

**Marshall Islands Chamber of Commerce**

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**Meeting Minutes**

Friday, February 5, 2010

Marshall Islands Resort

Meeting called to order by President Steve Phillips at 12:00 P.M. Approximately 40 members and guests were in attendance. The next regular meeting will be held the week of March 22nd, 2010, unless otherwise scheduled to accommodate a guest speaker.

- **Minutes** – approved electronically prior to the meeting
- **Treasurer's report** - \$3,164.27 in the Bank of Guam account
- **Guests**

- Martha Campbell, American Ambassador
- Stephen S. C. Hsu, Taiwan Embassy
- Eric Watnik, American Deputy Chief of Mission
- Arnie Campbell, Retired American Foreign Service Officer
- Charles Duncan, President, Continental Micronesia
- Art Day, Regional Manager, Continental Micronesia
- Anita Schutz, CMI Business Department Chair
- Charles Abraham, Jr., Deputy Commissioner of Maritime Affairs, Trust Company
- Marc J. Rogoff, Ph.D., Project Director, SCS Engineers

- **Chamber President's opening remarks**

Welcome to the February Chamber of Commerce meeting. Please allow me to introduce Charles Duncan, President of Continental Micronesia.

- **Charles Duncan remarks**

I became President of Continental Micronesia in July of last year. I've previously worked for Continental in Houston, Guam, and Tokyo. Our goal is to promote tourism and bring more visitors here. We want to be a good corporate citizen. For example, we provide medical evacuations. I'm excited about the fiber optic cable that will allow us to use more of the online tools that are available to Continental Airlines elsewhere. Our motto is that we want to be clean, safe, and reliable. We have a nearly 90% on time record.

Even though our fares are high, we are marginally profitable on the island hopper service. We experience fuel prices that are twice as high as what we pay elsewhere. Because of the length of the trip from Guam to Honolulu we have to have a third pilot on board.

Because there are insufficient mechanical support facilities in Micronesia, we have to have a mechanic on each flight, and there is a two ton fly away kit of spare parts on each plane. We experience leaked coolers and salt air that corrodes our aircraft more than other places. This requires expensive bi-weekly maintenance checks. Our pilots are of the old school and fly in the old style because of the lack of modern navigation support systems. This is expensive and difficult. There is a small market here. Typically 1100 people depart or arrive in Majuro each month. With 26 flights per month in a typical 31 day month that means that our flights utilize 1/3 of their capacity with about 42 passengers per flight.

Our parent company, Continental Airlines, lost 300 million last year to end a decade of one billion in losses as a result of the SARS epidemic, September 11, and the H1N1 virus. Continental earned 300 million dollars last year as a result of its baggage fees. Otherwise the loss would have been 600 million last year. Continental joined the Star Lines group that now allows frequent flyers to enjoy the same service on A & A in Japan, NZ, and United. There will soon be 80 channels of TV, and there will be in flight Internet service next year on Continental flights. 50% of Continental's seats are now international travel. Continental has the newest fleet in service.

At Continental Micronesia we only recently added baggage fees, and we will try to have some form of TV in the near future. We're excited about the Guam military expansion plans. 8,000 US Marines will relocate to Guam. Two aircraft carriers will be stationed in Guam. A lot of money is beginning to flow into Guam. The Guam population is approximately 170,000. At the peak of the buildup it is expected to be 250,000, and then it will settle to about 220,000 thereafter. We have a new service that connects Fiji with Guam and Honolulu. We will have extra flights for the Chinese New Year. We've increased to 8 flights per week to Manila. In April we'll add our ninth aircraft. We also do a good charter business – Japan to Palau and Rota. We've determined that our aircraft can fly direct from Japan to Majuro. We plan to continue our seasonal one stop service to Guam.

We're concerned about the US transit visa restrictions in Guam. This has affected the Russian and Chinese tourists that visit the CNMI as it does your expatriate Filipino workers. We continually work with the US Embassy in Manila about this. We've been asked if we can bypass Guam to avoid this problem. We can, but who will pay for it? Currently there are about 75 passengers per month flying between Manila and Majuro.

- **Questions from the floor**

Q: Why not stop in Majuro on your Honolulu – Fiji – Guam flight?

A: We decided to create the Fiji flight because their national airline stopped flying to Japan, and we saw a new market. We don't see the numbers that would justify a stop in Majuro. If we stop in Majuro from Honolulu we will lose the Americans that want a non-stop flight. If we stop in Majuro from Guam we will lose the Japanese for the same reason.

Q: Why not continue the "Circle Micronesia" plan?

A: Our resident fees are less than if the tickets are purchased outside of Micronesia.

Q: Why not discount open seats at the last minute?

A: This doesn't work in a small market that cannot fully access broadband. It is also complicated when we're trying to keep three flights per week operational. But the fiber optic cable might change this.

Q: Why do you allow people to carry on suitcases?

A: We restrict carry on luggage to a 22" bag height. However, sometimes our planes are full below, and we do need to fill the below and upper storage areas on each flight.

Q: Why do you allow leaking coolers?

A: No other airline anywhere else will allow coolers as luggage. We do so because it is culturally required in Micronesia. We do other things because of this unique market. For example, US carriers have stopped allowing passengers to carry oxygen bottles. We allow this here for medical evacuations of which we have quite a few.

Q: Why not offer service to Bally again?

A: We tried that and lost money for three years. Then the terror threats began. We will consider doing this again when the area stabilizes.

Q: Why don't you experiment with pricing to see if you can lower ticket costs?

A: Sometimes a global company has to do things the same way in all of its markets. For example, that's why we started the baggage charge because the rest of the system did it. In the US that has resulted in 30% fewer bags being checked. We're seeing a drop in checked baggage in Micronesia, and there is the positive result that we are now more often able to deliver the mail as a result. But it is true that we haven't experimented here due to the lack of broadband connectivity. Rather we've just tried to keep it simple for the majority of our customers. Bear in mind that many of our customers don't use computers as you do. But we will try it when the under water fiber optic cable becomes available.

Q: Why not bring the pillows back? Also, why not alert the passengers earlier in the landing phase that they will not be able to use the toilets when the plane is on the ground? This will help the elderly passengers.

A: The entire Continental system pulled pillows and blankets at the same time. We had so many complaints on our long flights that we had to bring the blankets back for Continental Micronesia. But the pillows are gone. I'll check with our flight operations on the bathroom issue.

Q: Wouldn't it promote tourism if you allowed passengers to get off of the plane in Majuro without charging more for a Guam to Honolulu ticket?

Q: There will be a new shipping service with a one every 18 day service to link Australia, New Zealand, Fiji, Majuro, and Kwajalein. This will bring in more commerce and result in more air travelers.

Q: When Air Nauru flew we experienced 25 to 30 Australian tourists per week.

Q: Can your affiliate in Guam partner with Air Marshall Islands?

A: We're very interested in developing more tourism. We think that if Air Marshall Islands were reliable we could bring in more tourists on Continental Micronesia. That is what the tourists want – to travel to the outer islands. We're willing to help Air Marshall Islands. Air Marshall Islands is dysfunctional but has potential. Our partner in Guam is Cape Air that has 50 – 60 nine seat Cessna planes. They operate out of the US east coast and in the Caribbean. They also partner with us in Guam to service the CNMI.

Q: Can any passenger purchase the one time use of the President's Club even if he isn't a gold or platinum member?

A: Yes.

Q: Can we have in-flight upgrades if the seats are empty?

A: No, that's simply too complicated.

Q: Will there be a slight change in departure time in June?

A: Yes, the planes will depart earlier to arrive in Honolulu earlier.

- **New business**

Two new issues were deferred to the Executive Committee – proposed bill 68 that would allow the Trust Company of the Marshall Islands to search and fine vessels and a question about the country's Red Cross membership.

Meeting adjourned at 1:30 PM.

Minutes prepared by:

Jim McLean