

United Airlines CEO Jeff Smisek's golden parachute adds to fliers' frustration

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As if you didn't have enough reasons to hate flying, along comes Jeff Smisek.

He resigned as chief executive, president and chairman of United Airlines this week amid a corruption probe by federal investigators. Smisek denied any wrongdoing.

Because he quit instead of being sacked, he's entitled to his full severance package, which is, to put it mildly, pretty darn impressive.

According to a regulatory filing, United will hand Smisek nearly \$5 million in cash plus other financial compensation that could top \$20 million.

In case he's ever in the mood to travel, no problem. Smisek gets free first-class tickets on the airline for the rest of his life.

He also gets free airport parking for life, health insurance until he's eligible for Medicare in about four years and, oh yes, the keys to his company car.

This is a mighty sweet deal for an ex-CEO whose company's stock is down 15% this year, who is seen as having bungled United's merger with Continental, who hasn't been able to make nice with labor groups and whose airline is rated last for customer satisfaction among big carriers by J.D. Power.

"What United should have done is forced him to fly coach for the rest of his life," said Timothy Pollock, a professor at Penn State's Smeal College of Business who focuses on corporate governance.

"Instead," he said, "we're all in coach with our knees against our chin, and he's sitting up there in first class enjoying a complimentary cocktail while they're losing our luggage."

J.D. Power found that United trailed Alaska Airlines, Delta Air Lines, American Airlines, Air Canada and US Airways in all survey categories — ticket prices, fees, in-flight services, reservations and general onboard experience.

Kevin Mitchell, chairman of the Business Travel Coalition, an advocacy group for corporate travelers, said Smisek's fat severance package just adds to the frustration and discomfort most airline passengers experience these days.

"It's like a microcosm of all the anger toward elites," he said. "There's anger that the system seems rigged against the ordinary guy."

Take airfares. Average ticket prices fell 5.6% in July, the steepest decline in almost two decades, government statistics show. But considering that the cost of jet fuel is down nearly 50% from a year ago, it hardly seems as if passengers are sharing in the carriers' newfound wealth.

Last December, the International Air Transport Assn. forecast profit for the industry this year at \$25 billion. In June, it revised that figure upward 17%, to \$29.3 billion, or almost double what airlines took in last year.

Meanwhile, fees keep rising, economy-class seats keep shrinking and airlines keep plotting ways to cram more passengers onto flights.

Aviation Week reported that United is looking at ways to add a 10th seat to some nine-seat coach rows on its Boeing 777s.

"We've made no such announcements," said Rahsaan Johnson, a United spokesman. But when I asked if he was denying the Aviation Week story, he clammed up.

Investigators are looking into whether Smisek tried to gain favors from the former head of the Port Authority of New York and New Jersey with a special plane route that made it easier for the airport official to get to his South Carolina vacation home.

According to United, Smisek will have to give back some of his severance money and perks only if he's convicted of a felony or a crime "involving moral turpitude."

Golden parachutes aren't new. Perhaps public outrage has grown muted in recent years because the lives of CEOs are so different from the rest of us.

On the other hand, everyone flies — and everyone's got some horror story about how a routine trip became an excursion to the outer rings of hell. That's why the notion of Smisek cooling his heels in first class is so galling.

Dirk Jenter, an associate professor of finance at Stanford University, said no one should be surprised that a CEO of Smisek's tenure — he was at the helm of United for five years — would leave the job with bulging pockets.

Giving Smisek free flights won't win favor with customers, Jenter acknowledged, but "it can make good business sense to pay a relatively generous severance package to avoid the bad publicity and distractions involved in a messy CEO departure."

At least there's one small bit of solace for weary airline passengers. United's regulatory filing on Smisek's severance makes clear that the company will no longer pay for his gym membership.

Take that.