Oscar Munoz, Chief Executive Officer of United Airlines, Discusses his Company and Issues in the Airline Industry

Oscar Munoz
Chief Executive Officer
United Airlines
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DAVID M. RUBENSTEIN: So, thank you very much for coming today.

How many people here have flown United Airlines? [Laughter.] OK. How many people here have suggestions about how they might do something different? [Laughter.] OK. OK.

OSCAR MUNOZ: This is where you put two hands up, I think, because that’s –

MR. RUBENSTEIN: How many people here are pilots for United Airlines? OK. [Applause.] Anybody else for United Airlines? OK.

MR. MUNOZ: If I could, David, there’s a whole table of employees from all our Washington area – Baltimore, Dulles, and DCA. They’re right there, wonderful people. [Applause.]

MR. RUBENSTEIN: OK. OK. So, I want to talk about airlines and United, but first I want to talk about an incredible story that many here may not be familiar with. So, let’s talk about your background initially to get to this story. You grew up in California.

MR. MUNOZ: Mmm hmm.

MR. RUBENSTEIN: And you had eight siblings?

MR. MUNOZ: I do.

MR. RUBENSTEIN: And what was that like? I’m an only child. What was it like when you had eight siblings? Is that easy to do, or?

MR. MUNOZ: [Laughs.] If you’re an only child, it’s probably hard to reference a good point of view. But, no, it was hectic. It was crazy. We shared everything. We had first and second lunch, because we couldn’t fit everybody at the first table. [Laughter.] When you’re a large family everybody in the neighborhood tends to hover around your place anyway. And so, there was never a shortage of mass. When I first brought my wife home for Thanksgiving I said, OK, honey, let’s just get ready, OK? Because this will be not normal. But it’s great.

MR. RUBENSTEIN: So, when you were growing up, you must have been a good student. You got into Harvard, and you chose not to go. Why was that?

MR. MUNOZ: It was an awkward moment. I’m the first to go to college, came from a blue-collar family. And we were invited to an event that was a black tie-optional event. I don’t know what that means at that time, and my dad certainly didn’t. And we had to walk across – first of all, we got stopped at the door, because they said you must be lost because of the way we were dressed. And you have to remember, I was in high school. My hair was down to here. [Laughter.] I grew up in Huntington Beach, so I was a surfer kid and my hair was red and long ratty. And I thought I looked good. [Laughter.]
So, walking across a room of this size with all eyes upon you, then sitting at a table with everybody asking you questions like: Who are you? What’s your major? And none of the things that I knew. So, I knew that wasn’t quite the right fit. And southern Cal was just closer to home – and a great university.

MR. RUBENSTEIN: Have you ever thought – have you ever thought what you could have accomplished with your life had you gone to Harvard? [Laughter.]

MR. MUNOZ: God knows. I could be in that seat. [Laughter, applause.]

MR. RUBENSTEIN: So, you went to USC, University of Southern California, and obviously did well. You worked your way up. And ultimately, you find yourself at CSX, a railroad company. And you were working your way up. And you were president and COO, is that correct?

MR. MUNOZ: I was.

MR. RUBENSTEIN: And where were you living to do that? You were –

MR. MUNOZ: The headquarters is in a place called Jacksonville, Florida, north Florida.

MR. RUBENSTEIN: Right. So, you’re doing that. And you’re probably about ready to be made CEO. And at the same time, you’re on the board of a company called United Airlines. So, one day there’s a need to have a new CEO and they ask you to be the CEO. And why did you want to leave Florida for Chicago? And why did you want to give up running a railroad, which was maybe not as complicated as running an airline? Why did you want to do that?

MR. MUNOZ: One of the more complicated questions in my life, right? And to add to that, by the way, my first daughter was getting married right around that timeframe, and we had the wedding planned. My wife’s entire sole interest over the course of that momentous decision was: You better get your father of the bride speech done. [Laughter.] But, no, it was a difficult – listen, there’s some friends from CSX that are here today. And it was a wonderful place. We spent 12 years there doing a lot. We took the market cap of that company from six-seven to 40-50. And so, we had a great run. And, frankly, I just thought I had another career run in me, A. And, B, when you meet the people of United, and what we needed at United was someone that could relate to the everyday folks that we work with. And I thought that I could do that better than most.

MR. RUBENSTEIN: All right. So, you took the job as the president and CEO of United. And when you took that job, you were somebody who was a good athlete, I assume. You were exercising a lot?

MR. MUNOZ: I was active.

MR. RUBENSTEIN: So, one month after you take this job, you get a heart attack.
MR. MUNOZ: [Laughs.] I can never go to any conversation without this one. But, yes, 38 days to be exact.

MR. RUBENSTEIN: All right. So, did you think maybe you had taken the wrong job? [Laughter.] It was too much pressure? And, you know, you were a vegan and you were an exerciser.

MR. MUNOZ: Marathon runner.

MR. RUBENSTEIN: You run marathons? So, what went wrong?

MR. MUNOZ: So, as a quick public service announcement to all of us in the room, heart disease is the biggest killer in America, to be serious. Most of the reason why is most of us don’t know we have it. My family background didn’t allow me to understand a lot of my history. And so again, being relatively fit and eating crazy like a vegan, you think that nothing would happen. And something did. And I think when you talk to cardiologists, when you talk to heart specialists, unfortunately, you know, some of the things internally – your plumbing is what affects you so. Yeah, nobody believed that – they could believe that I got hit while riding my bike or hit by something, but heart disease wasn’t in the works.

MR. RUBENSTEIN: OK. So, I haven’t had a heart attack yet, but my impression is that today when you have a heart attack, you know, they have a lot of medicine, they can fix it, it’s a lot better than it was 20 years ago or so. So, you have your heart attack. And then they come in and say: Guess what, you need a heart transplant?

MR. MUNOZ: Yeah.

MR. RUBENSTEIN: So, were you a little surprised about that?

MR. MUNOZ: I was a little surprised, and a little hesitant. You know, they talk about the fact that heart transplant surgeries are 93 percent successful – the actual surgery. And of course, us being who we are it’s like, so what happens to the 7 percent? [Laughter.] Not a good answer on that one, by the way.

MR. RUBENSTEIN: So, when they came – when they came and told you [that] you needed a heart transplant, did you ask for a second opinion or anything like that?

MR. MUNOZ: No, we did travel around. And I’m fortunate enough to know people all over the country. And I was trying to figure out if there was something else because most of us, guys in particular, think we can fix things, right? It was like, oh, I’ll just run it off or something. That is not true, ladies and gentlemen. You cannot fix these things. But the doctors around the world that I trust and know told me – they said: Sit your butt down and get the surgery, because that’s the only way you’re going to live.
MR. RUBENSTEIN: OK. It’s one thing to say you need a heart transplant, but you got to get a heart. So, don’t you have to wait on line for a long time? How did you – how did you get a heart?

MR. MUNOZ: You do. It is the most – one of the most Byzantine processes of how you apply and what levels you’re in and how all this gets worked. It’s very well-regulated and modulated so that people don’t take advantage in any way, shape, or form. But I was very fortunate. I was on the list. And on my birthday, ladies and gentlemen, on my birthday, the morning of, my doctor, Anderson, called and said, “Have we got a kickass heart for you!” [Laughter.] And we happened to be at a meeting at United, kind of a strategy vision going forward, that I was in the middle of it. I had come back from my heart attack and I had this device.

And I stood up after lunch – we were determining actually the strategic future of the company, where all the things that we’ve been able to do over the last couple years that led to the video and all the things that we’re doing. But I knew that morning I had to go into the hospital that afternoon. And so, I went to the meeting, just because what else am I going to do for the morning. And we were excited. And then I didn’t say anything other than my general counsel and a couple of folks, to make sure they knew. But I did stand up at lunch and said: I’m not going to be back after lunch. I got to go to the hospital. I got this thing I got to do.

But it’s a classic line that I didn’t mean to say the way I said it, but I said: I’ll see you on the other side. And, again, as you know, that could have a lot of meanings. [Laughter.] I meant the most positive meaning, meaning, hey, I’ll be back. And so, the surgery went great. I was in and out. I was out of – gosh, a 21-year-old beat me as far as the history of Northwestern Hospital, but I was out in about seven days.

MR. RUBENSTEIN: Seven days. So –

MR. MUNOZ: Out on Thursday. I was back in the office on Monday, in smaller levels. Now, we didn’t tell the world and analysts and investors that because they’d freak out. But I was spending a lot of time back in the office.

MR. RUBENSTEIN: I’ve never heard somebody say in a meeting, well, I got to go have a heart transplant this afternoon. So, that’s a very not common thing. But –

MR. MUNOZ: Well, I didn’t say that. I said I got to go do something.

MR. RUBENSTEIN: Do you know – do you know whose heart it is?

MR. MUNOZ: You know, it’s an interesting thing, I do not. And I’ve asked, and I want to. It’s also difficult. The psychiatrist and the psychologist that follow you to make sure that you’re sort of fit to have a heart actually don’t recommend you learning, at least for me. They feel that someone that’s doing well physically and mentally otherwise, when they find out where their donor heart came from and the circumstances that led to somebody perishing, that can get in your head and affect your health.
MR. RUBENSTEIN: So, do you feel a lot younger with a young heart like that, or?

MR. MUNOZ: Well, my hashtag in my family threads with my brothers and sisters, who I’m the oldest, is hashtag #YoungestChild. [Laughter.] So, yeah, I feel a lot better than most. [Laughs.]

MR. RUBENSTEIN: Right. So, after you have your heart transplant, you can go back and work. And how long after were you able to go back and really work?

MR. MUNOZ: Again, I was in the office fairly shortly. It probably took a month of – it was just – the immune suppression is one of your biggest issues when you have a transplant. You don’t want your organ to reject. So, they have to bring your immune system down. And so, anybody that has a cold, if I’m near you I catch pneumonia. If I eat something that’s not good, I get really sick. But, you know, over a time you develop a tolerance.

MR. RUBENSTEIN: And did you fear that the board of directors of United would say, well, look, we like you a lot, but, you know, a heart transplant? Come on, this is a tough job, and why don’t you take an easier job? Did you worry about that?

MR. MUNOZ: This is a crazy industry. I am literally fired every other day on the press. And at the time I was dying, and I had – everybody has predictions, and everyone has metrics and things of how long people live after this. I counsel, and I advise, and I visit a lot of families that are going through the same thing that I went through, and my family, and you can’t always listen to that. You have to know yourself. You have to understand that those metrics are broad and average. And it’s who you are, and what you want to do, and how you want to accomplish it that keeps you motivated and trying.

MR. RUBENSTEIN: OK. So today you’re in pretty good shape. You have a heart transplant, but other than immune issues from time to time, you’re feeling as good as you could possibly feel.

MR. MUNOZ: I think most people would not – I ask the table, do you – I mean, we’re always – I’m always running around. I just came back from Australia and then – no, there’s no restrictions.

MR. RUBENSTEIN: And you still exercise a lot?

MR. MUNOZ: Not a lot, because the job, unfortunately, takes you – I’m not Dennis Muilenburg1 from Boeing. I ride bikes with him, but – [laughter] –

MR. RUBENSTEIN: So, have you thought that maybe exercising and being a vegan isn’t such a good thing, and maybe don’t exercise and eat all the meat would be better? Have you ever thought of that? [Laughter.]

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1 Dennis A. Muilenburg, president, chairman, and CEO of the Boeing Company, is an avid bicyclist.
MR. MUNOZ: My doctor, who is a larger gentleman, I think would advise me. He advised me to go from vegan to what he calls flexitarian, meaning eat what the hell you want. [Laughter.] But eat lots of it, because you need to gain weight.

MR. RUBENSTEIN: All right. All right so let’s talk about the airline industry that you’re now –

MR. MUNOZ: Thank you. [Laughs.]

MR. RUBENSTEIN: – a part of. [Laughter.]

MR. MUNOZ: Whew. [Laughter, applause.]

MR. RUBENSTEIN: So, why is it that people love to fly around the world at relatively low prices, people can fly at a much bigger discount of flying around the world than maybe 25 years ago before prices were deregulated and so forth, but people don’t seem to like airlines. They like to fly, they like cheap fares, but why is it that generally the public doesn’t seem to like airlines?

MR. MUNOZ: Well, a couple things. You’re right, prices since – so next year will be the 40th anniversary of deregulation. And so many new things have been offered, so many products. And to your point on pricing, in think the number is 40-45 percent on an inflation-adjusted basis prices are actually lower. Schedules are increased. We have much farther reach. But the customer has evolved as well. And, again, as I said, we have 150 million of you wonderful people every year. And you all have opinions on various aspects.

And, you know, not everyone dislikes things, but people that fly very infrequently – so, for instance, luggage and a fee around luggage. If you haven’t flown in a few years and now you have to pay it, you get angry. And so, things have evolved. Good thing is that the air industry is generally profitable, where you used to hear about us in bankruptcy every other day. And so, we have to balance that history of providing everything you want all the time at a low price, to still having a relatively low economic price but also adding all the product and value and schedule and efficiency that we’ve been able to do.

MR. RUBENSTEIN: But the industry doesn’t seem to be as popular as – let’s say people like Apple. They like Apple products. They like Amazon. They like Amazon service and so forth. But they use your services, but they don’t seem to like your airline, or any airlines.

MR. MUNOZ: Yeah. Well, some like more than others. But there is a negative narrative out there. And it’s just something that we own and have to work through.

MR. RUBENSTEIN: So, today you complete – all airlines compete mostly on price, or is it food, or comfort, or takeoff schedules? What are the most important things?

MR. MUNOZ: Wow, do we have that much time? [Laughter.] So, briefly, it’s all of the above, right? Schedule probably is a little more, right? I want to go there at this time. Price closely followed. But, again, we also have a different segmentation of customers. You have the folks
that fly in the front, you have folks that are more budget-conscious and want to have options in the back. So, for us, offering something like what we call basic economy all the way up the screen to our first-class product, our Polaris service, is something that’s important for us to be able to do.

MR. RUBENSTEIN: Now in the old days, as you pointed out, old days 30 years ago or so, a lot of airlines were going out of business.

MR. MUNOZ: I’ve read about the old days. I don’t know. [Laughter.] Remember, my heart’s only 30.

MR. RUBENSTEIN: So Braniff – there’s been Braniff, TWA, Trump Shuttle, they’re not around anymore. [Laughter.] I don’t know what happened.

MR. MUNOZ: I’m not going there. [Laughter.]

MR. RUBENSTEIN: OK, so I don’t know – did you ever fly on the Trump Shuttle? I don’t know. But so why are there so many airlines that have –

MR. MUNOZ: I’m in a Trump tweet. [laughs.]

MR. RUBENSTEIN: So many airlines that went out of business, but today the airlines seem to be profitable. Was that because you – the algorithms have worked so you know how to actually have not too many empty seats?

MR. MUNOZ: Well, consolidation has helped. I mentioned my railroad experience. And I think if you look at their history I think the airline has closely followed the same evolution of less folks vying for the same amount of customers, certainly is part of it. I think some discipline around how we invest, how much product we offer, how we price, and how – more importantly, how we’re efficient. You know, the Boeing and Airbus folks are usually around in these rooms. Incredible products that they’re building. I mean, they’re souped-up Ferraris that we have available to us, and very fuel efficient as well. So, it’s a combination of all of those things. But underlying it all, I can never forget the fact that all this product is supported by the human beings that run the airline every single day.

MR. RUBENSTEIN: So, in terms of loyalty programs, airlines started them years ago and now you can’t get rid of them, maybe you don’t want to get rid of them. But are they expensive? And do people really fly one airline versus another because of their loyalty programs?

MR. MUNOZ: Loyalty programs is one of the most valuable assets that we have in the industry. And to answer your first question, there’s no plans of ever phasing any of that out. For those of in the media that are here, that’s like the last thing – [laughter] – it’s a very valuable commodity. People love it. People do interesting things to reach status. You’ll see people flying who will tell you, it’s like, hey, I’m only on this flight to China because I need enough miles to get my status level for the next year. So, people do that.
MR. RUBENSTEIN: I mean, does he have a life other than that? Or that’s all they do – [laughter] –

MR. MUNOZ: Our different levels of services are differentiated. And people do appreciate what they get out of it.

MR. RUBENSTEIN: Now, people like to fly at the lowest price that they can generally – although some people don’t care about it as much, but generally people are sensitive to it. What’s the best way to get the lowest price? Should people go online and book it themselves, if they go through a travel agent? Is it to do – what’s the best way to get the lowest price?

MR. MUNOZ: Probably in broad aspects the further out you book, the better options that you have. But people use an interesting array of – so travel agents are still big customers of ours. And they’re still a part of it. Our direct channels – for us, United.com is a growing channel. I was just in – I mean, where was I – Australia a couple days ago. And our business coming from travel agencies is like 74 percent, which is probably double anything we do in other parts of the world.

MR. RUBENSTEIN: So, prices are sometimes varying. So, is it possible that somebody could be sitting next to somebody else on an airline, he or she paid a lower price than the person sitting right next to him or her? How does that work? And do people ever complain about that?

MR. MUNOZ: Nobody talks about that, but, yeah, that’s been an issue forever. I mean, you’ve got a corporate customer on a corporate discount. You have someone who booked far ahead. So usually, I mean, I don’t know about you in the room, I don’t usually ask who’s sitting next to me, oh, by the way, how much did you pay for that ticket? But it is an issue. But it’s not a significant one.

MR. RUBENSTEIN: Well, let’s talk about your flying. I assume you’re not flying on private planes anymore.

MR. MUNOZ: No. You got to eat what you cook, so I’m very comfortable with our wonderful platform.

MR. RUBENSTEIN: OK. So, when you want or need a reservation, do you have any problems getting a – you know, getting a seat or anything? [Laughter.]

MR. MUNOZ: We book through the normal channels, and – what we call – it’s positive space, or space available. Meaning I’ll look at a flight and if it’s booked, I find another flight, like everybody else.

MR. RUBENSTEIN: But do you ever fly other airlines, if you can’t fly yours?

MR. MUNOZ: We do. We do. And Delta’s in the room, and they have a great product as well, Southwest. All our friends have just some great stuff. And it’s great to see what others are doing, because part of the history of United is that we’ve had to ramp up our service and our
product over the last few years. And as we improve, we feel very good about the improvement we’re making. But improvement is only relative to others that you fly as customers. So, we are very keen on the relative importance of making sure not only that we improve on our own basis, but versus others. So, you’re always seeing some great things other folks are doing.

MR. RUBENSTEIN: Let’s suppose you’re flying somewhere, and, you know, you’re the CEO of your airline. And you want to rest. You want to read a book, or you want to read something. Can you be on your airline and not have people come up and tell you what you should do better, or bother you? Or is that – how does that work?

MR. MUNOZ: Yeah. It’s not an easy task anymore. You’re fairly recognized. Frankly, when I fly sometimes, you know, and closer to the back – there’s, you know, a large percentage of people on any given aircraft where it will be their only time flying that year. So, the leisure traveler is a high percentage of people that are on the aircraft. So, the further back you go, the less you’re recognized. In the front of the cabin, it’s almost impossible. And people do want to chat and provide important feedback on many things. [Laughter.]

Obtrusive, yes. I’ve had people, you know, like I’ll put my headphones on and pretend to do something, so I can try to sleep. They’ll reach over and take it out. [Laughter.] It gets worse. So, I’ll – being the smart person that I am I went to the earbuds, figuring they can’t reach and get those. Au contraire. [Laughter.] This guy reached in and grabbed this thing, which was a little obtrusive. But, no, listen it’s – all of us that are in this business do this a lot. And it’s important to hear from your customers. And increasingly, in our business, it’s more positive and they’re giving me good stories.

MR. RUBENSTEIN: So, when you’re in the air – let’s say – supposed you’re sitting in coach in the back, and sometimes you fly coach, do you ever say, oh, by the way, do you know who I am, I’m the CEO? You don’t say that?

MR. MUNOZ: No. In fact, it’s probably the funnest thing to do is to have a long, meaningful conversation with someone, and get lots of input about who they are, why they’re flying, and they have no idea who you are. And then they eventually figure it out because somebody tells them, usually one of our flight attendants like, hey, do you know who that is?

MR. RUBENSTEIN: So, but you have a lot of people in first class who when they don’t like something they say: Do you know who I am? Do you get a lot of that?

MR. MUNOZ: [Laughs.] We have wonderful customers who have a very high degree of – [laughter, applause] – self-import, yes.

MR. RUBENSTEIN: So, by the way, you know, with United, how many employees do you have? You have about 90,000 employees? And how many of them are unionized?

MR. MUNOZ: The majority of them. Probably, I think, last time we counted, like 92 percent or something.
MR. RUBENSTEIN: OK. And so, you have – how many airplanes do you operate now?

MR. MUNOZ: We own at least 750-some. And then we have another 5-600 that we use with our regional partners, so.

MR. RUBENSTEIN: OK. And today if – do you fly more flights international or United States?

MR. MUNOZ: The bulk of our flying numerically is domestic, but we do quite a bit internationally.

MR. RUBENSTEIN: And you have a hub system, which Dulles is one of your hubs. What are your big other hubs?

MR. MUNOZ: New York, Newark. Then we go Houston, Denver, Chicago, and LA, and San Francisco.

MR. RUBENSTEIN: So, let’s suppose you’re flying. And you fly into one of the hubs. And you got to catch an international flight. Do they ever hold the airline for you? Or they never hold anything?

MR. MUNOZ: No, I usually – I plan ahead, as all of us should. And we spend time in our – [laughter] – quick commercial message – our wonderful, incredible Polaris lounges. If you haven’t been to one, we got one in Newark, we got one in San Francisco, Chicago, and soon to open in Houston. They’re really neat.

MR. RUBENSTEIN: So what percentage of luggage is lost? [Laughter.] By the industry generally. I’m sure yours is better, but.

MR. MUNOZ: By complaints, per I think 1,000 planes it’s like three per 1,000 over the course of time.

MR. RUBENSTEIN: And the best way to avoid having your luggage lost is do what? Just carry it on, or?

MR. MUNOZ: Your predicate I’m not in agreement with. We don’t – we don’t lose that much luggage. And if we do, we get it right to you. In fact, we instituted a policy last year. It used to be kind of onerous where if indeed something got lost, and we couldn’t find it, we made you put – you know, we needed receipts for everything that was in your bag, including things – I mean, who keeps receipts for your underwear and your toothbrush? So, we instituted a thing that’s like, listen, you trusted me with your bag, we lost it, here’s $1,500 as soon as you ask – $1,200, I guess is the number, because it’s important for us to build the trust. We don’t lose them that often. We need you to trust us. And when we do, we have to act on it very quickly.

MR. RUBENSTEIN: Now, in the old days, the old, old days, people were worried about the safety of flying. Today do people care about the safety very much? I mean, you don’t have a lot of accidents in the industry now.
MR. MUNOZ: No. That’s one of – safety is, by far, our top priority. Interesting, safety and security has been an increasing focus. So, there’ll be things that you as customers don’t enjoy, you don’t like a lot of different reasons. It’s – unfortunately, at this day and age, safety and security have to be our topmost concerns. Sometimes that gets in the way of the customer service you’d like or wish. But I think we’ll all agree that safety and security are paramount. And while people certainly do agree, and concern themselves with it, it is not something that we take lightly.

MR. RUBENSTEIN: OK. So, I notice when you have flight attendants or pilots that are going through airports, they have all their luggage in, like, a little black box that they have on a wheel. I’m carrying all this stuff. And, you know, how do they squeeze all that stuff into – is that a trick that you teach people, or? [Laughter]

MR. MUNOZ: We can ask our captain or some of our folks. No, no, it’s a – well, I think, they have a requisite uniform that they have to wear, so they don’t have to worry about wearing nice suits like you and changing every other day.

MR. RUBENSTEIN: OK. So, let’s talk about some of your specific issues that have arisen recently. You’re probably familiar with them. [Laughter.]

MR. MUNOZ: No, but I’m sure you’re going to remind me. [Laughter.]

MR. RUBENSTEIN: OK. There was a flight where I think there were some United employees that needed to go somewhere, and you were trying to get people to get off the airline. You offered them money, which is a fairly standard thing to do. And one person said: I can’t get off. I’m a doctor. I have to operate in the morning. And not United, but the local police, dragged him off. Dr. Dao, I think he name was. So initially you said, well, they did the right thing. And then later you changed your position. You said you were sorry. What’s – did that come about and how have you changed your policies to make sure that doesn’t happen again?

MR. MUNOZ: Yeah. It’s, you know, one of the dark moments in our – in our time. And usually the question is, are you glad that’s getting behind you or something? And I always say, no, I’m happy to be reminded of it every day, and so is our company, because it’s important to know how quickly things can go sideways on us. And so, the circumstances that led up to that, all of the different policies and procedures, in a nutshell, again, because safety and security and operational efficiency becomes so focused and it’s important that we do that, the rigor and discipline around safety, security, and operations doesn’t necessarily apply to the comfort and the equality and the emotional connections as a human on customer service.

And so, our rules and procedures, you can’t put always rules and procedures on how you treat another human being, which is why we started over the last year something we call Core4. And it’s – and it’s four principles that are in order. And if you – if you, as an employee, have any concern or any question about how to act, you deal with safety first. And number two, and this is a big change for us, it’s caring. Just the simple word caring. What does that mean? It can
mean a lot to a lot of people, but it doesn’t mean shutting the door. It doesn’t mean yanking someone off the plane. It doesn’t mean any of those things. And then you get to dependable and efficient, which are important. But they are four. They’re simple. But caring is number two.

MR. RUBENSTEIN: OK. So, what is the policy now? By the way, do airlines routinely – all airlines – overbook? In other words, if there are – let’s say there are 150 seats on an airline, do you actually sell 153 and hope three people don’t show up? Or how does that work?

MR. MUNOZ: You know, you mentioned something with regards to sort of algorithms and information and big data and analysis. We have incredible records and data that show on any particular day, on a particular flight, X amount of people are going to not show up. If you think about a shuttle from here in D.C. to any of the major cities that we serve out of here, there’s people that get caught up in businesses, they have a fascinating lunch with an incredible speaker like myself – [laughter] – and they want to stay around longer and take pictures. [Laughs.] But people are always changing their flights. And so, we know that. And we overbook accordingly. Some places will be two, some may be larger. And we don’t get that right on every single flight, every single time. It’s 4,600 flights a day.

MR. RUBENSTEIN: All right. So, when more people show up, then you have to see if you can get some people to get off the flight. And the standard is to pay them X dollars to get off the flight. Is that – is there a standard amount you pay people?

MR. MUNOZ: We – in fact, one of the changes we made, given the circumstances with the Dr. Dao incident, is that we instituted, along with a couple of other airlines, up to $10,000. Because it ain’t your fault. You booked a flight. You’re supposed to be there. We screwed up. We need to compensate you.

MR. RUBENSTEIN: So now you pay – wait a second, if somebody – let me see if I’ve got this right – [laughter] – if somebody is on a plane and it’s overbooked, so you have some extra people. And let’s suppose these extra people are VIPs and they really need to go somewhere, and you want to get them there. If you go to the person and say, anybody want to get off, and you’d pay them $10,000 to get off?

MR. MUNOZ: Up to $10,000. But, no, it’s a little bit better than that in the sense that we know and have an understanding of what the situation is going to be on that aircraft well ahead of time. We also made a promise that once you’re sitting down, we’re not going to take you off the plane unless for safety or security issues, obviously. And so, don’t put them on the plane, because that’s when it gets bad.

MR. RUBENSTEIN: So, let’s talk about another problem you had, which was dogs. You had one dog that was supposed to go to Kansas and wound up in Japan. And, you know, maybe it didn’t have a passport, so they weren’t happy, whatever. [Laughter.] And unfortunately, a dog was put in that overhead bin and died. And airlines typically – you’re not the only one – have had dogs die in overhead bins or in container compartments. What is your policy now about how to avoid getting dogs going to the wrong places and keeping them from dying?
MR. MUNOZ: Yeah. Let me just – a little bit of defensiveness on my part. We, as a company, because we understand how important pets are to folks – which you may not agree with given the circumstances – but we flew three times as many animals for people all over the world, because no other airline really was doing that. So, we were doing it as a customer aspect. When you open up the arms to that many animals across a lot of things, you introduce risk into it. And so, what we’ve done is we’ve de-risked the situation. We just brought that things back down as to what kind of dogs we could carry, animals, that’s very aligned with the rest of the airline world.

And unfortunately, we’re leaving a lot of people behind. I’m making special exceptions. When you think about who are these people that need this? Well, you think of military families that are going out to Guam. You know, it’s a young family with their pet, or they adopt a pet while they’re there and they want to bring the dog home, and they need a way to do that. So, we’re going to make sure we cut out some of those things. But there’s just some dogs – and we hired American Humane – or are partnering with American Humane, not American – not the other one – but to sort of advise us how best to have these things travel, because it’s difficult.

MR. RUBENSTEIN: So, I notice a lot of people have things called emotional support animals, or something like that, where they get a certificate from a doctor saying I can’t travel without this animal, whatever the animal might be. Are people abusing that? And you’re getting a lot of big animals on your planes as a result?

MR. MUNOZ: Yeah, you have – everyone’s heard about the peacock story\(^2\). So, I won’t go into that one. We just had a recent experience where one of the emotional support animals – wait for it – required another emotional support animal. [Laughter, applause.] Yeah. So, it was a dog and a monkey. [Laughter.] And somebody asked me earlier today, which one was supporting who? And I don’t know that answer. But I said, no, listen, on a serious note, people that need things – you know, the problem is it’s abuse because it’s not regulated in any way, shape, or form and anybody can get it. And so, we don’t know. And so, if you have a need – I mean, so service animals for disabled veterans or people that are blind, we bend over – twice over backwards to ensure we take care of the people that truly need – [inaudible].

But when you get into the ridiculous stage, where a peacock or two different animals – and most of the consumers – I mean, if you have allergies. So, all of that has to be modulated and worked. And there’s no real rules around it. And so, we’ve taken, along with the other airlines, pretty harder stances. Like, we need to have some proof. You need to register the animal. It has to be of a general size. Nick Calio from A4A\(^3\) is here. He was just telling a story this morning that there was an animal the size of him sitting next to him just recently. [Laughter.] We have small ponies, snakes, I mean, there’s a – and, again, it sounds funny, but our flight attendants and our organization have to deal with this. And so, you know, back to we’re putting humans and we’re getting them comfortable, getting them on their seats. And then all of a sudden you have to deal with that. And that, and many other issues, that we –

\(^2\) United Airlines denied a woman's request to board a flight with her emotional-support peacock on Jan. 28, 2018 at Newark International Airport.

\(^3\) Airlines for America (A4A) advocates on behalf of its members to shape policies and measures that promote safety, security and a healthy U.S. airline industry.
MR. RUBENSTEIN: So how do you deal with sexual harassment on the planes.

MR. MUNOZ: Yeah.

MR. RUBENSTEIN: You’ve got passengers sometimes inebriated, sometimes not, trying to do things they shouldn’t do. What do you do about that now?

MR. MUNOZ: Yeah, I just fundamentally as an individual human don’t understand how people can do things that we hear people doing. So that’s just a personal opinion. In addition, people don’t want to sit next to someone because of their race, or their sex, or their color. And, frankly, I don’t have a lot of time for that. This is where customer service for me personally kind of goes out the window and says, you know, you want to fly elsewhere, because we don’t want to deal with that.

But the issues – the real issues of sexual harassment, safety in general, is a very important one for us. We partner with the people – Sara Nelson’s here from the American flight attendant organization[^1] We listen to them, because they’re the ones that generally have to take some of the brunt of this. And it’s – it’s can be awful. And it’s been quiet for a long time. It’s been going on for a long period of time. And we just had a deaf ear to it.

And now the issue is that you have – and human trafficking, by the way, is another angle that we have to ask our flight attendants to do. How do you recognize it? How do you resolve it? And then inevitably you have false positives, where you see something going on and then we pull someone off the aircraft or you have, you know, law enforcement meet them and it turns out to be something different. And then, of course, we get sued. And that’s always – it has been an argument for why we shouldn’t do some of these things. I say nay. I say, listen, we’ll take the heat for the things – the minority of things – in order to fix the broader issue, because it’s a real issue.

MR. RUBENSTEIN: Right. So, you have – most of your flight attendants, I presume, are female, but not all. And most of your pilots are male, but not all. Obviously, there’s a female pilot right here.

MR. MUNOZ: The highest percentage in America, 7.8 percent at United. [Applause.]

MR. RUBENSTEIN: OK. All right. So, but how do you keep the pilots from socializing inappropriately with your flight attendants? Or is that not a problem? [Laughter.]

MR. MUNOZ: David, I’m not going there on that one. They are wonderful people, and –

MR. RUBENSTEIN: Not a problem?

MR. MUNOZ: It’s not – yes. They – we’re all human and everybody gets along very well, and –

[^1]: Sara Nelson is the international president of the Association of Flight Attendants-CWA, AFL-CIO
MR. RUBENSTEIN: All right. So, let’s talk about –

MR. MUNOZ: I’m looking at Sara. And it’s just like, where do I go with this one. [Laughs.]

MR. RUBENSTEIN: So, let’s talk about this. When you’re the CEO of the airline, at any given hour you have X number of flights in the air. And how do you keep up with whether you’re on time that day, whether there’s weather problems? What level of things come to you? If there’s cancellations of lots of flights? How deep do you get into the detail of what’s happening every day? Or that’s something you just can’t get in the middle of?

MR. MUNOZ: We have an alert system, obviously, for things that are – and we have a whole bunch of algorithms about what rises to what level at any point in time. On the day-to-day issues, Omar⁵, who’s here, who runs our Dulles hub is more involved in the day-to-day things. But, you know, the airline is always going through some issues. So, we have a morning and an afternoon recap of what’s going on. It’s usually weather. It’s usually – you know, there’s so many things out of our control that we have to monitor and manage and communicate to you. As I think if you as customers, our focus is – reliability is something you want because, you know, hey, get me where I need to be is the first issue. And we’ve been working on that. And we have great records on that.

The other two are harder. One is communication. When something breaks or is about to break, can you please let me know, right? If I’m here and my flight’s going to be delayed, can I know before I head to the airport? So, we’re working on all this wonderful digital stuff to get better communication. Then there’s flexibility, which is the hardest thing for us because we fly so many people, we’re so structured, we have so many aircraft in the air, it’s hard for us, to your point earlier, to hold the plane for anybody – God be it for me. And so, the combination on flexibility, reliability, and communication are our three big mantras. And so, we work on that very hard.

MR. RUBENSTEIN: OK. So, today the airline, your profitability is less than your peers. Your margins are lower and you don’t make as much as the analysts want you to make. So, what are you trying to do to make your airline more profitable?

MR. MUNOZ: Many things. Primarily one of the issues that we have is, you know, as most of us in here know about business, there’s a revenue and a cost line. And generally, you want to make the revenue higher than the cost. And the airlines historically have forgotten a little bit about that. I think the new leadership in the industry gets that big time. I think for us at United over the past – since we merged – Continental and United – I think we went on a cost-cutting spree, which as you need to be efficient – but we forgot the revenue aspect. And if you think about our business, the way we generate revenue is we fly.

We fly to places, A, you want to fly, you want to pay to fly, and you want to fly frequently. So, we’ve been expanding our top-line growth capacity. It’s not always well-received by investors, because historically when you have too much capacity and not enough

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⁵ Omar Idris, Managing Director-Hub, Washington Dulles International at United Airlines
demand that’s when the bankruptcies kind of came into play. It’s a new market. We’re flying smartly. We have some uniquely United sort of strategic reasons to grow. And so, we’ve been growing our top line, while being efficient and managing our costs. And that’s how our margin has been improving.

MR. RUBENSTEIN: And the best way to have top line growth is first-class international people pay full fare for that? Is that your most – highest margin?

MR. MUNOZ: That tends to be the higher-margin customers. But, no, you know, the real way for us to make money increasingly is what we call catchment areas. People around big cities that have to come into Dulles and connect to go somewhere else. And being able to get them and gather them, and catch them, and put them into a – so, more people.

MR. RUBENSTEIN: So, when you have connection flights, people always worry they’re going to miss their connection and so forth. Do you hold the airlines for anybody? Like, there’s a rumor in Washington that members of Congress can get airlines held for them. Is that – there any truth to that?

MR. MUNOZ: [Laughs.] Let me explain the first part of the question. We – I mentioned this Core4 and caring. That’s one of the key principles because we generally, as an operation, don’t want to hold anything, because we have a schedule to keep. But if one of my gate agents sees, you know, a young woman with three kids, you know, running down – but our schedule says we close it in 30 seconds and she’s a minute away, or 10 minutes away, whatever, we have historically tended to shut the door to get it out on time. Again, we say, nay, we are going to allow our gate agents to make that call and hold that aircraft for the right amount of time, for the right person. You know, the morning flight, you can let it go because you have other options. If it’s the last flight of the day, you can – you can hold it for someone. So, we don’t hold aircraft for anyone.

MR. RUBENSTEIN: Not members of Congress, nobody?

MR. MUNOZ: We don’t hold aircraft for anyone. [Laughter.] Some would like to. And, again, if it’s the right reason and we can make the connections work and such. Again, it’s at the discretion of our folks on the ground that know the situation, we will do that. But as a general rule, it’s hard to do that.

MR. RUBENSTEIN: OK. And I notice people often carry enormous amounts of luggage on board because they are afraid that they might lose it. Is there a limit to how much you can carry on board and put in these bins, or you’re trying to reduce that?

MR. MUNOZ: Apparently not. [Laughs.] People do try to sneak a lot things in. So, there is limits. There’s size limits and all that sort of thing. And people are generally OK with it. We’ve offered a new service called basic economy where in essence you go ahead and check your bag. And it makes the boarding so much more efficient.
By the way, as a quick – another public service announcement – and none of us will ever be in one of these accidents, but one of the things people do if there is an accident or you have to – you know, an emergency and you have to de-board the aircraft, people will, even with their lives at stake, will stop to get their luggage, thinking that they can go down a slide or anything – it’s like, that’s just a no-no. And, again, we never want to put you in that situation, but if that ever is the case save yourself first. We can buy you another suit, another dress, another pair of Jimmy Choo shoes.

MR. RUBENSTEIN: OK. So now you have a new way of boarding. It used to be you had, like, five different classes of people boarding. So why have you changed the way people board, and why is that going to make people happier?

MR. MUNOZ: I hate the fact that people wait in line for so long. It’s human dynamics. You see somebody queue up, you queue up right behind them. It’s like, why? Because they’re worried about space available, there’s all sorts of – all sorts of different things that they worry. So, we’re trying different things. And the industry has tried so many things across the time span to try to facilitate that. I don’t want you standing up and waiting for 30-40 minutes for any reason. So, we will board differently. And where we’ve tested it, all of LA is that way. We meet – I don’t know if we’ve tested it here yet, Omar, in the –


MR. MUNOZ: Next month. But we’re testing to see how it works. We’re getting a lot of feedback from U.S. customers. And generally, the feedback has been pretty positive.

MR. RUBENSTEIN: OK. So, when they get on the airline they have the announcements that you can’t, you know, use your electronic devices and all that with takeoff. Is that really a problem? I mean, is the airline going to go down if you use your iPhone or something?

MR. MUNOZ: All these things are based on the issue of safety and security of our passengers. And there is percentages that spectrum could interfere. And, again, we do that, for instance, on landing. And so, you don’t want to have any of that potential. And again, people technologically – technologically will tell you that it’s not or an issue. I would rather, we would rather, sort of air on the side of caution and be safe, and not allow it.

MR. RUBENSTEIN: Now, on your planes do you have wi-fi on most of your planes, or a lot of them?

MR. MUNOZ: Boy, that’s another loaded question. [Laughs.] Again, yes, we do. Wi-fi, that’s a huge focus for us. It’s probably an area where we need the most improvement. There’s so many different technologies that have been involved. We merged two giant companies with different products. And so, as you try to sort of harmonize – you know, Arne [Sorenson], you’re probably going through that with all your hotels that you’re going to work through. There’s just a lot of different investments that have been made over the course of the years. So, to try to integrate and harmonize all these things takes some difficulty. Some of the technology is
evolving. Some of it’s better than others. And so, we have a mishmash. But, again, remember, you’re not in your living room streaming Netflix. You’re 35-40,000 feet in the air flying at 600 miles an hour. We forget that sometimes. And it does – it is inconsistent, which is the worst thing that we can do to you as a customer. So, we’re working on that. But it takes some time.

MR. RUBENSTEIN: Well, but talking on the phone on those planes, people don’t want to do that. Your surveys show that people don’t want to talk – let people talk to them talk on air – on –

MR. MUNOZ: It’s more that. It’s like, I don’t want to hear the conversation to my – I know, because people do that. And it’s annoying, I think, for most people. I mean, you don’t want to hear anybody else’s conversation. But, yeah, generally people are fairly courteous about that, and don’t do that often.

MR. RUBENSTEIN: So, the air traffic control system in the United States is a little dated, compared to every other country practically. So, is that a big problem for you? And do you think we’re going to be making improvements anytime soon?

MR. MUNOZ: I sure hope so. We had a big sort of debate as an industry versus the government with regards to it in the last authorization bill and trying to work on what we call modernization. It’s not privatization, it’s not anything, it’s just an antiquated system that a lot of the world already operates in and the U.S. has been slow to approach. We do have a project that the government has been working it’s just been, frankly, slow. And we’ve had this debate back and forth. They argue that it’s going faster. We argue that we’re not seeing the benefits. So, we’ve suggested some ideas. That was rejected. So now we’re in the process of developing a new plan of how we can go forward, because it is an issue.

The times that we’re flying are getting long and longer, because we backup aircraft. Again, back to safety is of paramount importance, right? You know, when the plane is in front of you, we have to keep a certain distance because of the ground-to-air sort of technology that we use today. And so sometimes, you know, we fly relatively blind, so we keep our space. So, it is not a safety issue, because we space the aircraft, but it is a modernization and efficiency. I mentioned Boeing and Airbus and how they’re building these Ferraris. Imagine taking a Ferrari and taking it out on a gravel road. And that’s my analog that just says it doesn’t work that way. So, we have to be infinitely more modern in how we develop this. And that’s why we’re working with the government.

MR. RUBENSTEIN: So, the biggest complaints – you do surveys of your employees and surveys of your customers. What are the biggest complaints you have by your employees, if any, and your customers?

MR. MUNOZ: Our customers – boy, we range. I always kid with my CEO peers in the industry that we should write a book about all the email we get, because some of them literally border on the ludicrous level. I mean, it’s just so – like, how the cheese is sitting on the plate and touching will be a question. And then you have significant, serious issues where we’ve really harmed someone because of a flight cancellation. And so, you have to deal with those two differently. But there’s a lot of complaints about a lot of different things. But increasingly, with modern
technology, we’re able to focus our surveys, get a good understanding of where the issue is happening, and deal with that issue specifically.

MR. RUBENSTEIN: OK. So now you have a theme of “Rhapsody in Blue” by Gershwin. You’ve been using it for many, many, many years. Have you thought of changing it to a different tune, or is it so popular you don’t want to change? [Laughter.]

MR. MUNOZ: You know, we’ve tested that, and there’s an overwhelming level of support both from contemporary people and more people in a different generation, where it’s just – it’s just very much an iconic thematic that’s tied with our brand that I don’t think we’re going to change anytime soon.

MR. RUBENSTEIN: OK. So, when you’re not running the airline, what do you do for relaxation now? Can you ever get away? I mean, obviously you’ve got the health issue that you have to be careful about, but are you running anymore, do you have any hobbies? What do you do for –

MR. MUNOZ: Yeah. Like everyone else in the room, we’re all active weekend golfers and tennis players and everything. Part of my surgery and medical issues harmed my right hand, so my right hand doesn’t work as well, which helps me with my golf handicap. But, no, you know, we do – I do everything. I don’t surf as much as I used to, which I miss. But generally, I don’t feel I have any restrictions.

MR. RUBENSTEIN: So, for young people coming out of college, why would you say the airline industry is a good industry to be in?

MR. MUNOZ: Oh, gosh, I’ll tell you, if you want – I mean, we struggle in this company with providing sort of the jobs – you know, jobs for a wide group of people. We have in this industry some of the best jobs in America. In fact, we were just talking about it today. I mean, it’s like, you know, pilots make a very nice wage. Our technology – our tech ops people, the people that maintain our aircraft, that’s an incredible job that pays, I mean, upwards of $50 an hour. So, we – and the benefits that we provide as an industry are great. There are some significant jobs that we, the industry, keeps hiring for as we grow the business.

So, we don’t get a lot of credit for that kind of ability. So, if you want to tell people around you in the communities that you serve and folks that are looking for, you know, wonderful jobs, you know, getting the maintenance – it’s called an AMT certification – and the tech ability to fix an airplane, it’s a great job. And if – flight schools are great as well. We have an argument about whether we have a shortage of pilots or not, but eventually we will. So those are two meaningful really high-paying jobs, along with everything else that we do in the businesses. But we’re a great place to work.

MR. RUBENSTEIN: And I notice that some of the international airlines, some from the Middle East, they now have first-class where you have, like, a – kind of for a couple – for a couple.

MR. MUNOZ: Condominium. I call them condos in the front. [Laughs.]
MR. RUBENSTEIN: And do you have any of those?

MR. MUNOZ: No. No, no. You know, space – real estate on an aircraft is incredibly valuable. And for us in America, where we don’t have the benefit of governmental subsidies to support our flying, we have to earn our own keep, so to speak. So, every inch of every aircraft is very highly tuned. I’ve heard you ask questions about the size of our lavatories, our bathrooms. They’re spaced to fit the need and not for luxurious relaxation. [Laughter.]

MR. RUBENSTEIN: Depends on the need, I guess, but OK. So, as you look back on the future – or, look ahead on the future, what do you think the biggest change is the industry will see? Are there – are you going to have people no longer need tickets, and everything can be just on their eyes, or?

MR. MUNOZ: Well, again, back to this issue of reliability, flexibility, and communication, I think digital, on the communication side, is going to be great. I think – you know, we talk about security and what a – what an issue that can be. The TSA folks are working wonderfully with our industry. But being able to have biometric scanning, things that – you’re a known traveler, we know who you are, we know your family, and we should let you go through a little bit easier than people we don’t know. So, you’re going to see a whole broad aspect of evolution so it’s more digitally oriented.

MR. RUBENSTEIN: All right, let’s suppose – my final question for you would be this: Let’s suppose I have three airlines to pick from, American, Delta, United, to fly across the country, and they’re all the same price. Why should I pick United over your peers? Is there anything better about your airline than the others? Remember, Delta is here too, but –

MR. MUNOZ: Yeah, no. I think – you know, what I would say – and clearly, I’m biased – but despite what you may hear and what you may have read over the last 12 months or so, this is a great company with, importantly, probably our greatest and most valuable asset is our humans and our people that work with us. And the level of spirit and service and caring that they’re going to be increasingly giving to you I think is going to make the difference. That, plus digitals and other things, but I think the human aspect – we forget, we are a person-to-person, human-to-human business. And all the other things don’t matter as much.

MR. RUBENSTEIN: All right. So, no regrets about taking the job? You don’t think if you’d stayed at CSX you wouldn’t have had your heart transplant, right? It would have happened anyway, is that right?

MR. MUNOZ: Yeah. Regrets is a wonderful academic and theoretical term, but I don’t – it’s not practical. I love what I do. I loved my company before, and I really love my United family today. So, no regrets at all.

MR. RUBENSTEIN: All right. Well, thank you very much for a good conversation.

MR. MUNOZ: Thank you. [Applause.]
Oscar Munoz
Chief Executive Officer
United Airlines

Oscar Munoz is the chief executive officer of United Airlines. He brings to this position deep and broad experience in both the transportation industry and large consumer brands. Previously, Munoz served as president and chief operating officer of CSX Corporation, a premier freight transportation company. He also served as a director at CSX. During his tenure, CSX transformed itself into an industry leader in customer focus, reliability and financial performance. CSX was named one of Institutional Investor’s Most Honored Companies for a decade of excellent financial performance, including increasing its operating income by nearly 600%.

Additionally, Munoz served in various financial and strategic capacities at some of the world’s most recognized consumer brands, including AT&T, Coca-Cola Enterprises, and PepsiCo. Before joining CSX, Munoz held the position of chief financial officer and vice president of consumer services at AT&T Corporation. Prior to joining AT&T, he served as senior vice president of finance and administration for U.S. West, regional vice president of finance and administration for Coca-Cola Enterprises and held various financial positions at PepsiCo.

Munoz has served on the board of directors for United Continental Holdings, Inc. since 2010 and served on the board of directors of Continental Airlines, Inc. since 2004. He is active in several industry coalitions and philanthropic and educational organizations including the University of North Florida’s Board of Trustees and the PAFA advisory board of Vanderbilt University.

Munoz graduated from the University of Southern California with a B.S. in business administration, and he received an MBA from Pepperdine University. He has been named one of the “100 Most Influential Hispanics” by Hispanic Business magazine. He is married and has four children.