

Refer to  
Legislative Secretary



CARL T.C. GUTIERREZ  
GOVERNOR OF GUAM

Office of the Speaker  
ANTONIO R. UNPINGCO

Date: 8/17/98

Time: 11:15 AM

Rec'd by: AJF

Print Name: ANNE FRANCISCO

AUG 14 1998

The Honorable Antonio R. Unpingco  
Speaker  
Mina'Bente Kuattro na Liheslaturan Guahan  
Twenty-Fourth Guam Legislature  
Guam Legislature Temporary Building  
155 Hesler Street  
Hagåtña, Guam 96910

OFFICE OF THE LEGISLATIVE SECRETARY	
ACCOMMODATION REQUEST	
Received By	<i>Robino</i>
Time	8:45am
Date	8/18/98


Dear Speaker Unpingco:

Enclosed please find Substitute Bill No. 531 (LS), "AN ACT TO ADD CHAPTER 80 TO TITLE 12 OF THE GUAM CODE ANNOTATED, RELATIVE TO ESTABLISHING ECONOMIC INCENTIVES TO ENHANCE AND IMPROVE GUAM'S LOCAL COMMUTER AIR SERVICES", which I have signed into law as **Public Law No. 24-254**.

Guam is in favor of enhancing and improving Guam's local commuter air services. This legislation may open the door to future public-private partnerships in the local commuter airline industry. In these times of economic changes, it is vital that air service be maintained between the various islands of our ocean home, in order to strengthen regional interaction and economic benefits.

This legislation provides one more vehicle to assist local commuter airlines, in addition to the existing programs of the Qualifying Certificate Program and the Guam Economic Development Loan Program.

Very truly yours,

  
Carl T. C. Gutierrez  
I Maga'lahaen Guahan  
Governor of Guam

00970

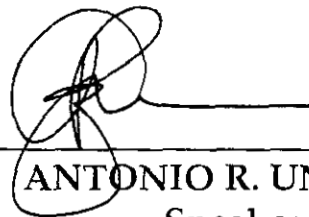
Attachment: copy attached for signed bill  
original attached for vetoed bill

cc: The Honorable Joanne M. S. Brown  
Legislative Secretary

MINA'BENTE KUATTRO NA LIHESLATURAN GUAHAN  
1998 (SECOND) Regular Session

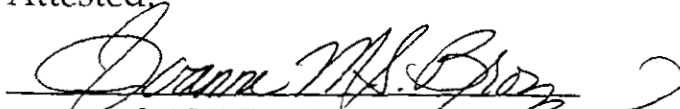
CERTIFICATION OF PASSAGE OF AN ACT TO I MAGA'LAHEN GUAHAN

This is to certify that Substitute Bill No. 531 (LS), "AN ACT TO ADD CHAPTER 80 TO TITLE 12 OF THE GUAM CODE ANNOTATED, RELATIVE TO ESTABLISHING ECONOMIC INCENTIVES TO ENHANCE AND IMPROVE GUAM'S LOCAL COMMUTER AIR SERVICES," was on the 29<sup>th</sup> day of July, 1998, duly and regularly passed.



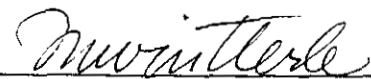
ANTONIO R. UNPINGCO  
Speaker

Attested:



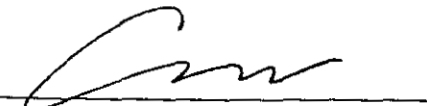
JOANNE M.S. BROWN  
Senator and Legislative Secretary

.....  
This Act was received by I Maga'lahaen Guahan this 3rd day of August, 1998,  
at 9:05 o'clock 9 .M.



Assistant Staff Officer  
Maga'lahaen's Office

APPROVED:



CARL T. C. GUTIERREZ  
I Maga'lahaen Guahan

Date: 8.14.98

Public Law No. 24-254

**MINA'BENTE KUATTRO NA LIHESLATURAN GUAHAN  
1998 (SECOND) Regular Session**

**Bill No. 531 (LS)**

As substituted by the Committee on  
Tourism, Economic Development and  
Cultural Affairs and as amended on the Floor.

Introduced by

M. C. Charfauros  
V. C. Pangelinan  
A. C. Blaz  
Felix P. Camacho  
Mark Forbes  
W. B.S.M. Flores  
Francisco P. Camacho  
A. C. Lamorena, V  
T. C. Ada  
F. B. Aguon, Jr.  
J. M.S. Brown  
E. J. Cruz  
L. F. Kasperbauer  
C. A. Leon Guerrero  
L. A. Leon Guerrero  
J. C. Salas  
A. L.G. Santos  
F. E. Santos  
A. R. Unpingco  
J. Won Pat-Borja

**AN ACT TO ADD CHAPTER 80 TO TITLE 12 OF THE  
GUAM CODE ANNOTATED, RELATIVE TO  
ESTABLISHING ECONOMIC INCENTIVES TO  
ENHANCE AND IMPROVE GUAM'S LOCAL  
COMMUTER AIR SERVICES.**

1           **BE IT ENACTED BY THE PEOPLE OF GUAM:**

2           **Section 1. (a) Legislative Findings.** *I Liheslaturan Guahan* finds that  
3 since 1961 Guam has had approximately eighteen (18) commuter air service  
4 providers serving Guam and the Commonwealth of Northern Mariana Islands  
5 (“CNMI”). These commuter air service providers were Guam Airlines;  
6 Micronesia Airline, Inc.; Air Pacific Inc.; Continental Airlines; Island Aviation  
7 (“Island Air”); Aviation Services Ltd.; Fox Air; IndoPacific (Trans Micronesia  
8 Air); Air Marianas; South Pacific Island Airways; Air Guam; Royal Hawaiian Air  
9 Service; Mari Air (Tinian Air); Commonwealth Wings; Blue Pacific Air; Guam  
10 Marianas Air; Alliance Air and Pacific Island Aviation.

11           Presently, Aviation Services, Ltd., dba Freedom Air remains as the only  
12 locally-own commuter air service provider remaining in operation. Today  
13 Freedom Air has expanded its operations within the tourism industry, to include  
14 surveys and enforcement flights for the Division of Aquatic and Wildlife  
15 Resources, and private and government photograph and mapping flights.  
16 Freedom Air is the oldest locally certified Air Carrier, is the primary airline  
17 between Saipan and Tinian, has a Federal Aviation Administration (“FAA”)  
18 approved repair station, and is a family-run business. Typhoon Omar in 1992  
19 dealt a devastating blow to this airline’s growth by destroying two-thirds (2/3)  
20 of its fleet of aircrafts. Coupled with this disaster, Freedom Air has also had to  
21 deal with rising operating costs associated with its operations at the Guam  
22 Commuter Air Terminal, to include added fees and charges levied by the Guam  
23 International Air Terminal. Freedom Air, though owned and operated by local  
24 Guam residents, has never received any subsidy or exemption from the  
25 government of Guam as an incentive to remain in operation.





1 represented in Guam;

2 (b) assist those persons interested in establishing or  
3 expanding commuter air service and related facilities on Guam in  
4 obtaining financing, by maintaining and disseminating information  
5 regarding financing available through private and public sources;

6 (c) provide administrative and financial assistance, on such  
7 terms and upon such conditions as the Board may determine with  
8 respect to the preparation of feasibility studies relating to specific  
9 proposals for the development or expansion of commuter air service  
10 and related facilities on Guam;

11 (d) lease government-owned land with the consent of *I*  
12 *Liheslaturan Guahan* by resolution, at less than fair market value or  
13 sell land acquired by the Corporation to persons for the development  
14 and operations of commuter air service and related facilities, or for  
15 the expansion of existing commuter air service facilities and other  
16 related facilities;

17 (e) prepare or have prepared assessment of commuter air  
18 service facilities or services required for the construction and support  
19 of additional facilities, expansion of existing facilities, and the  
20 construction and use of related facilities;

21 (f) expend, on such terms and upon such conditions as it  
22 shall determine, such part of its funds may be uncommitted to pay  
23 for in whole or in part, additional infrastructure facilities or services  
24 which it has determined pursuant to Subsection (e) of this Section to  
25 be necessary for the accomplishment of its purposes; and

1 (g) make loans and to guarantee loans, only if it finds that  
2 there are no practical alternative sources of financing available. The  
3 Corporation may charge a fee, in addition to interest on any loan  
4 which makes or guarantees. The fee shall not exceed two percent  
5 (2%) of the amount of the loan. The fee shall be used by the  
6 Corporation to carry out the purposes of the Chapter. No loan made  
7 or guaranteed by the Corporation shall be assigned or otherwise,  
8 transferred directly or indirectly, without consent of the Corporation.

9 **Section 80103. Government Land for the Development of**  
10 **Commuter Air Service Facilities.** Upon request by the Board, the  
11 Governor, with the consent of *I Liheslaturan Guahan*, may convey in fee  
12 simple tracts of government-owned land suitable for development of air  
13 service facilities in accordance with this Chapter. If the government does  
14 not own tracts suitable for such purposes, the Governor may negotiate with  
15 private landowners for the acquisition of suitable property, provided, that  
16 funds have been appropriated for such acquisition.

17 **Section 80104. Appropriation Authorized.** There is authorized to  
18 be appropriated to the Corporation, from time to time, such sums as may  
19 be necessary to enable the Corporation to accomplish the purpose of this  
20 Chapter.

21 **Section 80105. Tax Credits and/or Exemptions for Donations.**  
22 The Corporation may receive donations of money which shall be expended  
23 to carry out the purposes of this Chapter. Donors incurring a tax obligation  
24 to the government of Guam under the Gross Receipts Tax (Article 2,  
25 Chapter 26 of Title 11 of the Guam Code Annotated) or an income tax



1 obligation to the government of Guam under the Guam Territorial Income  
2 Tax Law, at the donors' option in lieu of the deduction provided for such  
3 a contribution by the Guam Territorial Income Tax Law, may receive a  
4 credit for the money donated; provided, however, that the credits shall not  
5 exceed ten percent (10%) of the donor's total tax obligation to the  
6 government of Guam under Subchapters B and C of the Business Privilege  
7 Tax Law for the donor's fiscal year in which the donation is made. If the  
8 amount of money donated exceeds the credit allowed against the taxes  
9 imposed under Subchapters B and C of the Business Privilege Tax Law  
10 (Chapter 26 of Title 11 of the Guam Code Annotated) for the donor's fiscal  
11 year in which the donation is made, then the excess may be deducted with  
12 respect to the donor's income tax obligations to the government of Guam  
13 under the Guam Territorial Tax Law, subject to the limitations imposed  
14 generally with respect to deductions for such contributions. In order to  
15 receive the credit authorized by this Section, the donor must claim the  
16 credit in a manner established by the Department of Revenue and Taxation,  
17 not later than ninety (90) days following the end of the donor's fiscal year  
18 in which the donation was made.

19 **Section 80106. Use Tax.** Taxes levied and collected in Title 11,  
20 Chapter 28, to the extent of the rate imposed under §28104 and collected  
21 under 11 GCA §28105, shall be credited to the 'Customs, Agriculture and  
22 Quarantine Inspection Services Fund' each fiscal year necessary to fund  
23 inspection costs at the commuter air terminal.

24 **Section 80107. Conditions of Exemptions.** In its recommendation  
25 of specific exemptions and tax benefit, the Authority shall require the

1 following as terms and conditions to such benefit and exemptions:

2 (1) **Percentage of Investment.** Limiting the tax benefits  
3 and exemptions to a percentage of the capital investment in Guam to  
4 be made by the Beneficiary;

5 (2) **Local Shareholders.** Requiring the Beneficiary to offer  
6 ten percent (10%) or more of its corporate equity to qualified  
7 residents of Guam on terms and conditions to be established by the  
8 Authority;

9 (3) **Profit-sharing, etc.** Requiring the Beneficiary to  
10 establish profit-sharing and stock ownership programs and other  
11 similar benefits for its employees;

12 (4) **Training.** Requiring the Beneficiary to: (i) establish in-  
13 house training programs or (ii) make contributions to an independent  
14 training or scholarship fund; and

15 (5) **Local Purchaser.** Requiring the Beneficiary to  
16 procure services or products supplied by resident business  
17 enterprises if the total cost of the same does not exceed one hundred  
18 ten percent (110%) of the cost of the same services or products  
19 available from any other vendor.

20 **Section 80108. Qualifications.** (a) To qualify for any tax  
21 exemptions or benefits provided for in this Chapter, the Beneficiary must  
22 be a resident business enterprise. "*Resident business enterprise*," as used in  
23 this Subsection, means a business concern which is all of the following:

24 (i) at least seventy-five percent (75%) owned by one (1) or  
25 more *bona fide* residents of Guam, or in the case of a publicly owned

1 business, at least seventy-five percent (75%) of the stock of which is  
2 owned by one (1) or more *bona fide* residents of Guam;

3 (ii) managed by, and the daily business operations are  
4 controlled by, one (1) or more *bona fide* residents of Guam;

5 (iii) a domestic corporation with its home office located on  
6 Guam;

7 (iv) a *bona fide* resident of Guam for the purposes of this  
8 Chapter is anyone who has been domicile on Guam for at least ten  
9 (10) consecutive years; and

10 (v) must be an entity licensed to do business on Guam for at  
11 least five (5) years and in good financial standing certified by the  
12 Department of Revenue and Taxation.

13 (b) Notwithstanding any other provision of law, all tax exemptions  
14 and benefits under this Chapter shall be immediately revoked if the  
15 Beneficiary fails to comply with any of the conditions and qualifications set  
16 forth in this Chapter. If benefits and tax exemptions are revoked pursuant  
17 to this Section, all entitlements to tax rebates or tax abatements shall be  
18 immediately forfeited. In addition, the Beneficiary shall be mandated to  
19 reimburse the government of Guam for all benefits received while such  
20 Beneficiary was found to be in non-compliance, regardless of whether or  
21 not a certificate of compliance was issued pursuant to this Chapter.”

PL 24-254



# Alberto "Tony" Cristobal Lamorena V

Senator  
Twenty-Fourth Guam Legislature

May 19, 1998

Ofisina para i  
Minaolek Gagahan

Chairman  
Committee on

The Honorable Antonio R. Unpingco  
Speaker  
Twenty-Fourth Guam Legislature  
155 Hesler St.  
Agana, Guam 96910

Tourism

Dear Mr. Speaker,

The Committee on Tourism, Economic Development and Cultural Affairs, to which was referred **Bill No. 531, An Act to Add a New Chapter 77 to Title 12, Guam Code Annotated, to Establish Economic Incentives to Enhance and Improve Guam's Local Commuter Air Service**, has had the same under consideration, and now wishes to report back the same with the recommendation **To Pass**.

Economic  
Development

The Committee votes are as follows:

To Pass	<u>7</u>
Not To Pass	<u>-0-</u>
Abstain	<u>-0-</u>
Inactive File	<u>-0-</u>

and

Cultural  
Affairs

A copy of the Committee Report and all pertinent documents are attached for your information and file.

Sincerely,

ALBERTO C. LAMORENA, V

Vice-Chairman  
Committee on

attachments

Natural  
Resources





Senator Alberto "Tony" Cristobal Lamorena V

Chairman

COMMITTEE ON TOURISM, ECONOMIC DEVELOPMENT AND CULTURAL AFFAIRS

Twenty-Fourth Guam Legislature

VOTING SHEET ON

BILL NO. 531

AN ACT TO ADD A NEW CHAPTER 77 TO TITLE 12, GUAM CODE ANNOTATED, TO ESTABLISH ECONOMIC INCENTIVES TO ENHANCE AND IMPROVE GUAM'S LOCAL COMMUTER AIR SERVICE.



RECOMMENDATION TO PASS

Committee Members	Signature	To pass	Not to pass	Abstain	Place in Inactive File
Senator Alberto "Tony" Lamorena Chairperson					
Senator Joanne Brown Vice-Chairperson					
Speaker Antonio Unpingco					
Vice-Speaker Anthony Blaz					
Senator Mark Forbes		✓			
Senator Carlotta Leon Guerrero		✓			
Senator Felix Camacho		✓			
Senator Eduardo Cruz, M.D.		✓			
Senator William Flores		✓			
Senator Mark Charfauros		✓			
<b>TOTAL VOTES:</b>		7	-0-	-0-	-0-

**COMMITTEE ON TOURISM, ECONOMIC DEVELOPMENT  
AND CULTURAL AFFAIRS**  
Twenty-Fourth Guam Legislature  
155 Hesler Street Agana, Guam 96910

**COMMITTEE REPORT**

**ON**

**BILL NO. 531**

**AN ACT TO ADD A NEW CHAPTER 77 TO TITLE 12, GUAM  
CODE ANNOTATED, TO ESTABLISH ECONOMIC  
INCENTIVES TO ENHANCE AND IMPROVE GUAM'S LOCAL  
COMMUTER AIR SERVICE.**

**COMMITTEE MEMBERS**

**Chairman:** Senator Alberto C. Lamorena, V

**Vice Chairperson:** Senator Joanne M.S. Brown

Senator Anthony C. Blaz

Senator Edward J. Cruz, MD

Senator Felix P. Camacho

Senator William B.S.M. Flores

Senator Mark C. Charfauros

Senator Mark Forbes

Senator Carlotta A. Leon Guerrero

**COMMITTEE REPORT  
ON  
BILL NO. 531**

**An Act to Add a New Chapter 77 to Title 12, Guam Code Annotated,  
to Establish Economic Incentives to Enhance and Improve Guam's  
Local Commuter Air Service.**

**INTRODUCTION**

The Committee on Tourism, Economic Development and Cultural Affairs conducted a Public Hearing 1:40 p.m. Friday, May 8, 1998 in the Public Hearing Room of the Guam Legislature Temporary Bldg. in Agana.

**Committee Members Present:** Senator Alberto C. Lamorena, V., Chairman  
Senator Mark C. Charfauros

**Other Senators Present:** Senator Francisco P. Camacho  
Senator Frank B. Aguon, Jr.

**Government Officials:** Mr. Ed Untalan, Administrator  
Guam Economic Development Authority  
Mr. Andy Gayle, Legal Council  
Guam Economic Development Authority

**Others:** Mr. Andy Pellacani  
Freedom Air  
Mr. Jesse Rojas  
Freedom Air

**SUMMARY OF TESTIMONY**

**Mr. Ed Untalan**, Administrator for the Guam Economic Development Authority stated that his testimony, as presented would not be as complete as he would like for it to be until he could get further feedback from GEDA's legal counsel, the Department

of Revenue and Taxation, the Guam International Airport, and possibly GEDA's bond counsel. He stated that when he receives further information he will be able to provide a more detailed response. He commended the intent of Bill No. 531 to provide and enhance economic incentives to improve Guam's local commuter air service. He further mentioned that GEDA provides financial incentives in several ways either through a loan or tax holiday. He stressed to the committee the importance to understand that the primary benefit received from a QC is at the back end. In other words, the company must make money and pay taxes to receive the benefit. He requested from the Chairman on the committee that we take our time to fully review the legislation and its intent. We need to review the probability of success if we are to design a program for an industry that has had difficulty in the past. We need to study the impact from a cost/benefit perspective.

**Mr. Andy Gayle**, Legal Council for the Guam Economic Development Authority requested for additional time to submit GEDA's proposed amendments to the Bill for the committee's review at a later date.

**Mr. Andy Pellacani**, representing Freedom Air, read testimony from Mr. Joaquin L. Flores, Jr., the General Manager of Freedom Air. The testimony pointed out that Freedom Air has been in operation since 1974. Since then it has grown to a fleet of sixteen aircraft inventory including a 30 seat air transport category Shorts 3-30 aircraft. Commuter Airlines have been paying various airport rental and other fees since the Commuter Terminal was opened in 1991 and until this day no improvements have been made to the terminal. Instead, much of funds collected from the commuter airlines are being used to fund the improvements made to the Anotnio B. WonPat Guam International Air Terminal. This bill, at the very least will alleviate the fee we now have to pay for Custom Inspection. The Government of Guam has provided financial incentives for off island companies dealing with the tourist industry, to encourage them to invest in Guam. Commuter airlines provide services to tourists as well, additionally we provide services to the hotel and restaurants on island. Local airlines should also be offered these incentives as well. In closing Freedom Air announced their total support for the passage of Bill 531.

**Mr. Jesse Rojas**, representing Freedom Air, also provided a brief oral testimony in which he relayed his support for Bill No. 531.

There being no other witnesses, the Chairman adjourned the hearing.

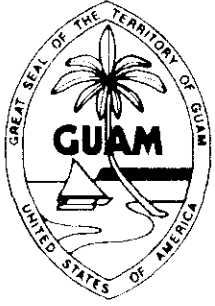


## **COMMITTEE FINDINGS**

The committee finds that since 1961 Guam has had approximately eighteen (18) commuter air service providers serving Guam and the Commonwealth of the Northern Marianas Islands. At the present time, the only local commuter air service that remains in operation is Aviation Services Ltd., dba Freedom Air. This commuter air service provider has expanded its operation within the tourism industry, surveys and enforcement flights for the Division of Aquatic and Wildlife Resources, and private and government photograph and mapping flights. It is the intent of the committee to promote and enhance local entrepreneurship within the commuter air service industry by providing government tax exemptions and incentives. The committee further finds that through these tax breaks and incentives, the government hopes to stimulate regional travel, enhanced local import and export activities in agriculture, aquaculture, and other economic activities beneficial to the people of Guam.

## **COMMITTEE RECOMMENDATIONS**

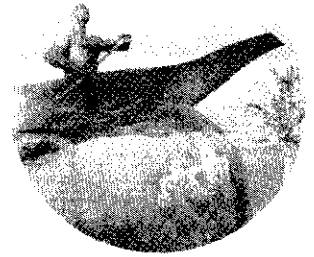
The Committee on Tourism, Economic Development and Cultural Affairs hereby reports out Bill No. 531 to the Twenty-Fourth Guam Legislature with the recommendation **To Pass**.



# GUAM

ECONOMIC DEVELOPMENT AUTHORITY

*An Autonomous Agency of the Government of Guam, USA*



## TESTIMONY ON:

**Bill No. 531 - An Act to Add a New Chapter 77 to Title 12, Guam Code Annotated, to establish economic incentives to enhance and improve Guam's Local Commuter Air Service**

**Submitted by:**

**Ed Untalan**

**Administrator**

**Guam Economic Development Authority**

**May 8, 1998**

Good afternoon Chairman Lamorena, esteemed members of the Committee on Tourism, Economic Development and Cultural Affairs, ladies and gentlemen:

My name is Ed Untalan, and I am the Administrator for the Guam Economic Development Authority (GEDA). I am here on behalf of the Authority to provide testimony on Bill 531. Mr. Chairman, because of the time constraints, my testimony is not as complete as I would like it to be as I intended to incorporate feedback from our legal counsel, the Department of Revenue and Taxation, the Guam International Airport, and possibly our bond counsel. Unfortunately, unfortunately, I did not have enough time to obtain their input. Suffice it to say, my testimony today provides a cursory response, with a more detailed report to be submitted at a later date.

*Destination Guam, USA  
Tropical Paradise & Island of Opportunities*

The intent to provide economic incentives to enhance and improve Guam's local commuter air services is to be commended. The Qualifying Certificate Program's (QC's) primary objective is the creation of employment through the development of industries (or economic activity). Incentives are necessary in order to be competitive in the global market where businesses have a choice of different destinations to invest their money in. We offer these tax benefits as the "incentive" to select Guam as their investment destination. As noted in the proposed legislation, a primary example where the QC program is successful is in the tourism industry.

As of the end of 1997, there were 15 QC Beneficiaries in the Tourism Industry (4 of which are local companies). These 13 companies provided 4,000 jobs with an annual payroll totaling \$74.4 million dollars. In addition, these companies paid \$11.8 million dollars in gross receipts taxes and \$13.9 million dollars in hotel occupancy taxes. When you compare this to the benefits awarded of \$3 million dollars, it can be concluded that the QC program is an effective tool, if managed properly and effectively.

GEDA has some experience with airlines. As the bill cites, a number of companies have started and most of them have shut down operations. Our experience was not pleasant as the company we had provided financing to also shut down. Consequently, we are still trying to recover over \$3 million dollars of funds that was lent to the company. The experience gained was that this industry is extremely capital intensive with low profit margins and is market driven. Needless to say, it is a very risky venture.

GEDA provides financial assistance in several ways of which I have mentioned earlier: either through a loan or a tax holiday. It is important to understand that the primary benefit received from a QC is at the back end. In other words, the company must make money and pay taxes in order to receive the benefit. In order to survive, the company must be well capitalized or have a good balance of debt and equity in its capital structure.

On the other hand, a loan is a front end benefit where the company receives an upfront infusion of capital. However, in order for any company to survive, the company must also have a sufficient level of equity to avoid burdening the cashflow with debt payments.

That being said, the bill proposes to add a new chapter to GEDA offering a mix of both a QC or a loan. I would like to note that there are provisions currently under GEDA's charter that provides for this. Today, any local commuter airline could approach GEDA and apply for either a loan or a QC. The funding would be conditional upon meeting a number of criteria outlined by the federal loan program we administer as well as ability to repay and the quality of the security offered. The QC is conditional upon showing the ability to create employment, provide a vitally needed facility, and/or reducing consumer prices. The QC recipient must provide a benefit to the Island and not just receive a benefit for its owners.

However, there are also a number of provisions in the legislation that GEDA does not have the authority to enforce. Specifically, Section 80106 directs the airport to use certain fees for a specific purpose. As we have outstanding bond covenants which dictate the flow of funds, I will need bond counsel's opinion if this is possible, particularly under GEDA's statute.

Mr. Chairman, rather than commenting on each specific section, which I still need the feedback from the individuals I mentioned earlier, I would like to suggest the following: that we take our time and fully review the legislation and its intent. We need to review the probability of success if we are to design a program for an industry that has had difficulty in the past (due to the market and not to the taxes). We need to study the impact from a cost/benefit perspective. The success of the tourism industry is proven, as well as the insurance industry (as proven in Bermuda and other domiciles).

Si Yuus Maase.

1 **TESTIMONY OF:**

2 **AVIATION SERVICES, INC., dba FREEDOM AIR**

3  
4  
5 Bill No. 531

6  
7 **AN ACT TO ADD A NEW CHAPTER 77 TO TITLE 12, GUAM, CODE ANNOTATED, TO**  
8 **ESTABLISH ECONOMIC INCENTIVES TO ENHANCE AND IMPROVE GUAM'S LOCAL**  
9 **COMMUTER AIR SERVICES.**

10  
11 Greetings, Mr. Chairman and members of the Committee on Tourism, Economic Development  
12 and Cultural Affairs, Twenty-Fourth Guam Legislature, Thank you for your invitation to testify on Bill  
13 531.

14  
15 Aviation Services, Ltd. dba Freedom Air is a Guam Corporation incorporated in 1974, and  
16 certificated by the Federal Aviation Administration as an Air Taxi Operator and also providing local aerial  
17 tour and photography. In 1976 obtained a Commuter Carrier Certificate operating scheduled operations  
18 between Saipan and Tinian in the Northern Marianas Islands and eventually in March, 1997, Freedom  
19 Air was certified a Flag and Supplemental Air Carrier under U. S. Federal Aviation Regulation Part 121.  
20 Aviation Services, Ltd. started with a single four seater Cessna 172 airplane and expanded to its present  
21 fleet of sixteen aircraft inventory including a 30 seat air transport category Shorts 3-30 aircraft. We have  
22 been in business for 24 uninterrupted years.

23  
24 Bill 531 is important not only for the commuter airlines operating at the present Commuter Air  
25 Terminal but for the passenger traveling between the islands in the Marianas and eventually the  
26 neighboring Islands in Micronesia.

27  
28 Commuter Airlines have been paying various airport rental and other fees since the Commuter


1 Terminal was opened in 1991 and to this day no improvements made to the terminal. It is obvious that  
2 the revenue generated from the commuter airlines is being used to operate and help finance the Antonio  
3 B. Wonpat Guam International Air Terminal.

4  
5 The demise of the other commuter carriers that have started and later shut down were, for the  
6 most part, caused by very high fees and charges commuter carriers have to pay to airport authorities and  
7 government agencies. This bill, at the very least will alleviate the fee we now have to pay for Custom  
8 Inspection.. Historically, fees paid by the local travelers for government are way too excessive for the  
9 service received. A round trip fare to Rota from Guam for example, approximately 22 per cent goes to  
10 airport fees and government clearance.

11  
12 The Government of Guam has provided financial incentives for off island companies dealing with  
13 the tourist industry, to make substantial investment in Guam. Commuter airlines provide services to  
14 tourists just as the hotels and restaurants on the island. Local airlines should also be offered the same  
15 incentives as well.

16  
17 We totally supports the passage of Bill 531.

18  
19 Thank You,

20 

21 Joaquin L. Flores, Jr.

22 General Manager

23  
24  
25  
26  
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COMMITTEE ON TOURISM, ECONOMIC DEVELOPMENT  
& CULTURAL AFFAIRS

Public Hearing

1:40 p.m. Friday, May 8, 1998

**AGENDA**

**I. Confirmation Hearing on:**

The appointment of **Ms. Marie C. Barretto** to serve as an Acting Member of the Guam Council on the Arts and Humanities.

The appointment of **Mr. Eddie L.G. Benavente** to serve as an Acting Member of the Chamorro Language Commission.

- II. Bill No. 531:** An Act to Add a New Chapter 77 to Title 12, Guam Code Annotated, to Establish Economic Incentives to Enhance and Improve Guam's Local Commuter Air Service.
- III. Bill No. 480:** An Act to Amend §§70105, 70107, 70108 and 70109, Chapter 70, Title 12, Guam Code Annotated, to Clarify the Chapter's Provisions on Tax Benefits for Hotel, Tourist Facility and Affordable Housing Developers.

