



# **UNIVERSITY OF HAWAII SYSTEM**

## **Legislative Testimony**

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Written Testimony Presented Before the  
House Committee on  
Economic Revitalization, Business, & Military Affairs  
March 17, 2009 at 7:30 a.m.

SB 1299, SD1 – Relating to Advanced Flight Simulator Training

Chair McKelvey, Vice Chair Choy, and Members of the Committee:

The University of Hawai'i stands in support of this measure.

Honolulu Community College (HCC) operates the University System's only flight training and aviation mechanic training programs. The mechanic's program was started in 1949 and the flight training program, founded in 1998, is looking forward to its 11<sup>th</sup> year of operation. Although the flight industry is in a turbulent time, both programs have the potential for growth. The College hopes to eventually partner with airlines and/or airplane manufacturers in offering this training domestically and internationally to countries that are in great demand for pilots and aviation mechanics.

Since the first private pilot class in August 1998, the Pacific Aerospace Training Center under HCC has helped over 650 students earn their FAA pilot flight certifications and ratings. These commercial pilots are flying with air carriers in Hawai'i, nationally, and worldwide.

Over the last 3 years, HCC has been in numerous discussions with one of the world's largest airline manufacturers to develop partnerships on both pilot and aviation mechanic training for their customers. A bill such as this would assist prospective private sector partners in making an investment in expensive flight training resources in Hawai'i.

We look forward to further solidifying the University of Hawai'i's capacity to become a world-class flight training center.

# TAXBILLSERVICE

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**SUBJECT:** MISCELLANEOUS, Expand enterprise zone eligibility

**BILL NUMBER:** SB 1299, SD-1

**INTRODUCED BY:** Senate Committee on Ways and Means

**BRIEF SUMMARY:** Amends HRS section 209E-2 to amend the definition of “qualified business” in an enterprise zone to include a business engaged in advanced flight simulator training for pilots, dispatchers, mechanics, or air traffic controllers.

**EFFECTIVE DATE:** July 1, 2050

**STAFF COMMENTS:** This measure proposes to expand enterprise zone laws to include a business that provides advanced flight simulator training for pilots, dispatchers, mechanics, or air traffic controllers. In an enterprise zone, businesses are attracted and encouraged to relocate to the zone through tax incentives, bonds, and other appropriate measures. Businesses located in an enterprise zone may claim a credit against taxes paid for a period of seven years and also allows the sale of items sold by such businesses to be exempt from the general excise tax.

While it appears that it is the intent of the legislature to utilize the enterprise zone concept to encourage new and existing businesses to expand their employment bases and increase their marketing territories, or in this case, provide advanced flight simulator training, enterprise zones merely exacerbate what is already considered a poor climate in which to do business. Singling out businesses for preferential treatment merely confers preferences for those businesses at the expense of all other taxpayers.

Enterprise zones are merely an abdication of government’s responsibility to create a nurturing and supportive business climate so that all businesses can thrive in Hawaii and provide the jobs the people of Hawaii need. Concurrent efforts must be made to improve Hawaii’s business climate to enhance the economic prospects for all businesses.

Instead of expanding the enterprise zone program, the program should be repealed in favor of across-the-board tax relief for all businesses in Hawaii. For example, the consultant to the 2007 Tax Review Commission suggested that all business-to-business transactions be exempt from the general excise tax as a means of reducing not only the cost of doing business in Hawaii but the overall cost of living.

It should be remembered that while this measure attempts to confer favorable tax treatment under Hawaii laws, one must ask what happens to them under the federal income tax laws? With no state tax liability, more of the businesses’ income is exposed to the federal income tax where the rates are much higher.

Before further corrupting the economic marketplace with added versions of the enterprise zone concept, an evaluation of the current zones should be undertaken. Instead of expanding the enterprise zone program, the program should be repealed in favor of across-the-board tax relief for all businesses in Hawaii.

Digested 3/13/09

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**From:** Robert Bumgarner [r2bumgarner@mac.com]  
**Sent:** Friday, March 13, 2009 4:29 PM  
**To:** EBMtestimony  
**Subject:** S. B. No. 1299 SD1 Relating to Advanced Flight Simulator Training

**TO: COMMITTEE ON ECONOMIC REVITALIZATION, BUSINESS, & MILITARY AFFAIRS**

**For hearing on March 17, 2009 (7:30 AM)**

Testimony of Captain Robert R. Bumgarner

Managing Director, Global Aeronautics LLC

In favor of:

**S. B. No. 1299 SD1**

**SSCR 651**

***Relating to Advanced Flight Simulator Training***

It is my pleasure to testify in favor of Senate Bill 1299 SD1, which is intended to provide targeted tax incentives for aviation training companies that are willing to make a substantial investment in the advanced training technologies needed to train airline pilots and others for high-level positions in the aviation industry.

For the past four years, my company has supported Honolulu Community College (HCC) in developing unique airline-oriented courseware that is designed to prepare students with no prior flight experience for training in advanced jet flight simulators. In 2007, I introduced Alteon Training LCC, a wholly owned training subsidiary of the Boeing Commercial Airplane Company, to the HCC project. In May, 2007, Alteon and HCC executed a letter of intent to evaluate formation of a joint training partnership that will provide, among other things, entry for HCC into Alteon's worldwide training network and promotion of HCC's training activities to airline customers of Boeing and Alteon. Alteon subsequently made several visits to HCC's training facility at Kalaeloa Airport and seriously considered entering into a joint-venture training contract.

Alteon also expressed an interest in allowing HCC to conduct major portions of its airline jet training program and mechanic training program in Hawaii. The investment by Alteon in advanced flight simulators for this project would have exceeded \$12,000,000.

Unfortunately, Alteon withdrew from this venture last year. I believe a significant factor in their decision was lack of State encouragement for the project. I also believe that the tax incentives in S.B. 1299 SD1 are needed to establish a sound business case for an investment by Alteon or other major training partner.

When fully developed, I estimate this project can generate more than 100 new jobs at the Kapolei and the Honolulu International Airport facilities of H.C.C. It will also establish Hawaii as one of the premier centers for professional aviation training in the Pacific region.

I urge the committee to pass this important bill.

With respect,

/s/ Capt. Robert R. Bumgarner

Managing Director

Global Aeronautics, LLC

George R. Ariyoshi  
999 Bishop Street, 23<sup>rd</sup> Floor  
Honolulu, HI 96813

**TESTIMONY**

February 5, 2009

Re: SB1299 relating to advanced flight simulator training

Dear Members of the Twenty-Fifth Legislature:

I am writing this testimonial in strong support of SB1299, which adds "advanced flight simulator training" as a "qualifying business" for enterprise zone benefits.

Hawaii's unique mid-Pacific location has well established our island state as a strategic node for trans-Pacific aviation. Both our inter-island flight corridors and extensive Asia-Pacific aviation routes make Hawaii an ideal hub for international aircraft pilot training. This potential is especially significant in light of the increased demand for airplane pilots projected for this region in coming years.

For example, by 2024, Asia-Pacific nations will have received 28% of all new large commercial jets scheduled for delivery world-wide, and the global demand for new pilots will exceed 10,000 per year. Over the next 20 years, it also is estimated that China will require 34,000 new pilots, North East Asia 26,000, South East Asia 26,000, Oceania 6,200, South West Asia 5,800, and India 4,200, which in turn will require substantial expansion of pilot training capabilities throughout the region.

Major aerospace companies such as Boeing and Lockheed, as well as leading flight training organizations such as FlightSafety International, Alteon and CAE, are looking to establish flight training centers to service this anticipated demand, and over the past three years have expressed increasing interest in establishing advanced flight simulator capabilities to service the Asia-Pacific flight corridors. The tax benefits provided by designating advanced flight simulator training as a qualifying business for Hawaii's enterprise zone law would provide a significant incentive for these companies to locate such operations in Hawaii.

The benefits of establishing flight simulator operations in our State would be substantial. Clearly this enterprise would help establish a new technology-based industry in Hawaii that can become a major training resource for Pacific Basin countries. It also would provide between 100 and 200 new, well-paid jobs in the Kapolei area (with preference given to qualified Hawaii residents), and enhance the attractiveness of Kalaeloa and Kapolei as a place to do business.

SB1299  
February 5, 2009  
Page two

In addition, flight simulator operations would enhance the University of Hawaii's ability to establish a new 4-year, airline management baccalaureate program to service the Asia-Pacific community, building upon the University's existing Travel Industry Management courses. It also would provide Hawaii's airlines with a local training resource that can reduce the cost of pilot training by at least 25%, while providing an ongoing and reliable source of well-trained local pilots.

Finally, flight simulator operations will afford technical ground support that will enable Kalaheo Airport to attain its full potential to serve as a general aviation reliever airport, as well as a key destination for executive jet traffic.

I applaud the Legislature's efforts to help realize our State's full potential as an international hub for aviation pilot training through SB 1299, and urge you to adopt this legislation.

Thank you for the opportunity to provide these comments.

Sincerely,

  
George R. Ariyoshi

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