

BUSINESS NEWS | Mon May 8, 2017 | 2:15pm EDT

Buffett: United made 'terrible mistake' with dragged passenger - CNBC



Berkshire Hathaway chairman and CEO Warren Buffett enjoys an ice cream treat from Dairy Queen before the Berkshire Hathaway annual meeting in Omaha, Nebraska. REUTERS/Rick Wilking

By **Jonathan Stempel**

Warren Buffett said on Monday that United Airlines made a "terrible mistake" in handling the fallout after a man was forcibly dragged off a United flight, a bloody confrontation that sparked global outrage.

But the billionaire said on CNBC television that the incident did not undermine his investment strategy, in which his Berkshire Hathaway Inc ([BRKa.N](#)) became the largest investor in the airline's parent, United Continental Holdings Inc ([UAL.N](#)).

The April 9 episode caught on video showed David Dao, a doctor, being pulled from a United seat to make way for a crew member, resulting in a broken nose and concussion.

It brought wide criticism to United and Chief Executive Oscar Munoz, who initially defended the carrier's employees and was later called to testify in Congress.

"Obviously it was a terrible mistake," Buffett said. Munoz has since "apologized many times, but your first reaction is going to get a lot of attention."

Berkshire is also a major investor in United rivals American Airlines Group Inc ([AAL.O](#)), Delta Air Lines Inc ([DAL.N](#)) and Southwest Airlines Co ([LUV.N](#)).

Buffett said the industry has become more efficient, even if fuller planes and tighter costs cause a "fair amount of discomfort" that makes passengers uncomfortable. He said the

TRENDING STORIES

- 1** Obama voices 'fervent hope' Congress will tread carefully on healthcare
- 2** Former Trump aide might have been open to Russia blackmail: ex-U.S. official
- 3** Judges hit Trump lawyer with tough questions over revised travel ban
- 4** Ex-wife of polygamous sect leader to open doors to secretive home
- 5** FCC website hit by attacks after 'net neutrality' proposal

"They may become like cattle cars," he said, "but a significant percentage (of passengers) would rather be treated that way and fly for X than have far more leg room (and other benefits) and fly for X plus 25 percent."

"It's a job I don't want, running an airline," he added.

TRUMP, TAXES, HEALTHCARE

Buffett also discussed U.S. President Donald Trump, who was rarely mentioned at Berkshire's annual meeting on Saturday, where Buffett and Berkshire Vice Chairman Charlie Munger answered five hours of shareholder and analyst questions.

Buffett said he did not believe Trump has had "that much of an effect" on the U.S. economy.

He said the current 35 percent corporate tax rate was "not much" of a competitive disadvantage for U.S. companies, despite Trump's push to slash it to 15 percent.

"Whether it's a better tax system or not depends on how it's constructed," he said. Referring to Congress, he said: "If they really try and make it revenue neutral, I guess it won't pass."

Nonetheless, the "hatred" pervading American politics could impede any such agreement between Democrats and Republicans, Munger said on CNBC.

"The parties hate each other so much, they both get quite irrational," Munger said.

Buffett also faulted the House Republican healthcare bill passed last week, which would repeal the Affordable Care Act and investment income taxes for wealthier people, as a means to "cut the hell out of income taxes" for the rich.

ALSO IN BUSINESS NEWS

Wall Street flat; fear barometer falls to 1993 low

Property, merger bets dominate picks at Sohn conference

DEFENDING 3G

Buffett said U.S. stocks looked "dirt cheap" for anyone who believed interest rates will stay low for a long time.

"Bonds are a terrible choice against stocks," he said. "It's just dictated by mathematics."

Buffett defended 3G Capital, its partner on purchases including Kraft Heinz Co ([KHC.O](#)) and an unsuccessful bid to merge it with Unilever NV ([ULVR.L](#)) ([UNc.AS](#)), and which is known for slashing thousands of jobs to make companies more efficient.

"They have followed the standard capitalist formula ... of trying to do the same business with fewer people," Buffett said. "People live better when there is more output per capita."

He said he had grown more fond of Apple Inc ([AAPL.O](#)), in which Berkshire has disclosed a roughly \$20 billion stake, because he could "very easily determine" the iPhone maker's competitive position "and who is trying to chase them."

Asked if he had stopped buying, Buffett said: "Maybe, maybe not."

(Reporting by Jonathan Stempel in New York; Editing by Jennifer Ablan and Bernadette Baum)

PICTURES

Photos of the day
