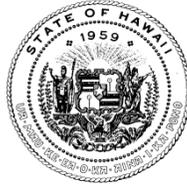


JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA



STATE OF HAWAII | KA MOKU'ĀINA 'O HAWAI'I
DEPARTMENT OF TRANSPORTATION | KA 'OIHANA ALAKAU
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

EDWIN H. SNIFFEN
DIRECTOR
KA LUNA HO'OKELE

Deputy Directors
Nā Hope Luna Ho'okele
DREANALEE K. KALILI
TAMMY L. LEE
CURT T. OTAGURO
ROBIN K. SHISHIDO

Wednesday, March 4, 2026
10:35 AM
State Capitol, 211

**SB2698,SD1
RELATING TO TRANSPORTATION**

Senate Committee on Ways and Means

The Department of Transportation (DOT) supports this measure that authorizes the DOT to assess a per passenger head fee against cruise ships docking in the State's commercial harbors, establishes the Cruise Ship Special Fund, and repeals existing law imposing the transient accommodations tax on cruise ships.

The DOT recognizes the intent of this bill to generate revenue for port facility and capital improvements through a new per passenger fee and we appreciate the Legislature's efforts to address the ongoing need for funding to maintain and upgrade our critical maritime infrastructure. Based on cruise ship passenger counts from Fiscal Year 2025, we estimate the annual revenue generation from this fee as proposed is \$9.7 million. This revenue will be used to maintain berths and facilities where cruise ships operate, including substructure repair, bollard and fender replacements, dredging, and passenger terminal improvements (e.g., air conditioning, restrooms, elevators). These funds can also be used for projects that address or mitigate the impacts of coastal erosion, changing sea conditions, and pollution.

Thank you for the opportunity to provide this testimony



TESTIMONY OF
CAROLINE ANDERSON
Interim President & CEO
Hawai'i Tourism Authority
before the
SENATE COMMITTEE ON WAYS AND MEANS
AND THE
SENATE COMMITTEE ON JUDICIARY

Wednesday, March 4, 2026
10:35 a.m.

State Capitol, Room 211

In consideration of

SB 2698 SD1

RELATING TO TRANSPORTATION

Aloha Chairs Dela Cruz and Rhoads, Vice Chairs Moriwaki and Gabbard, and Members of the Committees:

The Hawai'i Tourism Authority (HTA) offers comments on SB 2698 SD1, which would establish a \$10 per-passenger head fee on cruise ships, assessed at each port entry in the State. It would also create a Cruise Ship Special Fund and limit its use to port facilities and capital improvement projects that support cruise ship operations. In addition, the bill would repeal the existing framework that applies the transient accommodations tax (TAT) to cruise ship cabins and fares.

HTA believes SB 2698 SD1 addresses several industry concerns regarding the framework established by Act 096. First, a flat, per-passenger fee assessed at each port call is easier for cruise lines to forecast and administer than a percentage-based tax applied to cruise fares.

Second, the per-passenger approach is a more practical and fair way to assess a charge comparable to a transient accommodations tax, because cruise purchases are typically sold as bundled packages that include much more than onboard lodging. A flat fee acknowledges that difference and reduces the complexity of applying an accommodation-style tax to a bundled product.

Third, directing fee revenues into a dedicated Cruise Ship Special Fund provides a clearer, more transparent path for how those revenues are spent. By limiting the fund to port facility and capital improvement projects that support cruise ship operations, the bill strengthens the connection between the fee paid and the benefit provided at the locations cruise ships and passengers use.

Finally, focusing the fund on port facilities and capital improvement projects can support infrastructure upgrades that help ports and maritime operators meet sustainability and operational expectations. This approach is also consistent with the environmental intent of Act 096 by supporting investments that reduce impacts and improve environmental performance in maritime operations.

Mahalo for the opportunity to provide comments on SB 2698 SD1.

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau
P.O. BOX 259

HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:

S.B. No. 2698, S.D.1, Relating to Transportation

BEFORE THE:

Senate Committees on Ways and Means, and Judiciary

DATE: Wednesday, March 4, 2026

TIME: 10:35 a.m.

LOCATION: State Capitol, Room 211

Chairs Dela Cruz and Rhoads, Vice-Chairs Moriwaki and Gabbard, and Members of the Committees:

The Department of Taxation (DOTAX) offers the following comments regarding S.B. 2698, S.D.1, for your consideration.

S.B. 2698, S.D.1, amends chapter 266, Hawaii Revised Statutes (HRS), governing the Department of Transportation Harbors Division, by adding new sections imposing a \$10.00 per passenger "head fee" against any cruise ship that docks in any commercial harbor in Hawai'i. The fee would be assessed at each port entry in the State and would be in addition to existing port user fees. The fees would be deposited in the Cruise Ship Special Fund to be used solely for port facility and capital improvement projects in support of cruise ship operations.

Sections 3 and 4 of the bill amend sections 237D-1 and 237D-2, HRS, to repeal the imposition of the transient accommodations tax on cruise fares.

The measure is effective on July 1, 2026, provided that sections 2, 3, and 4 are effective retroactively to January 1, 2026.

DOTAX notes that it can implement the tax law changes in sections 3 and 4 in this bill by the proposed effective date.

Thank you for the opportunity to provide comments on this measure.



**WRITTEN TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
KA 'OIHANA O KA LOIO KUHINA
THIRTY-THIRD LEGISLATURE, 2026**

ON THE FOLLOWING MEASURE:

S.B. NO. 2698, S.D. 1, RELATING TO TRANSPORTATION.

BEFORE THE:

SENATE COMMITTEES ON WAYS AND MEANS AND ON JUDICIARY

DATE: Wednesday, March 4, 2026 **TIME:** 10:35 a.m.

LOCATION: State Capitol, Room 211

TESTIFIER(S): **WRITTEN TESTIMONY ONLY.**

(For more information, contact Ryan W. Roylo,
Deputy Attorney General, at (808)587-2966)

Chairs Dela Cruz and Rhoads and Members of the Committees:

The Department of the Attorney General provides the following comments.

The purpose of this bill is to impose a passenger head fee upon cruise ships that will be deposited into a cruise ship special fund for port facility and harbor capital improvement projects. This bill also retroactively repeals the transient accommodations tax on cruise ships established by Act 96, Session Laws of Hawaii 2025, on January 1, 2026, the effective date of Act 96.

Section 1 of this bill proposes to add to chapter 266, Hawaii Revised Statutes, two new sections. The second new section, temporarily designated as section 266-B, will establish the Cruise Ship Special Fund. The Department is concerned that the new section 266-B(b), which designates moneys in the special fund to be used solely for port facility and capital improvement projects to support cruise ship operations, does not provide for the authorization of expenditures from the special fund by an administrator. In addition, the Department is concerned that the new section 266-B, at page 2, lines 6-16, does not provide for administration of the special fund by the Department of Transportation. Finally, in order to preserve the validity of existing laws, the Department is concerned about the lack of a savings clause in the bill. The following suggested amendments to the bill will address our concerns.

Authorization of Expenditures out of the Special Fund.

The following are suggested amendments to new section 266-B(b), at page 2, lines 14-16:

(b) Moneys in the cruise ship special fund shall be used solely for port facility and capital improvement projects to support cruise ship operations[-] as authorized by the director of transportation.

(Suggested amendments are Ramseyered against the wording of the bill, with original underscoring removed.)

Expenditure Provisions.

The bill does not appropriate money out of the new special fund. Without allowing for the expenditure of funds, the Department of Transportation will not be able to carry out the purpose of the bill. If the intent of the bill is to allow the expenditure of funds for port facility and capital improvement projects, we recommend that a new section 5 be inserted on page 8, beginning at line 8:

SECTION 5. There is appropriated out of the cruise ship special fund the sum of \$_____ or so much thereof as may be necessary for fiscal year 2026-2027 to be expended by the department of transportation for the purposes of this Act.

Savings Clause for Passenger Head Fee.

To preserve the validity of existing laws, and to ensure that section 1 of the bill, which establishes the passenger head fee, is applied prospectively, the following savings clause is recommended to be inserted as a new section 6:

SECTION 6. Section 1 of this Act does not affect rights and duties that matured, penalties that were incurred, and proceedings that were begun before its effective date.

Accordingly, existing sections 5 and 6 should be renumbered as sections 7 and 8.

We respectfully ask the Committees to make the recommended amendments. Thank you for the opportunity to provide comments on this bill.



HAWAII STEVEDORES, INC.

1601 Sand Island Parkway • Honolulu, Hawaii 96819 • (808) 842-5399 • FAX (808) 842-5394

Reference Bill: SB 2698 SD1
To: Senate Committee on Ways & Means
Senate Committee on Judiciary

Aloha Chair Dela Cruz, Chair Rhodes, Vice Chair Moriwaki and Vice Chair Gabbard and
Committee Members

Hawaii Stevedores, Inc. (HSI) is in support of SB 2698 SD1.

The cruise industry is a valuable sector of Hawaii's tourism industry as well as Hawaii's maritime industry. HSI provides cargo handling services for provisions that a vessel takes onboard when it makes a port call. This includes everything from food & beverages to furniture, repair & maintenance equipment, paper products and other goods & materials. While HSI provides stevedoring services to cruise ships its sister company, Pasha Hawaii, carries the sea going containers involved in bringing supplies to the cruise industry. A healthy cruise industry is beneficial not only to HSI and Pasha Hawaii but also to the many maritime service providers, truckers and distributors that operate across the Hawaiian Islands.

Cruise ship activity plays a crucial role in bolstering the state's visitor economy. It creates a ripple effect of positive impacts throughout the harbor system, benefiting local vendors, transportation services, stevedoring companies, security personnel, and numerous other maritime-dependent businesses. Additionally, cruise ships help support local employment both on Oahu and the outer islands.

The proposed bill allocates the funds collected into a dedicated cruise ship special fund. This fund will be directed towards the maintenance, upgrading, and repair of the facilities that are essential to our operations. Moreover, the fee will be utilized to support sustainable initiatives within the maritime industry, such as implementing shore power and other environmentally friendly practices.

Hawaii Stevedores, Inc. respectfully asks that you move SB 2698 SD1 forward.

Respectfully,

Randy Grune
Vice President Community Affairs

Testimony of Matson Navigation Company, Inc.
Support of SB2698, SD1
Before the Committees on Ways and Means
and Judiciary
March 4, 2026

Dear Chair Dela Cruz, Chair Rhoads, Vice Chair Moriwaki, Vice Chair Gabbard, and Members of the Committees:

Matson Navigation Company, Inc. supports SB2698, SD1 which establishes a passenger fee on cruise ships docking in the State's commercial harbors and requires that fees collected be used solely for port facility and harbor capital improvement projects.

As an island state, Hawaii is very dependent upon our commercial harbors to ensure the continued and unimpeded flow of cargo in and out of our State. It is estimated that over 90 percent Hawaii's imported goods pass through our commercial harbors, including consumer goods, motor vehicles, construction materials, and fuel. Given the critical role of our commercial harbors, it is imperative that the State support dependable and efficient cargo transportation and handling to service our residents and businesses. This measure will provide additional revenues for much-needed harbor improvements.

Thank you for considering our testimony in support.

McCabe, Hamilton & Renny Co., Ltd.

“THE STEVEDORES”

Testimony for SB 2698 SD1, Relating to Transportation

Hearing Scheduled for March 4, 2026

Committee on Ways and Means

Committee on Judiciary

McCabe Hamilton & Renny Co., Ltd. **supports** SB 2698 SD1, relating to transportation.

Aloha Chair Dela Cruz, Chair Rhoads, Vice Chair Moriwaki, Vice Chair Gabbard and Committee Members,

I write in strong support of Senate Bill 2698 on behalf of McCabe, Hamilton & Renny Co., Ltd. For 125 years, McCabe has served Hawai'i's harbors. With more than 400 employees, we remain a cornerstone of the State's port operations.

Cruise calls require a broad range of stevedoring services — including mooring and gangway operations, vessel provisioning, and passenger logistics — performed largely by skilled ILWU laborers who are local residents. These workers rely on cruise activity to support their families and play a vital role in cargo operations throughout Hawai'i. The economic activity generated by cruise vessels sustains not only McCabe, but also the broader island workforce. In addition, the benefits extend to a wide range of stakeholders, including airports, hotels, local suppliers, stevedoring companies, security personnel, tugboat operators, ground handlers, and tour operators.

The proposed fee would be incorporated alongside existing passenger fees, dockage, port entry, and wharfage, all of which would remain unchanged. A per-passenger fee more appropriately distinguishes cruise room revenue from hotel revenue and directly connects visitors to funding for environmental and harbor improvement projects.

We respectfully urge the Committee to advance SB 2698 SD1 to help ensure a sustainable and thriving future for Hawai'i's maritime industry and the communities it supports.

Sincerely,

Matt Guard

President, McCabe Hamilton & Renny Co., Ltd.



NORWEGIAN CRUISE LINE
HOLDINGS LTD.

Testimony for SB 2698 SD1, Relating to Transportation

Hearing Scheduled for March 4, 2026
Committee on Ways and Means
Committee on Judiciary

Aloha Chair Dela Cruz, Chair Rhoads, Vice Chair Moriwaki, Vice Chair Gabbard and Committee Members,

Norwegian Cruise Line Holding Ltd **supports** SB 2698 SD1, relating to transportation.

As the only cruise company operating a U.S. flagged, year-round cruise ship in Hawaii – the Pride of America – Norwegian Cruise Line has been a committed partner to the state since the early 2000s. This home-ported ship consistently generates substantial positive economic impact, benefiting not only visitors but the broader maritime industry. These benefits reach a wide array of stakeholders, including airports, hotels, local provisions, stevedoring, security personnel, tugboat operators, ground-handlers, and tour operators. In addition, its operations generate significant tax revenue for the State. Beyond the year-round ship, several foreign-flag vessels from the Norwegian, Regent Seven Seas and Oceania brands visit the Hawaiian islands seasonally, collectively contributing to the vibrancy and sustainability of the visitor industry. In 2024 alone, the cruise industry generated approximately \$1 Billion in induced economic benefits.

This bill seeks to revise and replace the transient accommodation tax language for cruise ships that was enacted during the 2025 legislative season. The late-stage amendments, which became Act 96, are currently being challenged as a violation of the Tonnage Clause of the United States Constitution. The Tonnage Clause prohibits States from imposing any tax or fees that acts as a charge for the privilege of entering in, staying in, or conducting trade in a port without congressional consent.

SB 2698 SD1 aims to address this constitutional issue by replacing the challenged tax with a per passenger fee, the proceeds of which will be deposited into a cruise ship special fund. Importantly, these collections will be exclusively allocated for harbor and port facility capital improvements, thereby aligning the fee with requirements of the Tonnage Clause. The proposed fee will be incorporated into Section 2, Chapter 266 of the Hawaii Revised Statutes, alongside existing passenger fees, dockage, port entry and wharfage which will remain unchanged.

Norwegian Cruise Line Holdings Ltd. is dedicated to being responsible stewards of the destinations we visit. Transitioning to a per-passenger fee that is directly reinvested into improving Hawaii's harbors and maritime infrastructure will serve to strengthen Hawaii's critical harbor systems benefiting all maritime users as well as local residents. We believe that the proposed fee is fair and reasonable when viewed in the context of the range of taxes and fees already paid by cruise passengers.

For these reasons, we respectfully urge the committee to advance SB 2698 SD1 to ensure a sustainable, thriving future for Hawaii's maritime industry and the communities it supports.



Testimony in **SUPPORT** for SB 2698 SD1, Relating to Transportation

Senate Committee on Ways and Means
Senate Committee on Judiciary
March 4, 2026

Aloha Chairs Dela Cruz and Rhoads, Vice Chairs Moriwaki and Gabbard, and members of the committees,

The Hawaii Harbors Users Group is writing in **support** of SB 2698 SD1, relating to transportation. This bill requires the Department of Transportation to impose a per-passenger head fee on cruise ships docking at Hawai'i's commercial harbors, creates a dedicated Cruise Ship Special Fund, and repeals the Transient Accommodations Tax on cruise ships effective January 1, 2026.

Our membership includes a broad range of maritime stakeholders, including cruise ship operators and companies that work directly in harbor operations, giving us a unique and informed perspective on the practical needs of the industry and the State.

Cruise vessels depend heavily on harbor services such as berthing, security, pilotage, tug assistance, longshore labor, and terminal facilities. These services require continuous investment to maintain safe, efficient, and reliable operations alongside cargo and interisland shipping. A per-passenger head fee is a transparent and predictable mechanism that directly links harbor use to harbor support.

Equally important, the repeal of the Transient Accommodations Tax on cruise ships is a positive and necessary policy clarification. Removing the TAT recognizes that cruise travel is fundamentally different from land-based accommodations and avoids duplicative taxation on the same visitor activity, while still ensuring that cruise passengers contribute meaningfully through a fee tied directly to the use of state harbor facilities. HHUG strongly supports this change as a fairer approach that aligns taxation with actual impacts on infrastructure.

The creation of the Cruise Ship Special Fund further strengthens this measure by dedicating revenues to harbor-related capital improvements and operational needs. Directing these funds to port facilities and infrastructure will benefit all harbor users, improve efficiency, and enhance safety throughout Hawai'i's commercial harbor system.

From the perspective of our members—including cruise operators themselves—stable, modern, and well-maintained harbor facilities are essential to sustaining maritime commerce and Hawai'i's visitor economy. SB 2698 SD1 advances that goal while providing regulatory certainty and fairness for the cruise industry.

For these reasons, the Hawaii Harbors Users Group urges your support of SB 2698 SD1 and respectfully asks for its passage.

Mahalo for the opportunity to provide testimony on this important measure.



SB2698

*Arrr... I'll get you
one way or another.*

TESTIMONY IN SUPPORT OF SB2698 – SD1

Senate Committee on Ways and Means

Chair Dela Cruz, Chair Rhoads, Vice Chair Moriwaki, Vice Chair Gabbard and Committee Members:

My name is **Terry Fischer**, and I am the President and CEO of **Polynesian Adventure Tours**. I am writing today in support of **SB2698**, representing our **340 employees** who live and work across **O‘ahu, Maui, Kaua‘i, and Hawai‘i Island**.

The cruise industry plays a vital role in sustaining Hawai‘i’s visitor economy, and the transportation network that supports cruise passengers is powered by **local bus and group travel companies**. At Polynesian Adventure Tours—and across Hawai‘i’s motorcoach sector—we move thousands of visitors every day to attractions, hotels, and **locally owned businesses**, putting real dollars into local communities while **reducing congestion on our roads**.

For many small and independently owned restaurants, attractions, and activity providers, **cruise-related visitation is essential to their survival**. Cruise passengers provide consistent and predictable demand that helps these businesses operate year-round, retain local employees, and cover the fixed costs of doing business in a tourism-dependent economy. Importantly, this spending largely **stays within the community**, supporting the cultural, recreational, and experiential offerings that make Hawai‘i unique for both residents and visitors.

Buses are also the **most sustainable form of mass transportation available today**. According to research from the **ABA Foundation**, buses produce fewer carbon emissions per passenger mile than airplanes, trains, taxis, or passenger vans—making group transportation one of the most effective ways to move visitors while protecting Hawai‘i’s natural environment.

The economic contribution tied to this activity is significant. **Bus and group travel in Hawai‘i generates more than \$1.25 billion in economic output**, supports over **6,400 local jobs**, produces **\$353 million in wages**, and contributes nearly **\$200 million in state and local taxes**—revenue that directly supports local families, public services, and small businesses across the islands.

SB2698 creates a **balanced path forward** by aligning cruise visitation with a funding structure that supports infrastructure, environmental stewardship, and the long-term sustainability of Hawai‘i’s tourism economy. Measures that strengthen the overall visitor ecosystem also strengthen the **local transportation providers, small businesses, and workers** who depend on it.

Polynesian Adventure Tours respectfully supports **SB2698** because it helps ensure that tourism continues to generate jobs, invest in communities, and move visitors in the **most efficient and environmentally responsible way possible**.

Thank you for the opportunity to testify.


Terry Fischer
President – Polynesian Adventure Tours

2965 N Nimitz Hwy
Honolulu, HI
96819



Testimony for SB 2698 SD1, Relating to Transportation
Hearing Scheduled for March 4, 2026
Committee on Ways and Means
Committee on Judiciary

Aloha Chair Dela Cruz, Chair Rhodes, Vice Chair Moriwaki and Vice Chair Gabbard and Committee Members,

My name is Jamie Barut. I am born and raised in Hawai'i and have worked in the visitor and transportation industry for more than 40 years. I currently serve as Vice President of Operations for Polynesian Adventure Tours, representing over 340 employees who live and work on O'ahu, Maui, Kaua'i, and Hawai'i Island. I am here in strong support of SB2698 SD1.

Over the decades, I have seen firsthand how the cruise industry supports local businesses and local jobs. Cruise visitors rely almost entirely on Hawai'i-based transportation companies, tour operators, restaurants, attractions, and activity providers. For many small and independently owned businesses—especially those near ports—cruise visitation provides consistent, predictable demand that helps them stay open year-round, retain local employees, and withstand slower travel periods.

Group transportation plays a critical role in this ecosystem. Motorcoaches efficiently move thousands of visitors each day, reducing traffic congestion while directing visitor spending into local communities. This activity supports jobs, wages, and tax revenues that benefit residents across the islands, while helping protect Hawai'i's environment through lower emissions per passenger than other forms of transportation.

SB2698 SD1 represents a balanced approach that recognizes the value of cruise tourism while creating a framework to support infrastructure, environmental stewardship, and long-term sustainability. When cruise visitation is managed responsibly, it strengthens the entire visitor economy—from transportation providers to small local businesses—and supports the people who depend on it.

For these reasons, Polynesian Adventure Tours respectfully supports SB2698 SD1. Thank you for the opportunity to testify.



March 4, 2026

SENATE COMMITTEE ON WAYS AND MEANS

Sen. Donovan Dela Cruz, Chair; Sen. Sharon Moriwaki, Vice Chair; and Committee Members

SENATE COMMITTEE ON JUDICIARY

Sen. Karl Rhoads, Chair; Sen. Mike Gabbard, Vice Chair; and Committee Members

Public Hearing, March 4, 2026, 10:35 a.m. – Conference Room 211, State Capitol

**Testimony of William F. Anonsen, Managing Partner/Principal of The Maritime Group
In Support of S.B. 2698 SD1, Relating to Cruise Ship Special Fund**

My name is William F. Anonsen, Managing Partner/Principal of The Maritime Group, and we respectfully submit this testimony in strong support of S.B. 2698, SD1. I previously testified in support of the earlier draft and appreciate the amendments adopted by the Senate Committees as reflected in SD1 and the accompanying SSCR 2589.

SDSD1 strengthens the measure by establishing a clear \$10.00 per-passenger head fee assessed at each port entry and clarifying that the fee is in addition to existing port user fees. The bill repeals the application of the Transient Accommodations Tax (TAT) to cruise fares retroactive to January 1, 2026, and creates a dedicated Cruise Ship Special Fund to ensure revenues are deposited and used solely for port facility and capital improvement projects that support cruise ship operations. These refinements reflect careful consideration of legal and constitutional concerns discussed during committee review. By replacing the prior TAT extension with a transportation-based harbor user fee, the bill more accurately aligns with the reality that cruise ships use Hawai'i's commercial harbors as transportation infrastructure rather than lodging accommodations.

The measure establishes a transparent “user pays, user benefits” structure. Revenues will support essential harbor modernization initiatives, including shore power connectivity, emissions-reduction infrastructure, pier and terminal upgrades, safety enhancements, climate resilience improvements, and operational efficiencies. Strengthening harbor infrastructure benefits not only cruise operations but also the broader maritime community and supply chain. Cruise visitation supports a wide network of Hawai'i businesses and workers, including stevedores, pilots, tug operators, ground transportation providers, tour operators, agricultural producers, and numerous small local enterprises. A stable and predictable funding mechanism enhances long-term planning, financial certainty, and responsible infrastructure investment.

The bill replaces a legally challenged tax structure with a clearer, more defensible harbor user fee while creating a dedicated funding stream for capital improvements. For these reasons, we respectfully urge the Committee to pass.

Respectfully submitted,

William F. Anonsen

William F. Anonsen
Managing Partner/Principal
THE MARITIME GROUP

***1000 Auahi Street, Suite 1509 Honolulu, Hawai'i, 96814
Tel: (808) 232-1831 www.The-Maritime-Group.com***

SENATE COMMITTEE ON WAYS AND MEANS
Testimony of Hawaii Pilots Association
In Support of SB2698, SD1
March 4, 2026

Dear Chair Dela Cruz, Vice Chair Moriwaki and Committee Members:

Hawaii Pilots Association supports SB2698, SD1 which enacts a per passenger charge for cruise ships and mandates that these fees be used for harbor infrastructure improvements.

Lack of funding is one reason why much needed harbor improvements are delayed or cancelled. This bill ensures that these fees collected from cruise ships will be dedicated to paying for new harbor infrastructure. Such harbor improvements will help to increase port safety and efficiency for cargo transportation and handling as well as for passenger terminal operations.

Thank you for the opportunity to provide this testimony.

Aloha Chair Dela Cruz, Chair Rhoads, Vice Chair Moriwaki, Vice Chair Gabbard and Committee Members

Thank you for the opportunity to testify in **strong support** of SB 2698 SD1.

For nearly twenty years, Kilohana has been fortunate to welcome cruise guests through shore excursions, and the benefits of cruise visitation extend far beyond our gates. Eleven on-site shops, many featuring Kaua'i, and Hawai'i-made products depend on this revenue stream, as do our agricultural partners. The Kauai Plantation Railway, The Plantation House Restaurant by Gaylord's, Luau Kalamaku, and Kauai Rum Safaris also rely heavily on cruise visitors to sustain year-round operations.

Kilohana believes this measure strikes a fair and reasonable balance among stakeholders. The cruise ship industry plays a vital role in Hawai'i's economy, and any additional fee must be evaluated in the context of the significant fees the industry already pays, including passenger, dockage, port entry, and wharfage fees, to ensure overall reasonableness.

We need to ensure the fee is not unduly burdensome and will help ensure that the cruise industry can continue to operate and invest in Hawai'i.

It is important to note that one cruise line alone hosts a private luau at Kilohana 52 weeks a year, averaging between 650 and 725 attendees weekly. This represents approximately \$6 million in annual gross revenue, much of which flows directly into our local community. This activity supports more than 100 employees, including musicians, dancers, food and beverage staff, bus drivers, dispatchers, and numerous local suppliers—from farms to beverage distributors. In total, more than 300 Kilohana employees and tenants directly benefit from cruise-related activity.

Luau Kalamaku alone generates an estimated \$18 million annually, including approximately \$859,000 in General Excise Tax revenue, more than \$1 million paid to local food vendors, and over \$700,000 to liquor and beverage purveyors.

Additional cruise ships visiting Kaua'i generate hundreds of thousands of dollars more in shore excursion revenue. Without cruise visitation, we could not sustain the three luaus per week that allow our employees and entertainers to work year-round.

Thank you for the opportunity to testify in strong support of SB 2698 SD1.

Sincerely,
Fred Atkins
Managing Partner
Kilohana Plantation
Mobile: 1-808-652-0757
Email: fred@kilohanakauai.com

Show You Hawaii LLC supports SB 2698 SD1, relating to transportation.

Dear Honorable Members of the Hawai'i State Legislature,

My name is **Matthew Naihe**, and I am the Owner of **Show You Hawai'i LLC**, a locally owned tour operating company that provides shore excursions and land-based experiences to visitors across our islands. I am writing in strong support of **SB2698** and **HB2195** and to express how critical these measures are to the continued operation of our business and the many local vendors who rely on us.

Show You Hawai'i operates at the intersection of tourism, transportation, and local commerce. A significant portion of our business is directly tied to cruise ship arrivals, which provide a consistent and predictable source of guests essential to sustaining our operations year-round. Cruise passengers are not incidental customers; they are a foundational component of our business model.

The revenue generated from cruise-related tours supports our ability to maintain full-time and part-time employment, invest in vehicles and insurance, comply with regulatory and safety requirements, and uphold Hawai'i's high standards for visitor experiences. Disruptions to cruise operations or uncertainty surrounding taxation and port costs directly threaten our operational stability and long-term viability.

Equally important is the impact on our local vendors. We work closely with Hawai'i-based restaurants, food providers, cultural sites, attractions, and small businesses that depend on steady visitor volume generated by cruise activity. When cruise schedules are reduced or rerouted due to legal or financial uncertainty, these local vendors experience immediate and measurable losses in revenue. These are small, locally owned businesses that do not have the capacity to absorb sudden drops in demand.

The ongoing legal uncertainty surrounding **Act 96** and cruise fare taxation creates significant risk not only for cruise operators, but for Hawai'i-based companies like ours that plan staffing, inventory, transportation logistics, and vendor partnerships months in advance. If cruise lines limit or avoid Hawai'i ports due to unresolved tax disputes, the consequences will be felt first and most severely by local businesses operating at the end of the supply chain.

SB2698 and **HB2195** provide a reasonable, legally sound solution by replacing the contested fare tax with a predictable \$6.50 per passenger head fee. This structure ensures that cruise ships continue to contribute fairly to harbor infrastructure and state resources while offering the stability necessary for Hawai'i-based tour operators and vendors to plan responsibly and remain operational.

Passing these bills is not simply a matter of cruise policy; it is a matter of protecting local businesses, local jobs, and Hawai'i's broader tourism ecosystem. Show You Hawai'i cannot operate in isolation from the cruise industry, and our vendors cannot survive without the consistent demand that cruise visitors provide.

Show You Hawaii LLC supports SB 2698 SD1, relating to transportation.

I respectfully urge you to support **SB2698** and **HB2195**. These measures represent a balanced approach that safeguards state interests while preserving the livelihoods of Hawai'i-based businesses and the communities they support.

Mahalo for your time, consideration, and continued commitment to Hawai'i's local economy.

Respectfully,

Matthew Naihe

Matthew Naihe

Owner

Show You Hawai'i LLC

Kailua-Kona, Hawai'i

(808) 464-9408

bshowyouhawaii@gmail.com



Care for 'Āina Now Coalition

March 4, 2026

Hawai'i State Legislature
Senate Committee on Ways and Means
Senate Committee on Judiciary

Re: Testimony with comments on SB 2698 SD1, Relating to Transportation

Aloha Chairs Dela Cruz and Rhoads, Vice Chairs Moriwaki and Gabbard, and esteemed members of the committee,

On behalf of our coalition's leadership committee, we are writing to provide comments on SB 2698 SD1, relating to transportation. This bill requires the Department of Transportation to impose a per-passenger head fee on cruise ships docking at Hawai'i's commercial harbors, creates a dedicated Cruise Ship Special Fund, and repeals the Transient Accommodations Tax on cruise ships effective January 1, 2026.

The Care for 'Āina Now Coalition strongly supports Hawai'i's broader efforts to ensure that visitors meaningfully contribute to the stewardship of our natural and cultural resources through the State's Green Fee framework. Our coalition has consistently advocated for a comprehensive approach that asks all sectors of the tourism industry to share responsibility for protecting the ecosystems, infrastructure, and communities that make Hawai'i such a special place.

From that perspective, we offer these comments to encourage alignment between SB 2698 SD1 and the broader Green Fee approach. We are concerned that removing cruise ships from the Transient Accommodations Tax without clear integration into the statewide Green Fee structure could create inconsistencies across the visitor economy. We respectfully suggest that any alternative mechanism ensure cruise visitors are contributing on equal footing with other travelers and that revenues are directed toward the same core priorities that the Legislature has identified for Green Fee investments.

We also encourage clarity regarding how any new revenues would be deployed, including transparency, accountability, and reinvestment in the port communities and natural resources most affected by cruise activity. Ensuring consistency across the tourism sector will help maintain public trust and advance Hawai'i's long-term sustainability goals.

Mahalo for the opportunity to provide comments on this measure.

Care for 'Āina Now Coalition Leadership Committee

SB-2698-SD-1

Submitted on: 3/3/2026 9:43:42 AM

Testimony for WAM on 3/4/2026 10:35:00 AM

Submitted By	Organization	Testifier Position	Testify
Aaron Paulk	Testifying for Hawaii Tour Consultants	Support	Written Testimony Only

Comments:

Bill reference: SB2698 SD1 - Relating to Transportation

To:

Senate Committee on Ways & Means

Senate Committee on Judiciary

Aloha Chair Dela Cruz, Chair Rhodes, Vice Chair Moriwaki and Vice Chair Gabbard and Committee Members,

My name is Aaron Paulk, and I am a proud small business owner who has operated across all the Hawaiian Islands for over ten years. Our company supports hundreds of local jobs that are solely dependent on a consistent and sustainable cruise industry presence. Over the past decade, we've built our business on the foundation of Hawaii's circular economy—intentionally keeping our operations, partnerships, and reinvestments within our islands. The cruise lines have been instrumental in this success, as they have made strong efforts to work directly with small, local businesses like ours. Together, we've been able to bring economic opportunities to communities not typically visited by the cruise industry, helping to spread the benefits of tourism more evenly throughout the state. In recent years, we've also seen a positive shift as cruise partners have begun supporting initiatives by local partners who support local nonprofits and community organizations—especially those focused on sustainability initiatives and supporting individuals with disabilities. These partnerships are making a real difference and show that the cruise industry is committed to being a responsible and valued member of our community. I believe that SB2698 and HB2195 represent fair, balanced, and forward-thinking measures that will ensure our continued ability to grow together. These bills allow for legal, transparent contributions—through a reasonable head tax—that will fund state and HDOT initiatives while sustaining Hawaii's unique environment and way of life. Our small businesses, the cruise lines, and the State of Hawaii are all striving toward the same vision: a safe, sustainable, and thriving future for our islands, our people, and our keiki. These bills are a great step forward in showing how we can truly hui together—how collaboration between industry, community, and government can create long-term prosperity for all. Mahalo for your time and consideration, and for your continued support of Hawaii's small business community and the sustainable future of our islands.

Sincerely,

Aaron Paulk

Hawaii Tour Consultant



**TESTIMONY OF TINA YAMAKI, MANAGING DIRECTOR
HAWAII TRANSPORTATION ASSOCIATION
MARCH 4, 2026
SB 2698 SD1 RELATING TO TRANSPORTATION.**

Aloha Chair Dela Cruz and Chair Rhoads and members of the Senate Committee on Ways & Means and the Seante Committee on Judiciary. I am Tina Yamaki, Managing Director of the Hawaii Transportation Association and I appreciate this opportunity to testify.

The Hawaii Transportation Association (HTA Hawaii) was founded in 1938 and incorporated in 1963, and is a private, non-profit trade organization dedicated to the service and assistance to the commercial ground transportation industry in the State of Hawaii. Our members include family owned small and medium sized businesses, independent owner operators, and national motor carriers range from delivery services to passenger carriers - as well as allied industry partners.

HTA Hawaii understands the intent of SB 2698 SD1. This measure requires the Department of Transportation to assess a per passenger head fee against cruise ships docking in the State's commercial harbors in addition to existing port user fees; establishes the Cruise Ship Special Fund; and repeals existing law imposing the Transient Accommodations Tax on cruise ships, effective retroactive to 1/1/2026

While the per-passenger head fee is still a form of taxation, it is more modest and equitable than the current tax structure. It represents a lower burden than the existing Transient Accommodations Tax applied to cruise ship passengers, while still ensuring that cruise ship activity contributes to the costs it imposes on the State. By aligning the fee with actual passenger counts, the bill creates a more proportionate and transparent method of assessment.

Revenue generated through the passenger fee can be used to support harbor maintenance, environmental mitigation, and infrastructure improvements necessary to address the environmental impacts associated with cruise ship operations. In this way, the fee helps protect Hawai'i's natural resources while supporting sustainable tourism practices.

In addition, the bill repeals the existing law imposing the Transient Accommodations Tax on cruise ships, effectively retroactive to January 1, 2026. This repeal cleans up statutory language enacted last year and resolves confusion caused by applying a tax structure designed for lodging accommodations to cruise ship passengers. Replacing that approach with a clearly defined per-passenger fee improves clarity and administrative efficiency.

It is important to strike a careful balance when considering the imposition or increase of any fee or tax. While revenue generation may support important public purposes, excessive or disproportionate charges risk creating unintended economic consequences. Hawai'i's visitor industry operates within a highly competitive global marketplace, where travelers are price-sensitive and have numerous alternative destinations. If fees or taxes are set too high, they may discourage visitors from choosing Hawai'i, thereby reducing overall visitor spending and negatively impacting local businesses, employment, and state revenues.

Overall, this measure reflects a more balanced and fair policy approach that better aligns fees with actual impacts while providing the State with appropriate resources to manage cruise ship activity.

Mahalo for this opportunity to testify.

SB-2698-SD-1

Submitted on: 3/3/2026 10:27:09 AM

Testimony for WAM on 3/4/2026 10:35:00 AM

Submitted By	Organization	Testifier Position	Testify
Erik McLellan	Testifying for Hike Maui	Support	Written Testimony Only

Comments:

SUPPORT for SB2698 SD1 – Protecting Local Jobs, Small Businesses, and Maui’s Natural Resources

Dear Honorable Members of the Hawai‘i State Legislature,

My name is Erik McLellan, and I am the CEO of Hike Maui, a locally-owned hiking company that has been operating on Maui for 43 years. We employ more than 35 local residents, most of whom depend on this work as their primary source of income. I am writing to respectfully urge your support for SB2698 SD1.

When people think about cruise ships, they often picture large vessels and major corporations. For small local companies like ours, cruise guests represent something much more personal—they represent jobs, stability, and the ability to keep our doors open year-round.

Approximately 40% of our guests arrive via cruise ships. These visitors allow us to provide consistent employment for our guides, drivers, warehouse staff, and office staff, even during traditionally slower travel seasons. We also work with many additional local companies who provide meals for our guests and other supplies for our tours. Without that steady demand, it would be extremely difficult for us to maintain our current team or continue offering the level of service our guests expect.

As a company, we are also deeply committed to caring for the places that make Maui special. Hike Maui is a proud member of *1% for the Planet*, meaning we donate 1% of all revenue to local environmental nonprofits that protect Maui’s trails, watersheds, and natural areas. In the past two years, we have been able to donate meaningfully to 17 different environmental and educational non-profit organizations, including East Maui Watershed Partnership, Haleakala Conservancy, Maui Cultural Lands, The Nature Conservancy, Lahaina Community Land Trust, and many more.

When our business suffers, the organizations doing this important conservation and community work feel it as well.

The uncertainty surrounding cruise passenger taxation is very concerning. If higher or unpredictable taxes lead to fewer cruise visitors or cancelled itineraries, the impact will be felt immediately by small, locally-owned businesses like ours.

SB2698 SD1 offers a fair and predictable solution that allows the state to collect revenue while giving businesses the stability we need to plan, hire, and continue investing in our employees and community.

I would like to ask that you please support SB2698 SD1. Your decision can have a positive affect on the livelihoods of local families and the long-term health of Maui's small business community. Thank you so much for your time and for all of your service.

Sincerely,

Erik McLellan
CEO, Hike Maui