to nine hours a day, which is unusual. I go to bed early – I usually go to bed at 8:30 – and I get up in the morning, read my emails, and then I work out almost every day. Today, I hiked up to the – to the top of the mountain from our house. But I do something – you know, an hour to an hour-and-a-half workout almost every day.

MR. RUBENSTEIN: OK. Now, you have seven kids. Doesn’t that take some time as well?

MR. KIRBY: Well, I have a wonderful wife who mostly takes care of the hard part, and I’m in charge of playing and having fun. So it’s wonderful and it’s great to spend time with them. That’s been one of the – not one of; that’s by far the best – not silver lining; the best thing about the pandemic is the amount of time I’ve gotten to spend with kids. And I went on a business trip a few weeks ago and I was gone for three nights, and my young kids were like, “Daddy, where are you?” It’s so weird to them. My older kids were more used to it. But having kids during the pandemic has been – and actually, one of them was born during the pandemic.

MR. RUBENSTEIN: Have you convinced any of your children to go into the airline industry?

MR. KIRBY: [Laughs.] No, I'm going to let them do whatever they want to.

One of my daughters – I'm very proud of her, the oldest girl – is a social worker for mental-health issues for teens. That has to be the hardest job in the world. I feel for her. But you can't be in a job like that unless you really care about people. I'm so proud of her because she really cares about people. She wears it on her sleeve. It's tough on her. So she's doing that.

My next one want to be a journalist, that's in college.

And my third – I think those of you in Washington, D.C. might see someday. She's just an amazing young woman. And somebody once asked me after the election who did I think would be the first female president, and I said, I don't know. I don't think she'll be the first, but the one woman that I know that I would put on the list for having a high shot at being president is Alex Kirby.

MR. RUBENSTEIN: So what do you think the impact of the Richard Branson flight will be and the Jeff Bezos one on the airline industry or on travel generally?

MR. KIRBY: Well, I mean, I think they're cool, but I don't think it's going to have any impact on air travel. You know, it's a very, very, very long way away from being able to, you know, go from point A to point B and get there through space. These are just going up and coming down in the same spot.

MR. RUBENSTEIN: So would you go up on one of those if you were given a chance, or?

MR. KIRBY: For sure.

MR. RUBENSTEIN: Right. And so what would you like people to know about United Airlines? If you were just saying to people here's the most important thing you should know about United Airlines, what would it be in a paragraph or two?

MR. KIRBY: Well, this is not the United Airlines that you knew before. And United Airlines is focused on – everything we're doing is trying to make the customer experience better. I say – I said to our board my job is two things: one, make our employees proud; two, make our customers like us. Like us may seem underwhelming. I'd aspire to love. But we're an airline, so I'll go for like right now. But really, trying to make it where my email inbox doesn't have any complaints from customers because we're doing the right thing for them all the time.

MR. RUBENSTEIN: Now, your theme song is "Rhapsody in Blue." There was rumors at one point you were going to get rid of that theme song, but are you staying with that theme song? And does it work? Does everybody know it's identified with you?

MR. KIRBY: I think everyone knows it's identified with us, but now you've veered into an area where I will not even pretend to have expertise when we get to music.

MR. RUBENSTEIN: OK.

MR. KIRBY: Somebody might tell me someday we're going to change it, but if so no one's talked to me about it.

MR. RUBENSTEIN: OK. Look, Scott, I want to thank you very much for giving us an interesting conversation, and hope all the airplanes you're buying are going to be clean and safe and available soon. And I look forward to flying in one of your electric planes. I think that should be interesting.

MR. KIRBY: Oh, that's good.

MR. RUBENSTEIN: Thanks very much, Scott.

MR. KIRBY: Thanks, David. Good to see everyone.

MR. RUBENSTEIN: Bye. Thank you. Bye.



**Scott Kirby**  
**Chief Executive Officer**  
**United Airlines, Inc.**

Mr. Kirby is chief executive officer of United Airlines. He served as the company's president from 2016 to 2020 and was responsible for United's operations, marketing, sales, alliances, network planning and revenue management. As president, he played a pivotal role in enabling United's cultural transformation and executing the Company's strategic growth plan. Elected in December 2020, Mr. Kirby serves as the Chairman of the Star Alliance Chief Executive Board (CEB). Mr. Kirby is also a member of the International Air Transport Association (IATA) Board of Governors.

Prior to joining United, Mr. Kirby was president of American Airlines from 2013 to 2016 and president of US Airways from 2006 to 2013. He is a well-known industry veteran, with a broad and accomplished three-decade-long career in significant leadership roles within the airline industry. Mr. Kirby started his career at the Pentagon and in the technology sector.

Mr. Kirby has bachelor's degrees in computer science and operations research from the U.S. Air Force Academy and a Master of Science in operations research from George Washington University. He is married and has seven children.