

George R. Ariyoshi
999 Bishop Street, 23rd 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 Kalaeloa 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.

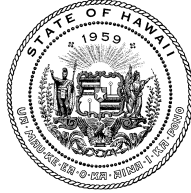
Sincerely,


George R. Ariyoshi

GRA:khy

LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR



KURT KAWAFUCHI
DIRECTOR OF TAXATION

SANDRA L. YAHIRO
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809

PHONE NO: (808) 587-1510
FAX NO: (808) 587-1560

**SENATE COMMITTEE ON ECONOMIC DEVELOPMENT & TAXATION
TESTIMONY REGARDING SB 1299
RELATING TO GENERAL EXCISE TAX**

TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)
DATE: FEBRUARY 6, 2009
TIME: 1:15PM
ROOM: 016

This bill proposes to amend section 209E-2, HRS, to modify Hawaii Enterprise Zone law by expanding the definition of "qualified business" to include businesses engaged in advanced flight simulator training for pilots, dispatchers, mechanics, or air traffic controllers.

The Department of Taxation ("Department") takes **no position on the merits** of this legislation; however **opposes the unbudgeted revenue loss**. The Department; however, points out that it is unsure what types of advanced flight simulation would be available for mechanics and questions this term's inclusion in the bill.

OPPOSED DUE TO BUDGET IMPACT - The Department must be cognizant of the biennium budget and financial plan. This measure has not been factored into either. Given the forecasted decrease in revenue projections, this measure would add to the budget shortfall.

REVENUE LOSS—This bill will result in a revenue loss of approximately \$400,000 for fiscal year 2010, \$1.2 million for fiscal year 2011, \$400,000 for fiscal year 2012 and \$275,000 per year thereafter.



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

LINDA LINGLE
GOVERNOR
THEODORE E. LIU
DIRECTOR
MARK K. ANDERSON
DEPUTY DIRECTOR

No. 1 Capitol District Bldg., 250 South Hotel St., 5th Flr., Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: www.hawaii.gov/dbedt

Tel.: (808) 586-2355
Fax: (808) 586-2377

Statement of
THEODORE E. LIU
Director

Department of Business, Economic Development, and Tourism
before the

**SENATE COMMITTEE ON ECONOMIC DEVELOPMENT
AND TECHNOLOGY**

Friday, February 06, 2009
1:15 P.M.

State Capitol, Conference Room 016

in consideration of
SB 1299
RELATING TO ADVANCED FLIGHT SIMULATOR TRAINING

Chair Fukunaga, Vice-Chair Baker, and members of the Committee:

The department supports the concept of SB 1299, which includes commercial aviation training as a qualified business for enterprise zone benefits, as long as its implementation does not impact or replace the priorities set forth in the Executive Biennium Budget for Fiscal Years 2009-2011.

This bill would allow businesses engaged in commercial aviation training for pilots, dispatchers, mechanics, or traffic controllers to be eligible to participate in the State Enterprise Zone Partnership program.

Hawaii's EZ program has been modeled after a nationally recognized tax credit program. Established in 1986, it is one of the State's few funded programs that assist for-profit businesses. The State provides tax incentives such as GET exemptions, State

unemployment insurance credit, and income tax credit. The Counties may also provide additional benefits such as building permit priority processing, building permit fee waiver, grading permit fee waiver, and property tax rebates.

By allowing commercial aviation training to become eligible for Enterprise Zone benefits, we will be encouraging new investment in Hawaii, creating more jobs with better pay for our residents, and providing more opportunities for those airlines that are already established in Hawaii to become more profitable by building a better trained workforce of local residents. We feel that the commercial aviation training sector presents an opportunity for our State to raise the level of education and skills of our resident workforce.

We defer to the Department of Taxation for an assessment of the potential revenue impacts of this legislation.

Thank you for the opportunity to provide these comments.

Global Aeronautics LLC

91-1044 KAI KALA ST.
EWA BEACH, HI 96706
PH. / FAX (808) 206-9728
EMAIL: GLOBALAERONAUTICS@MAC.COM

**TO: Committee on Economic Development and
Technology (EDT)**

For hearing on February 6 at 1:15 PM

Testimony of Captain Robert R. Bumgarner
Managing Director, Global Aeronautics LLC

In favor of:

S. B. No. 1299

Relating to Advanced Flight Simulator Training

It is my pleasure to testify in favor of Senate Bill 1299, 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

Testimony of Captain Robert R. Bumgarner
Favoring S. B. 1299
Page 2

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 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 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