

The
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New York

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The Economic Club of New York

114th Year
616th Meeting

Scott Kirby
Chief Executive Officer
United Airlines

July 8, 2021

Webinar

Moderator: Ali Velshi
Host, Velshi Show, MSNBC

Welcome everyone. This is Barbara Van Allen, President of the Club, and we're going to get started in about, less than 60 seconds. Thank you.

Introduction

Vice Chairman Ajay Banga

Good afternoon everybody. Welcome to the 616th meeting of The Economic Club of New York in our 114th Year. I'm Ajay Banga. I'm Vice Chair of the Club and I'm Executive Chair of Mastercard. As many of you know, The Economic Club of New York is the nation's leading nonpartisan forum for discussions on economic, social and political issues, and our mission is as important today as ever as we continue to bring people together as a catalyst for conversation and innovation. A special welcome to members of the ECNY 2021 Class of Fellows. This, by the way, is a very select group of very diverse, rising next-gen business thought leaders. And welcome to the graduate students from the Gabelli School of Business at Fordham University, CUNY Graduate Center and Rutgers University.

Now without further ado, it's a pleasure for me to welcome our special guest today, somebody I call a friend, Chief Executive Officer of United Airlines, Scott Kirby. Scott served as the company's president for four years, from 2016 to 2020. He ran operations, marketing, sales, alliances, network planning and revenue management. By

the way, he played a very pivotal role in enabling United's cultural transformation, something he's very much enamored about and driving very hard on, and he's been executing the company's strategic growth plan.

In 2020, he was elected to serve as the Chairman of the Star Alliance Chief Executive Board as well. By the way, prior to joining United, Scott was President of American Airlines from 2013 to 2016 and President of U.S. Airways from 2006 through 2013. So he's somebody very well-known in the industry. He's got a broad, very accomplished three-decade long career in significant leadership roles within the airline industry.

He started at the Pentagon and in the technology sector, educated with a bachelor's degree 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.

I've known Scott for a few years. I will tell you from personal experience he's a terrific negotiator, but much more importantly, he's a terrific friend. His word is his bond. You can rely on him at the time that you need help. That's who the Scott is that I know.

Now the format today is a conversation with him and another very good friend of mine, the host of MSNBC's Velshi Show, Ali Velshi, doing the honors with Scott. So we will end promptly at 2:45, and as a reminder, this conversation is on the record. We do have

media on the line. Without further ado, Ali, over to you, and Scott, enjoy yourselves, guys.

Conversation with Scott Kirby

ALI VELSHI: Ajay, thanks very much. It's an honor to be introduced by you and, Barbara, thank you for the invitation to participate in this. I've been looking forward to an opportunity to talk to Scott Kirby, who has already warned me what happens if I ask any tough questions. He's going to have an internet issue. Scott, I remind you, I work for NBC Comcast, so I've just made a call to make sure that your internet is secure. Good to see you, Scott.

SCOTT KIRBY: By the way, Ali, my wife just walked by and just glanced at the screen and said, oh, Ali, so she's very excited.

ALI VELSHI: Well, greetings to her as well. Good to see you, Scott. You know, of all the conversations we've had with business leaders in the last year, I'm sort of most fascinated by airline leaders because the decisions you have to make and have had to make over the last year, particularly since you've only been in this top job, you've been in the industry for decades, but in this top job during the pandemic, you had to make immediate decisions about staffing, about flights, about quarantines, about safety. But

at the same time, you all have to think five, ten, fifteen, twenty years out when it comes to aircraft and equipment changes and things like that.

Talk to me about where you believe we are because I don't know. I work in the news and I don't know whether we're out of the woods. I have extensive travel planned for the rest of the year around the globe, back to normal. But today, the stock market's telling us we're not anywhere close to being out of the woods. So how do you look at this?

SCOTT KIRBY: Well, my, what a difference a year or 15 months makes, to be where we are today compared to where we were. But in a lot of ways, at least for us at United, we're about where we thought we would be at this point in time. We, literally, the last weekend of February of last year, decided this was probably a global pandemic even though no one else thought it. We thought it would last until the second half of this year, so it's really playing out very much like we thought it would.

And where we are today is domestically we've seen a huge recovery in air travel. Frankly, it's more than 100% recovered domestically. And what that tells you is something about the human desire to reconnect. It's not just pent-up demand. It's desire to unite and connect and get back to being with people. Having now traveled a lot myself, you find that it's even sweeter than it was before when you took a year of not doing it, and we're looking forward to welcoming you back to the friendly skies.

But business travel is still down 60%. And my guess is that that starts to inflect upward again in September when schools are back in, people are back in offices. I was in midtown last week and it's still pretty shut down in midtown, but I hear the rest of New York is pretty open. But that's kind of true of big core urban centers around the country. A lot of people, everyone I talk to, I think people are going to be back in the offices, business travel is prepared to ramp up.

And then the other part of our business, at the moment still, that is certainly significant for New York, is the international. And, you know, with international borders closed, you know, that is down. If the borders are open, it's more than 100% recovered, but when you've got to quarantine or something, it's down, you know, 70%, 80%. But that's also, that's coming, that's going to get reopened.

And so even as we're sitting here today, even with the market, what it's doing today, as we look out at it, this really is progressing like we think. The good news is that even with the delta variant being more transmissible, the shots seem to be effective against severe illness, deaths, and so we think we're just going to continue on the road to recovery.

ALI VELSHI: Have you put in a call to Ed Bastian over at Delta to say how unfortunate it is that the predominant variant in the world is named after their airline.

SCOTT KIRBY: I saw Ed at the A4A meeting and did give him a bit of a hard time about that.

ALI VELSHI: Let's hope we don't get to a U variant. So your view is that if, which is what we've thought about the economy the whole time, if the pandemic is under control, borders are open, you will recover better than 100%.

SCOTT KIRBY: Yes, we absolutely, I think that is true. And we've been unusual, really going all the way back to over a year ago at United, I think we were the only people that thought business demand, in particular, would ultimately come back 100%. Some of it will be different, but business demand will ultimately come back 100%. I feel that even more strongly now. I increasingly hear it from corporate accounts, you know, who are anxious to get on the road. You hear these anecdotes of we heard our competitors are out seeing our customers. We've got to get out.

And so, you know, because business demand, like all travel, is about relationships. It's about connecting with people. It's about understanding other cultures. It's about building those human relationships. And Covid was terrible for the world and for the economy, but it didn't do anything to change human nature. And human nature, we're social creatures and we need to be with people.

ALI VELSHI: Yes, I think before the pandemic I was in a place where, you know, if I had a little less travel and fewer nights out, I'd be fine. And, boy, do I embrace it now. Every time I get on a plane, I just think how excited I am. It reminds me of when I was a kid getting on planes.

You've bought a lot of planes. You've ordered 200 737-MAXs, 70 A321neos. You're retrofitting a lot of your planes. You look like you're preparing for more business travelers or a yet higher revenue traveler. Tell me what you're expecting and what the timelines are.

SCOTT KIRBY: Yes, so really, you know, we kind of started down this journey in July of last year. We had our first in-person executive team meeting at one of the clubs in O'Hare. The club was closed. And at that point, you know, the pandemic was roaring in fatigue, no vaccines yet. But we always thought that ultimately this was going to end. We had a full day where we just talked about what's the future going to look like, and we thought demand would be robust.

So, one, we decided not to retire any of our aircraft fleets because most of our competitors did, so we could come back 100%. If we negotiated a deal with our pilots, we could come back 100%. But we also started laying the groundwork for a big aircraft order. And our aircraft order is less about an aircraft order – that's important – but it's

more about changing the customer experience.

So it's about getting rid of regional jets. For us, in Newark, for example, our 400-something flights a day, we're going to be back to 100% in November. And we're going to have, every single airplane is going to have dual-class on it. No more 50-seat regional jets with single-class. This is about, we're going to replace 200 of those little airplanes with these bigger airplanes.

And we're also going to retrofit the entire narrow-body fleet. So every seat on a United Airlines plane will have a seat-back monitor on it for entertainment. It'll have one-for-one bins so every customer on the airplane can bring a roller aboard and avoid that whole cluster that happens, you know, the rush to get on the airplane to put something in the overhead. And so really, this was more for us about investing in the customer experience. It's a big investment in making air travel something that is fun, or at least a part of your vacation or your trip that you don't dread and trying to bring humanity back to air travel.

ALI VELSHI: The regional jets, 50-seater jets, or 90-seater jets, they gave airlines flexibility at a time when airlines needed flexibility. I want to keep this route but I'm not having as many people fly it. I can fly a plane that's more empty than a 737. Tell me about, it almost feels like you're trading away some of that flexibility. Why?

SCOTT KIRBY: Well, you know, I would describe it differently. The small regional jets have a place, but their place is serving small markets. You know, when I got to United four years ago, United was flying regional jets between Newark and Atlanta as an example. That is not a small market. That is not the kind of market that you should be flying a regional jet. It's really critical, you know, we serve, the big network carriers – United and the two others – serve a critical role in connecting small communities into the global economy. And we can't do that without some small aircraft, but we shouldn't be flying them in these big competitive markets, and so this is really about getting, at United, a quality product in all the big markets.

But the other thing we've done, even in those small markets, particularly in business markets like Newark, we're going to get rid of the small 50-seat regional jets and replacing with them our CRJ550 which has first-class seats on it and a self-serve drink area and food area for customers. So just a much better product, particularly for a high-end market like New York and New Jersey.

ALI VELSHI: Let's talk about positions, jobs. I want you to talk through how things started at the beginning of the coronavirus with the backdrop of the fact that there's a long-term pilot shortage. It's been going on for a long time. There are projected shortages of aircraft maintenance mechanics and other staff. So how did you think about this? What did you do? And where are you now?

SCOTT KIRBY: So, we, you know, fortunately the government response, not just for airlines but for the whole economy, you know, who would have believed that the economy would be where it is today if someone had told you how severe Covid was going to be 15 months ago. But for us, in aviation, it gave us a bridge to go for private financing, to not have to lay off employees and to keep the infrastructure intact, to be able to respond to the growth.

But you're right, we're going to have to hire a lot of people. One for retirements, but also our new aircraft order creates 25,000 new jobs. And, by the way, they're not just jobs at United Airlines. They're careers. You know, a gate agent or someone that works on the ramp or in our reservation center, their average compensation at United, once they hit the top of the union pay scale is close to six figures. There's just not many jobs left like that in the U.S. economy.

But you're also right that we anticipate there's not going to be enough pilots, mechanics, etc. for all the growth that's going to happen in the years to come. So at United we've done something unique, which is create the Aviate Academy out in Arizona. We're the only U.S.-based airline that now owns our own training academy. And we're going to be able to bring in young people, people without flying experience because becoming a pilot, you either have to go through the military or you've got to have the resources to spend \$150,000 to get enough hours to become a pilot. That takes it out of the realm of

possibility for such a huge segment of the population. So we're going to have our own training academy where we can pick the best and the brightest coming out of college, for example, and give them essentially scholarships or financing to go to school, get the opportunity to have these kinds of great jobs.

The other thing we're going to do at our academy is address what has been a historic huge diversity issue. We have, only 19% of our pilots at United are women or people of color. And, by the way, I'm pretty sure we're the highest of any U.S. airline. That's not because women and people of color can't be great pilots. They can. They just don't have the opportunity. And so at Aviate, 50% of the incoming slots are going to be for people that come from those disadvantaged backgrounds and have the opportunity. They'll, of course, have to meet all the training, certification, safety requirements. But that's how we're going to start to address the skills shortages and the pilots and we'll probably do the same thing for mechanics also.

ALI VELSHI: Yes, those diversity numbers for pilots are not good but they're better than the national average. Ninety-four percent of the 155,000 pilots, before the pandemic, flight engineers, are White, 3.4% Black, 10% of pilots and engineers are listed as either Black, LatinX or Asian. How does your having control over a flight school, you know, I read all these flight magazines that have, you know, pilot magazines that have the ad that you pay this kind of money and we'll have you working for a feeder airline for United

or American or Delta within X amount of time. But it's a good amount of money that a lot of people don't end up having. How do you fix that? How do you fix this fundamental diversity issue in the highest paid of your employees, you know, with your own school?

SCOTT KIRBY: Well, that really was our goal with Aviate. It's not just to create the next generation of pilots but to give people an opportunity they don't have today. Because of those constraints today, if you're not in the military or basically if your parents can't afford to spend \$150,000 getting you through the initial stages of certification, you cannot become a commercial airline pilot. And so what we're going to do is we're going to make this available, you know, partner with HBCUs, with Women in Aviation, all kinds of organizations. And, by the way, we're going to wind up being more selective than any Ivy League school. We've got so many applicants.

What we'll then do is those people that are selected will either get scholarships – J.P. Morgan Chase, they're in New York, participated in our scholarship program to help fund it for some of these students – or we'll give them financing. But what they do is they can go to this school, it's a full-time school, they get pilot training. They get leadership training. They get ground school. They could actually get more schooling than most pilots get today. They go to the school. They live there on campus. Then as long as they meet all the certification and meet all their testing requirements, they essentially have a guaranteed job with one of our feeder airlines.

Once they get enough hours, they ultimately have a guaranteed job at United Airlines. And so we've created kind of a cradle to grave process. All you have to do is do a good job. Once you get into it, you've got to perform, but as long as you perform, you can go all the way through. And, by the way, our top of scale, our wide-body captains last year made right at \$400,000. So again, a pretty good job, a pretty good career to pursue that people just didn't have the opportunity before.

ALI VELSHI: Yes, and it was kind of interesting because it was one of those careers where you could see, you know, prior to the pandemic, a long runway – if you will – for that kind of career and it affected a lot of people negatively during the pandemic but it's good to see that things are back on track, both with United and the industry and things to do with flying planes or working on planes is going to be lucrative again.

As it relates to this diversity aspect that you're trying to help solve amongst pilots and engineers, what about the company itself? Your leadership and your board are not particularly diverse in a year where that has become the kind of thing that we think about a lot more. How do you think about that at United? How important is it? And what, if anything, do you plan to do about it?

SCOTT KIRBY: Well, it's really important. And, you know, representing, having people around the table that come from different backgrounds, represent diverse perspective,

is how we make good decisions. And I don't think there's anyone that argues with the importance of diversity in the executive leadership ranks. So we're focused on trying to make a difference. At United Airlines, you know, we have three women on our board. Our outgoing chairman was LatinX. We've got two Black women on our board. We have reasonable diversity; I think more than most in our executive ranks. My executive team, our president is an African American man and three women on the team. But we focus on it all the time.

The biggest thing we do is, I think, in leadership rank, there's a number. One of them is we've instituted a requirement a couple of years ago for all leadership positions that the interview slate includes someone that is, includes diverse candidates. What that does is it forces people to beat the bushes harder than they did before to find diverse candidates because part of the reason that, you know, we wind up with lots of White men is because that's who we know. And we wind up hiring the people that we know. Without going off and expanding our horizons, we just don't find the qualified candidates. The qualified candidates exist. We just have to expand our horizons. And so that's one of the more straightforward steps.

But amazingly, one of the most influential and one of the most, like the number of times I've heard from the executive team, like we've got this position. Here's who we think is going to get it. Then we go through this process and they say, you know, here's this

great person and they've turned out to be great. It's really about changing your mindset to force yourself to look at more candidates. Still pick the best candidate but if you force yourself to look through all the candidates, you're going to wind up with a much more diverse company.

ALI VELSHI: You mentioned a couple of times the rates that some of your employees earn in the union. You know a year ago, a little over a year ago we were watching the negotiations with the government over the CARES Act and the various things that kept people employed. The airlines were at the front of that conversation. In fact, the experiment with the airlines is very much like some northern European companies have done, right? The idea that we pay the airlines money. There are some restrictions on what that money can be used for, but as long as it is paid to salaries, you continue to get that money. And the unions and leadership were both involved, the unions and management were both involved in those negotiations. It seemed like an interesting, almost German moment, where unions and management get together to try and do things that are good for the long-term success of the company. Where are you in that relationship with your unions?

SCOTT KIRBY: Yes, so it's true that it was a partnership. We absolutely couldn't have gotten it done as airlines on our own. I doubt unions could have gotten it done, unions on their own. It's also, by the way, I think one of the most successful programs for the

U.S. economy because if the airlines had furloughed all of those employees, which we would have, it would have literally taken us years to get people back, certified, and trained to support the rest of the economy. So I think it was a real big success.

But, certainly at United it's been a launching pad for strengthening the relationships with our unions. Our recent aircraft order announcement that we referenced earlier, 270 aircraft, the head of our pilots union was quoted in the press release. For anyone that follows aviation, I challenge you to go find another press release from a company, an airline, that the head of the pilots union is quoted with the management team arm in arm. And that relationship helped. At United, we were the only airline that cut a deal with our pilots going through the union. They took pay cuts. They took sacrifice to get through, but kept them all employed, kept them all in their current seats. And so some of the issues that you may have read about from other airlines running into staffing shortages, we don't have because we did that.

To me, one of the best things that happened during the crisis, this was in May of last year, when some airlines, people were starting to say the crisis is over and, you know, let's get back to normal. And we thought the second wave was coming, we thought it was far from over. And I was talking to the head of our pilots unions two to three times a week and at one point he was getting calls from his members frustrated, why isn't United going back 100%? And he said to me, God, sometimes I feel like the only two

people in the world that understand how severe this is are you and me.

But the telling part of that story is that we were linked arm in arm. And there's things we disagree about, but we agreed on what was right for United with the pilots union and with the others. And that helped us get through and it creates a much better environment for the airline going forward. We won't always agree, but we'll find a lot of things to agree on.

ALI VELSHI: You know, over the last 20 years, we've learned, passengers on airplanes have learned that flight attendants are not there to get you drinks, they're there to keep you safe. But like we have come to respect frontline workers in this country in a way that we may not have as well as we should have before the pandemic, boy, flight attendants have gone through a lot in the last year. They have been exposed to Covid. They have been exposed to nasty passengers. I got on a plane the other day and they said, you know, you can't drink any alcohol you bring with you. And I don't recall hearing that announcement, or maybe I did, years ago, but now it's become a common thing because people get a little bit rowdy and hard to deal with. How are you dealing with, and how have you thought about the safety of your frontline employees over the last year?

SCOTT KIRBY: Well, hear, hear! for everything you said about frontline employees and

including airline professionals in that. They have done an amazing job. I mean if you go back to the beginning of the crisis, you know, our planes were flying into New York with three or four people onboard and the three or four people were medical professionals flying in to help with the crisis when it first started there. When it first started, we were flying airplanes with zero passengers onboard, but filling the bellies of airplanes coming out of China with medical equipment, PPE, ventilators. And our crews didn't know how much risk they were taking by doing it, but they did it anyway. More recently, in India, you know, carrying hundreds of tons of equipment into India to deal with the crisis there. So they really have been heroes.

Our flight attendants, in particular, I'm just so proud of the job they've done in really tough circumstances going through this crisis. They've been amazing professionals. I think, you know, that they've set themselves apart from others. We, at United, kind of uniquely, some of these instances that have happened at other airlines, you haven't seen happen at United. Part of that is, you know, the incredible professionalism, the partnership we have with the union. But also United was the very first airline to require masks onboard airplanes, and we knew back in April of last year that that was going to be a customer issue, so we worked on training – with the union – programs to work on de-escalation.

Essentially what we did is gave them a card that's on all the airplanes to this day. They

just hand the card to a customer that refuses to wear a mask. They don't fight with them. They give them the card. It says if you don't put the mask on, you'll be banned from flying United. We've had to ban about, almost 1,000 people from flying United, but that has prevented, that process and that training has given our flight attendants the tools to keep it from escalating. And we actually, in the last month, have had a 50% decline in in-flight mask incidents compared to where we were in January of last year. It's just a testament to the professionalism of the United Airlines flight attendants.

ALI VELSHI: And it helps that the FAA has mandated this so that you don't have to have flight attendants explaining company policy or rationalizing it to customers. But do you think everybody's done enough on this? In other words, do you think the government's done enough? Because we are, you know, every few days you're hearing about some incident of some threat or something that's going on. I mean we've seen terrible incidents where one flight attendant had a couple of her teeth knocked out.

SCOTT KIRBY: Well, 99.99% of the customers do the right thing. They follow the instructions of the flight attendants even if they don't agree with them as policy. They just do the right thing. And the best way to deal with it – we've found at United – is to de-escalate. Don't let it become, you know, when you're up in the air, in air space, don't let it become a fight. Don't let it become an issue. Give the customer the card. When you get on the ground, just ban them. And for the most part, that solves it. As long as you're willing to do that, that solves it. We haven't really needed any more aggressive

FAA response. At least at United we haven't asked for it because the policies, the procedures, and the professionalism of our flight attendants has really meant that we've kind of been able to manage it with that process. And yes, we've had to ban almost 1,000 people, but you get rid of the bad apples and mostly things work out.

ALI VELSHI: Let's talk about Boom or Overture, as you call it. A massive investment in supersonic jets, which, you know, every few years we talk about it. Then it goes away. Then people say you don't really need it and people say what's the benefit of getting to London in shorter hours if you're still waiting in a big security line? But you have decided that this is something that you are interested in pursuing and interested in pursuing and interested in getting involved in – airplanes that fly at speeds of Mach 1.7, that's twice the speed of the fastest airliners that are out there right now. You're talking about New York, Newark to London, maybe Newark to Frankfurt. Tell me about this investment in the future of travel.

SCOTT KIRBY: We know it's something that customers desire and want. And as I've already said, you know, really our focus, one of the great things of the pandemic is it allowed us to completely pivot the company to be focused on customers, and this is a customer investment. It's also trying to be leading edge and look to the future, and you know, investing in Boom, supersonic aircraft, which is really exciting for our employees, it's really exciting for our customers.

United is a unique position, you know, we're the largest airline, at least measured by ASM, pre-pandemic, and today. We're in the biggest premium markets in the world, starting with New York. And, you know, we're in a unique position to kind of lead on this new technology, you know, advancing, moving the ball forward. But that's not the only area we're looking, we're looking to invest in electric aircraft too. So we're kind of doing it, trying to do it across the board. But the Boom supersonic aircraft, that is exciting. The amount of emails I've gotten from customers, the number of people wanting to book the first flight and I tell them it's years away, I'm sorry, I can't help you with that. But it just shows you, you know, how anxious people are for something new and different.

ALI VELSHI: Talk about sustainability and electric aircraft and sustainable fuel. These are all areas that you're looking into. Obviously, I know this is personal for you, and it's a personal passion, but it's sort of an imperative with respect to the climate, and I suppose it's an imperative with respect to clients. I don't know how much feedback you get on that; how many people care about that as clients. But I assume with each passing day, it's more than the day before.

SCOTT KIRBY: Well, I'll say we started on this journey – this is a personal passion of mine – thank you for saying that. I've cared about this for 30 years. I'm coming to you today from Colorado, and I love nothing more than to be up in the mountains. And look, I can tell the difference from when I was a kid out here in Colorado to today, just looking

at it, snowpack and things. It's real. It is the biggest issue for our generation to solve. And if we don't solve it, it has catastrophic consequences. Catastrophic consequences, despite the fact that it's in the news a lot, very, very few people really understand. It is solvable. It's going to be difficult.

And at United, what we're trying to do is not just make a difference at United, but to change the conversation to get to real solutions. And what I mean by that, United, there's kind of three goals. One is sustainable aviation fuel. That's very much about airlines, what can we do?

We represent over 50% of the world's commitment to sustainable aviation fuels. We're working on more deals. The R&D, the infrastructure, we've got something called the Eco-Skies Alliance, where our corporate partners can buy sustainable aviation fuel. If anyone is interested that's listening to this, please contact our sales team. Because what we're doing with that money is we're plowing it back into R&D and trying to commercialize those technologies. Second is the technology things like electric aircraft. But the third one, which I'm most passionate about and which I think is the most important for people to understand is carbon sequestration. And we're a partner in what would be the world's first commercial scale direct air capture sequestration project. That is taking carbon directly out of the air, pumping it underground where it is stored for tens of millions of years. We're partners with Occidental on 1PointFive, in that project. And

why this is important is because almost every company that says they're going to get to net-zero, not just airlines, every company does so with carbon offsets.

And the problem with that is most of the carbon offset programs are not real. They're things that were happening anyway. They're pure marketing. They're not even real. But even if they were real, they're almost all about planting trees. Mankind produces 4,000 times as many emissions today as we did in the pre-industrial era. There's not room on the planet to plant 4,000 times as many trees. And as long as every company is using that and writing a check and checking off that I've gotten to net-zero, we will never solve this problem. Others are going to have to get onboard with real solutions. I've been doing the math for 20-something years. I don't know how the math works without carbon sequestration and others need to get on board with that.

And so those are the big pillars at United. And one of the things that I like about being the CEO of United is it gives us a platform to do more than just talk about it for United Airlines, but to talk about it for the whole globe because we owe it to our kids. I owe it to my seven kids and all their kids yet to come.

ALI VELSHI: And look, if you look at the temperatures out West this week, you look at the greater frequency of hurricanes and drought, one of the things that you can do as, let me ask Scott Kirby this – not United boss – what do you want government to do?

What role, I mean it's great if private companies were doing everything that you are looking to do, but what does that private-public partnership look like with government? What do you think government needs to do right now to assist in this mission?

SCOTT KIRBY: Okay, well, I might get myself in trouble for giving you an honest answer, but I'll give you an honest answer. One, you know, we need to stop being on the extremes on either side. Solving climate change is going to be hard. We can't, you know, you can go see what's happening in California this week where they may run out of power. That's not going to be an acceptable answer. We're going to have to have something that's always on and there's not going to be enough batteries to do it. So you're either going to have to accept carbon or you're going to have to use nuclear in order to solve it. But we need real solutions, things like that that are real. We've got to stop pretending it's easy and it's simple because it's hard.

But we've also got to start making the investments. And on the investment side, there's a real opportunity. You know investing in technology, whether it's sequestration, whether it's the grid, you know, changing the grid, advanced nuclear, sustainable aviation fuel, these are the kinds of things that with government support, can create the next big thing in the economy.

I like looking at wind and solar, which, for any of us that have followed this, if you went

back literally 20 years ago, you could go find lots of articles in *Scientific America* and other places that say wind and solar can never compete with coal or natural gas.

They're just too expensive.

And today it's cheaper to produce a megawatt of electricity from wind or solar than it is from carbon. And the reason is because the government gave support, credits, and that allowed investment to happen which drove economies of scale, drove down the cost curve. The same thing can happen in all these other areas. Sustainable aviation fuel is one example that's unique to our industry, or carbon sequestration. The same thing can happen, but we need the right incentives that are long-term. It needs to be bipartisan too. If it's not bipartisan, no one trusts it to last for a long time. These are investments that, you know, airlines or companies are going to make that are 20, 30-year investments, and we need to have confidence that 20 or 30 years from now, that regulatory regime is going to still exist.

The encouraging thing about all this is, because I get to talk to a lot of people in Washington one-on-one, if you talk to them one-on-one, there's 70 to 80% of people in the middle – Democrats and Republicans on both sides – who could find a deal and agree. I wish we could find a way to get those people in a room, just agree on the deal and let it be done and take it out of the partisanship.

And I'll leave you with one last thing. One of the most important seminal pieces of legislation for the environment and health was the Clean Air Act of 1970. The Clean Air Act, you know has completely changed, if you go to Los Angeles, look at pictures today, it saved tens of thousands of lives. But it passed, at least according to *National Geographic*, it passed in 1970, a time of big partisanship, civil rights, the Vietnam war, a unanimous vote in the Senate, one no-vote in the House. We can do this. We're going to have to work together.

ALI VELSHI: Yes, I mean the time is different. Right? And I guess that brings me to the next issue and that is, as a corporate leader in America, there are people – investors and customers of yours – who are calling on companies like yours to take positions on certain issues. There have been the social justice issues of the last year and more recently, the issues around the certification of the election. Where do you come down on this?

SCOTT KIRBY: Well, you know, I get asked this question a lot, certainly by employees. You don't like whatever position we've taken. What I say to them is certainly if you're a high-profile company like United, if there's any big issue, we are taking a position. By saying nothing, we're taking a position. And so we have to be willing to take positions and stand up for what we think is right.

The test that I use is I have to believe that it's right. I'm not going to add my opinion or make a statement, you know, based on what is trending on social media. And so sometimes we make a statement about something and sometimes we don't. And sometimes it's hard because if that's your test, like when the Georgia voting rights first kicked up, you know, I spent the whole weekend with our core team in D.C. and hired some outside law firm and, you know, they spent like the whole weekend educating me on voting rights because I'm not going to put out a statement about something that I don't actually understand. And I'm not going to understand every single issue that happens at a local level and because of that I can't make a statement. Because I'm not willing to say something, I'm not willing to say something unless I really believe it and I have to know enough to believe it.

But there are a lot of things that we can stand for. But it winds up being pretty easy. You know, most of the things that we stand for, if you think it's right, you just say it and do it and move on and you shouldn't worry about the consequences. And I think that generally works out well. I've gotten myself in trouble with some folks in the media over things like Aviate, but I feel good about it. What we did was right, what we've done is right. Diversity is important, focusing on giving people opportunity. That's a perfect example of I'm willing to take the heat if it comes because I believe in what we're doing.

ALI VELSHI: There were certainly moments. You brought up Georgia where a number

of the, a lot of Americans were sort of saying that corporate America will move the needle on this. You know it sort of felt like a bit of a stalemate and corporate America taking positions on donating to candidates who, it's not about political positions really, it's about democracy at that point. It is calling upon companies to assume an activist role, and I think your point is that you believe in a lot of these things or you study them. But fundamentally, amongst your fellow CEOs and colleagues in business, what role do you think that corporations should have in this politically-fraught moment?

SCOTT KIRBY: You know I think that people probably overestimate our role in actually changing the outcome of politics directly as much as the more indirect role that we have as a bully pulpit to make a difference and get people to think. You know if you're hard one way or another on a position, hearing from Scott Kirby or any other CEO is either going to make you say yes, I agree, or make you angry and not change anything. But there's a lot of people in the middle that you can talk to about it. And some of the best conversations I have had have been in small group conversations, kind of after Georgia voting rights or even after our Aviate announcement and after Tucker Carlson got upset with us over that.

And then employees ask me about it and the chance of them, like having a real conversation about here's what we're doing. And people, what I will tell you, I would guess that 80% of the people who started out upset about whatever we had done, by

the end of that conversation were nodding their heads and saying, now I understand. It takes longer. It's hard to do it if you're just putting out a corporate statement, but you get a lot of chances to get in a word in.

To me, that's probably the biggest difference that we make. I mean I like to hope at least that, you know, those few hundred people that I've talked to and thought we've done something that we shouldn't have done are a little, at least more open-minded to it today than they were before because of what we did. I think that's probably the biggest difference that we actually make and probably the most important difference that we can make.

ALI VELSHI: Scott, you know, you talked about the opportunity you had to remake your company in Covid. That's not language a lot of people use because some people just needed to get through it. You are one of a handful of high-profile CEOs who sort of took your job during this period, of major companies. So that's got its challenges. You follow in the footsteps of a CEO who was a well-respected leader both in the organization, in the industry, and in corporate America. What does remaking it look like to you on the other end? You're looking to make inroads against your largest competitor. You're looking to return some of the glory of flying to your customers. You're looking to be a market leader in sustainable energy and supersonic planes. But what does United look like a few years from now, if everything you're trying to do now succeeds?

SCOTT KIRBY: Yes, well, you're right. Not only was Oscar – my predecessor – a great CEO, he's a friend and he's been a wonderful mentor to me. He set the company up for going through this. But this has been an opportunity to make a decades-worth of changes in a single year, and as much as anything, it's been about changing the culture. And I viewed, actually my number one is making our employees proud, and if they're proud, they're going to be doing the right thing for customers. And the biggest thing we've done going through Covid is we did a lot of great things to get through, we did a lot of things that we were the first or the only airline to do to get through the crisis, but we really are working really hard to change the focus to the customer is what matters and that's what's important.

We got rid of change fees. We were the first U.S. airline to get rid of change fees. We've got this program called ConnectionSaver. Yesterday was a bad weather day in parts of the country. It saved over 2,500 customers who would have previously missed their connection. All of you that fly a lot have probably run through an airport and see a gate at some airline – it might have been United, it might have been our competitors – if the airplane is still there, please let me on, and they say no. ConnectionSaver lets our employees get them on the airplane.

Those things are not just about what's better for the customer in the moment – no change fees, save my connection – they are about convincing our frontline employees

that when we ask them to do the right thing for the customer, we really mean it. They're culture changes. Because if you're a gate agent and you've spent your career being told to slam the door on customers' faces and then the manager team comes in and tells you to take care of the customer, that they want you to do the right thing for the customer, you think they're full of blank...because they are full of blank when they're telling you to do that. And we had to remove those obstacles to doing the right thing.

That then leads into, because that's working, we had an over 30-point improvement in Net Promoter Scores this year, the ability to go invest billions of dollars in new airplanes and seat-back entertainment, and the one-for-one bins, all the hard product. But the biggest thing is the humanity of travel and just trying to do the right thing. And we're not perfect. I mean, look, you guys have seen the storms, the last couple of days have been tough in New York. We're not perfect by any means, but we're trying every day to get better. We have a 7:45 ops call every day that I get on every day, 365 days a year. We talk about what we've done for the customer. Three or four years ago, we didn't talk about that. We talked about airplanes instead of talking about customers. And that change in the customer focus, I think, is what those that fly United are going to experience and feel the most different in the years to come.

ALI VELSHI: So I know that baggage handlers filed a suit with you guys the other day about schedule cuts, so it's not all perfect. But for those of your employees, your union

employees who might hear you, what's your number one message to them?

SCOTT KIRBY: Do the right thing for customers. As long as your heart is in the right place and you do the right thing for a customer, even if it winds up being the wrong decision for the airline, that's okay. You know we might say do it different the next time, but just do the right thing for customers.

ALI VELSHI: What do you do to yet improve on that relationship that you and I were talking about that was so fruitful last year when you were negotiating with the government, you and the other airlines and the unions?

SCOTT KIRBY: Well, the focus on improving our relationship with the unions is, it's the same thing. It's about making our employees proud. When our employees are proud and feel good about what's happening at the airline, we mostly can find things that we agree on, but most importantly, even when we disagree we can disagree without being disagreeable. By the way, a line that would be good for Washington.

Because we're not going to always agree on everything, but that doesn't mean we have to attack each other personally or disparage each other. We can listen respectfully. We might disagree but we can at least, we can always try to be friends and we can find the things that we are aligned on. And on those we can push really hard or we can put the

disagreements to the side, settle those through whatever process – grievance – whatever processes we need. But staying focused on making United the biggest and the best airline in the world really helps give us a North Star that most things, you know, our interests are aligned.

ALI VELSHI: Well, in one of your darkest hours as an airline, you – as management and the union leadership – did come together and set aside those things with which you disagreed and led the country in an experiment that didn't take off as well for the rest of the country as I was hoping it would, but really was a blueprint for what could happen and what we should be thinking about next time. Scott, great to talk to you. Thank you for the time you've taken to be with us today. I look forward to more of that. I look forward to visiting the Operations Center again. It was one of the wonders of the world to see how you...

SCOTT KIRBY: You should also come out to Denver and go through the flight training center and the simulator. That's even better.

ALI VELSHI: I would enjoy both of those. So thank you very much for your time. And, Ajay, I'll send it back to you.

SCOTT KIRBY: And thanks for the kind words, Ajay, on the introduction.

AJAY BANGA: Thank you. Thank you, Ali and Scott, for doing that. For those of you who were listening to Scott, I hope you understood why I said that about him at the beginning. He is a man with a heart of gold. And Scott, I heard a few interesting words – cautious optimism, customer experience, better product, new jobs, inclusion, innovation, new aircraft, sustainability, carbon sequestration, role of corporations in today’s activist work, and disagree without being disagreeable. That was a Scott Kirby-ism. So guys, thank you very much.

By the way, I’m very pleased to report that we have a few more great speakers lined up this July. And as always, we encourage those of you who are here to invite guests to our events. Next up, we have Henry Louis Gates, Emmy award winner for his PBS series, *Finding Your Roots*, and Alphonse Fletcher University Professor and Director of the Hutchins Center for African and African American Research at Harvard University on July 15. We have Nancy Lazar, Partner and Chief Economist, Cornerstone Macro, on July 19th. By the way, if you joined as a guest and you’d like to become a member, email the Club at the address on the screen.

I want to take a moment to, first of all, thank Barbara to help get us all together – she’s our fearless leader – but then to recognize those of our 336 members of the Centennial Society joining us today. Their contributions continue to be the financial backbone of support for the Club. That’s what helps us to offer our wonderful, diverse programming

now and in the future. Thank you once again everybody. Scott, Ali, thank you. Please stay healthy. Please stay safe. I look forward to catching up again.