



# UNIVERSITY OF HAWAI'I SYSTEM

## TESTIMONY

SB 1697

Relating to Technology Training

Testimony Presented Before the Joint  
Senate Committees on  
Transportation and Government Operations  
and  
Business & Economic Development

February 14, 2005

by

Ramsey Pedersen  
Chancellor, Honolulu Community College  
University of Hawai'i

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Chairs Inouye, Espero, and Members of the Committees:

Thank you for the opportunity to testify in favor of Senate Bill 1697, Relating to Airline Training. I am Ramsey Pedersen, Chancellor of Honolulu Community. For the past 15 years, the University of Hawaii has been seeking to develop an expanded presence in the area of aerospace training and research.

Honolulu Community College has served as the "lead campus" in the development of training. We have established training programs for airline mechanics and pilots, and enjoy a strong reputation for the quality of our graduates in the aviation industry. We have training facilities for mechanics training at the Honolulu International Airport, and a 105,000 SF flight hangar and 72 room dormitory for flight training at Kalaeloa. We currently operate a collegiate flight training program in partnership with the University of North Dakota Center for Aerospace Sciences.

We have worked consistently with the Department of Business, Economic Development, and Tourism to develop Hawaii's aviation training capacity. SB1697 provides start-up capital to develop a training entity capable of providing pilots trained to airline entry standards, type-rated in a Boeing or Airbus aircraft,

in partnership with Alteon and Global Flyers. Creation of the proposed training alliance will boost Hawaii's economy, give the local airlines a simulator recurrent training center at home, and be a catalyst for other aviation spin-off enterprises.

Before the 911 tragedy, UH was working with the Boeing Commercial Airplane Company to develop joint agreements on a number of fronts, including advanced maintenance and pilot training. That effort was placed on hold until the industry regrouped. Boeing has since developed a new company, Alteon, to service the training needs of its airline clients. Alteon is a global corporation serving thousands of clients annually through classroom and simulator training.

An opportunity arose through the interest of Alteon and Global Flyers, a pilot staffing and outsourcing group, to develop a new type of relationship that will bring significant airline training business to Hawaii. The UH Board of Regents approved a Memorandum of Understanding that would create the first partnership between Alteon and a collegiate training provider.

The agreement provides for UH/HCC to develop an ab initio training program for pilots, giving them commercial aviation quality training linked with Global Flyers as the curriculum integrator, and Alteon. We anticipate creating a training program with the capacity to train approximately 150 new pilots per year in the basic flight training, passing them off to Alteon for a "bridge" program to jets, and eventually certifying them as first officers with a type rating in a commercial jet aircraft of the customer's choice. We will have the opportunity to build a curriculum and operating procedures to Boeing standards and those of the client airline, saving considerable time and money through the integrated training program.

If HCC can operate a training entity capable for certifying 100 pilots per year, it will make the business case for Alteon to commit approximately \$50 million to the construction and operation of a four bay simulator center in Hawaii, probably located at Honolulu International Airport.

In order to plan for the implementation of the program, Global Flyers exercised their considerable ties to the Taiwanese aviation industry. Meetings have been held in Taiwan with UH, Alteon, and Global Flyers making a joint presentation to senior executives of Taiwanese airlines, and to the head of the China Aviation Development Foundation.

Since the business plan calls for approximately \$11 million in start-up investment, we sought funding from Taiwan to assist in the venture. The China Aviation Development Foundation (CADF) has offered \$5 million in aircraft and flight training equipment to be purchased and provided to UH/HCC at below market lease prices. Taiwanese executives have expressed strong interest in providing \$4 million in EB5 start-up loans. The funds would provide most of the investment and initial operating capital requirements. Airlines will then agree to a long-term training commitment, creating revenues capable of funding operations after initial start-up, covering both the aircraft leases and EB5 loans. They are waiting to see if the State of Hawaii is committed to the project, as is Alteon.

The \$2 million requested is for the necessary bridge funding to cover start-up expenses. If a state commitment is made, DBEDT and UH can return to Taiwan to negotiate contracts with Taiwanese airlines. We anticipate the interest of the CADF and Taiwanese aviation executives and government will create a strong bond in having Hawaii become the de facto flight training center for the Taiwanese aviation industry.

This is a unique and solid opportunity to have the University serve as a catalyst with the help of DBEDT, the Legislature, and the Administration, to bring the world class airline training organization (Alteon), the bridge partner to the initial client (Global Flyers), EB5 investors, and the CADF in support of training to the table. The outcome will be a major economic success as well as help Hawaiian and Aloha Airlines fulfill their pilots' recurrent training need.

We strongly urge that the one-time investment of \$2 million be provided to DBEDT to contract UH/HCC to develop and provide the training necessary for the project's implementation. The operation will be run as a training enterprise through RCUH or other internal university structures, thus providing oversight and ensuring the state's investment will lead to a long-term training relationship between the partners and clients.

Thank you for the opportunity to share this testimony with the committees.