

Marshall Islands Chamber of Commerce
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Meeting Minutes

Thursday, June 30, 2011

Marshall Islands Resort

Meeting called to order by President Steve Philips at 12:00 P.M. Approximately 45 members and guests were in attendance. The next regular meeting will be held the week of August 22, 2011, unless otherwise scheduled to accommodate a guest speaker.

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

- **Guests**

- Martha Campbell, American Ambassador
- Andrew J. Zvirzdin, American Political/Economic Officer and Vice-Consul
- Barry Bergmann, Managing Director, Micronesia and S.E. Asia, United Continental
- Quentin Koch, Director of Sales, Guam and Micronesia, United Continental
- Peter Talbot, ADB

- **Chamber President's opening remarks**

Welcomed and thanked the audience for attending the June Chamber of Commerce meeting. Observed that the nation is in mourning for the loss of the prominent Dr. Masao Korean and traditional leader Leroj Blujen Jelke. A moment of silence was observed. Asked Chamber Treasurer Salome Andrike to introduce and welcome our guest speakers.

- **Barry Bergmann**

Efforts to merge United and Continental airlines began in 2008 and were completed on October 1, 2010. During that period and prior to the merger, Continental joined the Star Alliance. We are still in the process of completing the merger process. The Guam hub will be completed in October of this year. To illustrate the diversity of each airline's routes, following the merger we found that only a total of 13 of the now combined routes overlapped. Mileage Plus will consolidate One Pass miles. Our new organization is targeting the global business traveler. Next year we will place a 787 on a route from Houston to New Zealand. United and Continental operate on separate operating certificates. By November 11, 2011, both should be operating on a single certificate. We still have some union contracts to complete.

With our combined routes and equipment there should be greater opportunities now for Asia/Pacific including Micronesia. Guam will be one of our ten worldwide and strategic hubs. There are already more opportunities now when flying from Hawaii to the mainland. We'll be adding a 777 flight from Honolulu to Guam. This will effectively deliver up to 300 more passengers to/through Guam daily. We still have to harmonize our products. United was a three

class airline while Continental was a two class airline. In 2010 we will add a third “economy plus” class to Continental planes.

We would like to partner in tourism and offer custom travel plans.

- **Quentin Koch answers questions**

Regarding the difficulties that remain in using the Website, we have identified some problems with the way that credit card processing is done. Work is continuing on that and other difficulties. After we get our single operating certificate in November, it will be easier to fix these issues. However, things are getting better each day now. Just to illustrate how much work it is to fix all of this, there are 3,800 separate possible fares originating just from Majuro.

The flight to Fiji was suspended for several reasons. The 737 was not the right equipment for this route that extends from Honolulu to Fiji or Guam to Fiji. It cost us too much. This flight will be cancelled on September 23rd.

Surfboards are very large, and it is difficult to place them in our equipment’s cargo area. It is for these reasons that we charge what we do to handle them.

There are extra costs associated with our flights in Micronesia – extra pilot, mechanic, 500 pounds of spare parts, and special navigational equipment. It costs us in excess of \$25,000 to fill the plane. Whereas we don’t purchase all of our fuel in Majuro, we do buy some of it at \$4.20 a gallon versus the \$2.10 a gallon that we pay in Honolulu. This is why our Micronesian flights cost what they do including the fuel surcharge. The ticket revenue covers our costs and returns a small profit. We are nicely hedged on fuel this year, but we cannot expect that to continue forever.

We have a contract with the United States Postal Service to deliver the mail until 2014. We have every expectation of renewing this contract at that time.

We will be offering new packages in the future such as “United vacations.”

We are hopeful that with our larger size now we might have more influence with TSA to ease some of the troublesome security measures.

United has serviced many Asian and African destinations from which originated unsophisticated or inexperienced travelers. Our personnel have always undergone extensive sensitivity training. We will continue that so that our Micronesian customers are treated politely.

- **New business**

On Tuesday, July 5th, the US Embassy will host a representational (by invitation only) celebration of the American Independence at the Marshall Islands Resort. On Monday, July 4th, there will be a celebration that is open to the public. It will be held at the RRE barbeque shoreline area from 3 to 7PM. Admission for adults is \$10, children \$5, and those under 5 years of age are free.

In a week or so you will receive an announcement concerning a two day financing seminar presented by Bank of Guam and as sponsored by the Marshall Islands Chamber of Commerce and the Majuro Business Association. There also will be other participants.

There will be a tourism symposium at the ICC held on August 29 and 30.

In October concert pianist Roman Dudnytsky will perform for a fourth time in Majuro.

Meeting adjourned at 1:30 PM.

Minutes prepared by:

Jim McLean