

**Marshall Islands Chamber of Commerce**

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**Meeting Minutes**

Tuesday, May 4, 2010

Marshall Islands Resort

Meeting called to order by President Steve Phillips at 12:00 P.M. Approximately 30 members and guests were in attendance. The next regular meeting will be held the week of June 21st, 2010, unless otherwise scheduled to accommodate a guest speaker.

- **Minutes** – approved electronically prior to the meeting
- **Guests**

David Kendell, VP Marketing, Continental Micronesia

- **Chamber President's opening remarks**

Welcome to the April/May Chamber of Commerce meeting. I am pleased to say that after Charles Duncan's visit with the Chamber in February we see Continental Micronesia stepping up to the plate for further opportunities by adding a new year-round flight this year, and we're all happy. Without further ado please join me in welcoming Continental's David Kendell.

- **David Kendell remarks**

I'm the director of sales and marketing for Continental. This also involves government affairs. My territory is Micronesia and Asia.

There was a challenging airline market in 2009. However, Continental is well positioned for the future. Our hubs are in New York, Houston, Cleveland, and Guam. In 2009 we joined the Star Alliance of 27 airline companies. We had 337 aircraft in 2009, and we plan to increase that number by 10 in 2010. Our planes are 38% more fuel efficient today as compared with twelve years ago. Our average fleet age is an industry young nine years. We were one of the last airline companies to begin to unbundle our pricing, but we're doing that now. Our customers will pay for only the services that they use and not subsidize the services that other customers use. For example, we expect to earn 350 million in 2010 baggage fees and collect 150 thousand a day for premium seating.

Our priorities for 2010 are further development of our participation in the Star Alliance and other joint ventures; increase ancillary income; invest in our own products and services; emphasize efficiency; and achieve profitability. Continental has lost one billion dollars since September 11<sup>th</sup>. We're promoting a Guam/CNMI visa waiver program to

attract Chinese and Russian tourists. We expect to see an increase in traffic with the Guam military buildup. We are trying to obtain a slot at the new Tokyo airport where all of the major airlines are vying for 4 slots.

The Guam military buildup appears to be on track although slightly delayed. There are approximately 165,000 Guam residents at present with an expected increase of about 80,000 when the buildup has concluded.

In 2009 we began service to Beijing and Fiji. The Honolulu leg of the Fiji service is losing money. In 2010 we will increase US mainland service to Hawaii, add Hong Kong, add an extra flight to Majuro, and continue our 20% fare sale until the end of May. We will add one 737-700 with a seating capacity of 124 seats painted in Star Alliance colors. This aircraft will make it easier for us to increase charter business as compared with our other 737-800 aircraft that have a seating capacity of 155 seats.

On May 3<sup>rd</sup> Continental and United announced a merger. The new company will be 55% United and 45% Continental. The corporate headquarters will be in Chicago, but extensive operations will remain in Houston. The new company will be named United, and the aircraft will be painted with Continental colors. The new company will be the world's largest with 10 hubs. The legal merger is expected to be completed by the end of this year with US Departments of Justice and Transportation approval. Following the legal merger, the operational merger will begin. We expect that to be completed by the middle of 2012. At this time, we have no information regarding the future status of Continental Micronesia.

We will consider any proposal for new service provided that the numbers justify that service. Charters are an alternative, but the requirement of a charter is that one organization must take the responsibility to "write the check" to us.

In pursuing a transit visa waiver, Continental is cognizant of the need for Filipino workers to travel directly to and from the FSM and the Marshall Islands.

The reason that our customers may have to visit more than just our Website to book tickets that involve partner airlines is that we have to negotiate separate code share agreements with each partner before we can book tickets for them. We are still in the process of negotiating some of these agreements.

- **Chamber special ward presentation**

Chamber President Philip and Business Affairs Committee Chairman Domnick presented a special award to Continental Micronesia for their 42 years of service to the Marshall Islands and the Micronesian region. Continental continues to bring in business opportunities even in turbulent economic times. David Kendell accepted this award on behalf of Continental Micronesia.

- **New business**

None

Meeting adjourned at 1:30 PM.

Minutes prepared by:

Jim McLean