United Settles Charges in Case of Flight Route to Benefit Public Official

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Washington D.C., Dec. 2, 2016 — The Securities and Exchange Commission today announced that the parent company of United Airlines has agreed to pay $2.4 million to settle charges in a case where shareholders wound up footing the bill so a public official could get more convenient flights.

According to the SEC’s order instituted today, United reinstated a nonstop flight between Newark, N.J., and Columbia, S.C., at the behest of David Samson, the then-chairman of the Port Authority of New York and New Jersey who sought a more direct route to his home in South Carolina. The route previously experienced poor financial performance and was canceled by Continental Airlines prior to its merger with United, and a preliminary financial analysis conducted after Samson began privately advocating for the route’s return revealed it would likely lose money again.

Nevertheless, the SEC’s order finds that United officials feared Samson’s influence could jeopardize United’s business interests before the Port Authority, including the approval of a hangar project to help the airline at Newark’s airport. The company ultimately decided to initiate the route despite the poor financial projections. The same day that United’s then-CEO approved initiation of the route, the Port Authority’s board approved the lease agreement related to the hangar project. United employees were told “no proactive communications” about the new route.

According to the SEC’s order, United circumvented its standard process for initiating new routes, and no corporate record at United accurately and fairly reflected the authorization to approve the money-losing flight route from Newark to Columbia. The route ultimately lost approximately $945,000 before it ceased again roughly around the time of Samson’s resignation from the Port Authority.

“United disregarded the books and records and internal accounting controls provisions of the securities laws while casting aside its normal decision process to re-enter one of its hub’s poorest performing markets,” said Andrew Ceresney, Director of the SEC’s Division of Enforcement.

Andrew M. Calamari, Director of the SEC’s New York Regional Office, added, “United initiated a money-losing flight solely to curry favor with a public official, and failed to reflect in its books and records a fair and accurate depiction of the rationale behind the decision and its projected financial impact.”

Samson has pleaded guilty to bribery in a criminal case announced in July by the U.S. Attorney’s Office in New Jersey. United entered into a non-prosecution agreement with the U.S. Attorney and paid $2.25 million.

The SEC’s continuing investigation is being conducted by Osman Nawaz, Kenneth Gottlieb, and Celeste Chase of the New York office. The case is being supervised by Sanjay Wadhwa.

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