

United's Counsel Steps In as Acting CEO for Ailing Munoz

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UAL Names Counsel Brett Hart As Acting CEO

- ▶ Board still evaluating 'all potential outcomes' in leadership
- ▶ Hart's legal post means he's pivotal in response to U.S. probe

United Continental Holdings Inc. named General Counsel Brett Hart as acting chief executive officer during a medical leave for Oscar Munoz, who suffered a heart attack after little more than a month in charge of the world's second-largest airline.

The appointment of an interim CEO, not a permanent replacement, damps some of the speculation swirling around United since it confirmed Friday that the 56-year-old Munoz had been hospitalized, without giving specifics. But in declaring the board's options to be open and turning to its top legal official rather than an executive with an airline-operations background, United hasn't settled all the questions about its next steps.

"It's not exactly appealing that they've stepped in with a non-operator, a non-financial guy," said Vicki Bryan, a high-yield debt analyst at bond researcher Gimme Credit. Bryan had been critical of United since Munoz fell ill, saying the carrier had done too little to keep investors informed.

United said Monday that it was still too early to determine "the course and treatment" of Munoz's recovery

after he was stricken on Oct. 15. “The board of directors remains actively engaged in preparing for all potential outcomes regarding the company’s leadership structure.”

Today’s Trading

United fell 1.1 percent to \$56.14 at 10 a.m. in New York. The shares’ 15 percent decline this year through Monday compared with a 4 percent drop for the Bloomberg U.S. Airlines Index.

The 46-year-old Hart, who’s also an executive vice president, takes over immediately, United said in a statement. He is the airline’s highest-ranking African-American executive, according to the company, and oversees areas that include government and regulatory affairs, corporate real estate and customer experience. Before joining United in 2010, he worked at Sara Lee; law firm Sonnenschein Nath & Rosenthal LLP, now part of Dentons; and the U.S. Treasury Department.

Hart’s role as general counsel makes him a crucial figure in one of United’s biggest challenges: navigating the U.S. investigation into the airline’s ties to the former chairman of the Port Authority of New York & New Jersey -- a probe that triggered the dismissal of Munoz’s predecessor, Jeff Smisek.

Besides customer experience, Hart also has had several positions reporting to him not typically under a general counsel’s watch, including contact centers and food services, United spokeswoman Megan McCarthy said. Those customer-relations roles have been part of his portfolio for a couple of years, she said.

More recently, Hart also has begun overseeing government, regulatory and community affairs, McCarthy said.

“Those of you who have met Oscar know that he has a passion for great customer service and an urgency to get things done,” Hart said in a message to employees. “I can assure you that we will continue the focus on providing employees the tools that they need to give our customers great service.”

The turmoil generated by the federal probe was only one of the challenges confronting Munoz -- and now, in his stead, Hart.

United has struggled with union integration and computer breakdowns since being created in the 2010 merger between former United parent UAL Corp. and Continental Airlines Inc. Munoz was a United director and the president of railroad CSX Corp. before fellow board members tapped him to succeed Smisek. Munoz made labor peace and customer service hallmarks of the early days of his tenure.

“It is critical that they continue to show forward momentum with the programs he created.” said Jerry
<http://www.bloomberg.com/news/articles/2015-10-19/united-picks-counsel-hart-as-acting-ceo-to-fill-in-for-munoz-ifyljp5d>

Glass, a president of Washington-based consultant F&H Solutions Group, which specializes in human resources and labor relations. “For that to stop and wait until Oscar comes back will create difficulties later in restarting the effort.”

The Association of Flight Attendants-CWA, welcomed Hart’s appointment and highlighted the start of federal mediation on Tuesday to reach a unified contract for workers from the company’s two predecessor airlines.

Munoz had emphasized the importance of a new labor accord, and “we hope to see that reflected at the table this week,” union President Sara Nelson said in a statement.

Service Issues

United’s service difficulties -- it lags behind big-airline peers in on-time arrivals -- and rifts between legacy-United and Continental workers remain unresolved, and Hart cast himself Monday as picking up Munoz’s mantle.

In the memo to employees, Hart alluded to Munoz’s outreach to workers, saying “in the coming days we will be announcing some of the changes that have come from all our listening sessions.”

When United announced Smisek’s exit in September, Hart joined Munoz and new non-executive Chairman Henry L. Meyer III in hosting a conference call for analysts about the move. With the U.S. inquiry still under way, Hart said he couldn’t describe what United had found in its own internal investigation.

Smisek led Continental Airlines before the merger, and had been the only CEO at the combined company.

He and two lieutenants left United last month amid a federal probe into whether ex-Port Authority chief David Samson got the airline to restart a money-losing route to his weekend home in South Carolina in exchange for political favors. United dropped the service, once known as “the chairman’s flight,” days after Samson left the agency in 2014.

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