

Continental

shift



The merger of Continental and United Airlines is seen as good for Boeing Commercial Airplanes

By Marcy Woodhull

Leading the world's largest airline sounds like a daunting challenge. But Jeff Smisek is taking it in stride, knowing the enormity of the task ahead of him and confident in the abilities of the combined work forces to make it a success.

Smisek, chairman, president and chief executive officer of Continental Airlines, will lead the combined Continental and United Airlines, whose merger, which was approved by the U.S. Department of Justice on Aug. 27, is expected to be final this month.

From the beginning, the merger was widely seen as potentially good for Boeing Commercial Airplanes.

Boeing and Houston-based Continental have enjoyed a long and fruitful relationship, dating back more than half a century, when Continental was one of the first operators of the 707 in 1959. The airline now operates an all-Boeing fleet, with 350 airplanes, and is the North American launch customer for the 787-8 and 787-9 versions of the Dreamliner.

An all-Boeing fleet has made good business sense for Continental, Smisek said.

"We appreciate the value and reliability of Boeing products, and Boeing has highly professional and creative people," he said. "Having an all-Boeing fleet has benefited Continental because of the efficiency it drives in training, operations, maintenance and spares, as well as the consistency and reliability it gives us."

As a new company grows from the combination of Continental and United—a Chicago-based airline whose fleet has included competitors' jets—Boeing hopes that partnership will grow as well.

"Boeing and Continental have teamed for a number of firsts, and we foresee a strong relationship with the expected merged airline," said Marlin Dailey, vice president of Sales for Boeing Commercial Airplanes.

Continental was the North American launch customer



PHOTO: Continental is displaying this 787 cabin mock-up at Houston's Bush Intercontinental Airport in anticipation of becoming the first U.S. operator of Boeing's newest jetliner. CONTINENTAL AIRLINES

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— Jeff Smisek, chairman, president and chief executive officer of Continental Airlines

PHOTO: CONTINENTAL AIRLINES

for the Next-Generation 737-900ER (Extended Range), receiving the first one in January 2008, and will be for the 737 Boeing Sky Interior, a redesigned passenger cabin based on extensive passenger research. In January 2009, Boeing and Continental teamed, along with GE Aviation, CFM and Honeywell's UOP, for the first sustainable biofuel demonstration flight by a commercial carrier using a two-engine airplane, a 737-800.

Smisek said Continental often is first in line for Boeing innovations because capturing the benefits of technology as quickly as possible gives the airline a competitive advantage.

"When Boeing first presented the 787 to Continental in 2004, we quickly realized that it would be a game-changing aircraft," Smisek said. "The 787's superior range, enhanced passenger comfort and operating efficiency are attributes that will ensure that we continue to provide our award-winning service in a cost-effective manner."

He lauded the 737-900ER as evidence of Boeing's capacity to make a superior product event better.

"The 737-800 has been the backbone of our [single-aisle] fleet and one of our more profitable aircraft to operate. With transcontinental range and 13 more seats than the 737-800, the 737-900ER is an ideal aircraft for high-demand routes that we serve," Smisek said. "In addition, the 737 Boeing Sky Interior will greatly enhance our passenger experience, and we look forward to being the first U.S. airline to introduce this exciting improvement to our customers in December."

Like Boeing, Continental is committed to fuel-efficient technology and environmental responsibility. The airline has joined with Boeing to demonstrate that sustainable biofuels are viable in their aircraft.

"Over the long run, we need to see biofuels become available at economically competitive prices and in large enough quantities," Smisek said. "But in order for those things to happen, we first need to demonstrate that biofuels work. Our demonstration flight, and similar demonstration flights conducted by Boeing in partnership with other carriers, helps make that happen."

But it is the relationship between parts of the new airline that presents an immediate challenge for Smisek

“We foresee a strong relationship with the merged airline.”

– Marlin Dailey, vice president of Sales for Boeing Commercial Airplanes

GRAPHIC: An artist’s rendering of a Boeing 777-200ER (Extended Range) in the proposed new United Airlines livery combining the Continental logo with the United name. CONTINENTAL AIRLINES



and his soon-to-be-merged company.

Bringing together two corporate cultures of this magnitude requires detailed planning, foresight and a solid foundation. “When you have the right culture, choose the right leaders and give co-workers the tools they need to do their jobs, then the rest takes care of itself,” Smisek said.

“Above all, we need to focus on our core values—values that both Continental and United have in common—such as working together, treating one another and our customers with dignity and respect, and staying committed to open, honest and direct communication.”

He added that with the right culture, employees enjoy coming to work every day, resulting in better service.

“If we give good service, our customers will keep flying us. If customers keep flying us, with good management we will be able to achieve sustained profitability,” he continued. “All the good things that everyone from our airline—co-workers, customers, shareholders and communities—wants come from sustained profitability.”

Smisek foresees great benefit for all stakeholders from the prospective merger. “For our customers, these include the world’s leading network and frequent-flier program,” he said. “Continental’s and United’s route networks are highly complementary, with minimal overlap. We bring to the merger our New York hub, our Houston gateway to a strong Latin America network and our broad trans-Atlantic presence. United brings its West Coast and Pacific access, as well as its strong mid-continent hub in Chicago.”

The combined airline will provide employees with improved long-term career opportunities and enhanced stability by being part of a larger, financially stronger and more geographically diverse carrier, Smisek said.

“And for our shareholders, the transaction creates a platform for greater opportunities for improved profitability and sustainable long-term value.” ■

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