

**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, RELATING TO TRANSPORTATION.

BEFORE THE:

SENATE COMMITTEES ON TRANSPORTATION AND ON ECONOMIC
DEVELOPMENT AND TOURISM

DATE: Tuesday, February 10, 2026 **TIME:** 3:01p.m.

LOCATION: State Capitol, Room 229

TESTIFIER(S): Anne E. Lopez, Attorney General, or
Yvonne R. Shinmura, Deputy Attorney General

Chairs Inouye and Decoite 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, to January 1, 2026, the effective date of Act 96.

1. Establishment of Special Fund. The criteria for the Legislature to establish a special fund are in section 37-52.3, Hawaii Revised Statutes (HRS), and include, but are not limited to the Legislature being able to endure that:

- (1) The special fund serves a need, as demonstrated by an explanation of why the program cannot be implemented successfully under the general fund appropriation process (See, section 37-52.3(1)(C), HRS); and
- (2) The special fund reflects a clear nexus between the benefits sought and charges made upon the program users or beneficiaries or a clear link between the program and the sources of revenue (See, section 37-52.3(2), HRS).

To meet these requirements, we suggest the following amendments to new section 266-B(b), at page 2, lines 11-14:

(b) Moneys in the cruise ship special fund shall be used solely for port facility and harbor capital improvement projects~~[, including]~~ **that benefit cruise ships, such as** shore power connectivity to support the cruise ship industry. (Suggested amendments are shown in bold and are Ramseyered against the wording in the bill.)

Additionally, the reason why the port facility and harbor capital improvement projects cannot be implemented successfully under the general fund appropriation process needs to be inserted into the bill.

2. Assessment of Passenger Head Fee. New section 266-A(a), at page 1, lines 4-7, is unclear as to whether the passenger head fee will be assessed upon the cruise ship when it docks at each commercial port or per voyage. It should be clarified when the fee would be assessed upon the cruise ship.

3. Expenditure Provisions. New section 266-B(a)(2), at page 2, lines 6-7, allows for an appropriation by the legislature into the special fund but neither provides for an appropriation into and out of the special fund for expenditure of funds by the Department of Transportation. To effectuate the purpose of this bill, we recommend that new sections 5 and 6 be inserted at page 8, beginning at line 8:

SECTION 5. There is appropriated out of the general revenues of the State of Hawaii the sum of \$_____ or so much thereof as may be necessary for fiscal year 2026-2027 to be deposited into the cruise ship special fund.

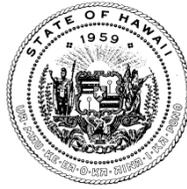
SECTION 6. There is appropriated out of the cruise ship special fund the sum of \$_____ or so much thereof as may be necessary for fiscal year 2026-2027 to be expended by the department of transportation for the purposes of this Act.

4. Savings Clause for Passenger Head Fee. The following savings clause is recommended for section 1, which establishes the passenger head fee:

SECTION 7. 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 8 and 9.

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



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

Tuesday, February 10, 2026
3:01 p.m.
State Capitol, 229

S.B. 2698
RELATING TO TRANSPORTATION

Senate Committees on Transportation and Economic Development and Tourism

The Department of Transportation (DOT) supports this measure that authorizes the Department 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 harbor capital improvements through a passenger head fee on cruise ships. 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 \$6.3 million.

DOT requests the committee consider amendments to the bill that clarify when the fee is charged, the uses of the Cruise Ship Special Fund revenues, and that the new fee is in addition to ports fees already charged to cruise ships (including but not limited to port entry, dockage, and passenger fees). DOT also proposes a fee of \$10.00 instead of \$6.50. We request Section 1 be amended to read as follows:

SECTION 1. Chapter 266, Hawaii Revised Statutes, is amended by adding two new sections to be appropriately designated and to read as follows:

"§266-A Cruise ships; passenger head infrastructure fee. (a) The department of transportation shall assess a fee of \$10.00 per passenger against any cruise ship that docks in any commercial harbor in the State. The fee shall be assessed at each port entry and is in addition to existing port user fees authorized by this chapter and set forth in Hawaii Administrative Rules such as port entry, dockage, and passenger fees.

(b) All fees collected pursuant to this section shall be deposited into the cruise ship special fund established pursuant to section 266-B.

(c) For the purposes of this section:

"Cruise ship" means any ship that docks at any commercial harbor in the State that charges a fee for and provides cruise ship cabins to passengers.

"Cruise ship cabin" means an accommodation or living quarter on a cruise ship that is provided to a passenger.

§266-B Cruise ship special fund; established. (a) There is established in the state treasury the cruise ship special fund, into which shall be deposited:

(1) All revenues from any fees collected pursuant to section 266-A;

(2) Appropriations made by the legislature for deposit into the fund;

(3) All contributions from public or private partners; and

(4) All interest earned on or accrued to moneys deposited in the special fund.

(b) Moneys in the cruise ship special fund shall be used solely for port facility and capital improvement projects to support cruise ship operations."

Thank you for the opportunity to provide testimony on this bill.

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

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

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

TESTIMONY ON THE FOLLOWING MEASURE:

S.B. No. 2698, Relating to Transportation

BEFORE THE:

Senate Committees on Transportation, and Economic Development and Tourism

DATE: Tuesday, February 10, 2026

TIME: 3:01 p.m.

LOCATION: State Capitol, Room 229

Chairs Inouye and DeCoite, Vice-Chairs Elefante and Wakai, and Members of the Committees:

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

S.B. 2698 amends chapter 266, Hawaii Revised Statutes (HRS), governing the Department of Transportation Harbors Division, by adding new sections imposing a \$6.50 per passenger "head fee" against any cruise ship that docks in any commercial harbor in Hawai'i.

Under Sections 2, 3, and 4, the bill also makes several amendments to sections 37-79, HRS (Climate change and tourism destination management) and 237D-1 and 237D-2, HRS (Transient Accommodations Tax (TAT)), to delete provisions regarding the imposition of TAT 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 by the effective date currently stated in the bill.

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



NORWEGIAN CRUISE LINE
HOLDINGS LTD.

Testimony for SB 2698, Relating to Transportation

February 10, 2026

Aloha Chair Inouye, Chair DeCoite, Vice Chair Elefante, Vice Chair Wakai and members of the committee,

Norwegian Cruise Line Holding Ltd **supports** to SB 2698, 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 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 to ensure a sustainable, thriving future for Hawaii's maritime industry and the communities it supports.

Testimony for SB2698, Relating to Cruise Ship Passenger Fees
Senate Committee on Transportation
Tuesday, February 10, 2026

Aloha Chair and members of the committee,

Honolulu Ship Supply is respectfully **in support of** SB2698, relating to cruise ship passenger fees.

Honolulu Ship Supply has served Hawai'i's maritime industry since 1972 and is a provider of ship provisioning, technical supplies, regulated waste management, and custom services for vessels of all kinds. Our work supporting cruise operations gives us extensive experience with the harbor system and the importance of maintaining strong maritime infrastructure.

Cruise operations bring meaningful economic benefits across multiple channels including harbor activity, local provisions, stevedoring, tugboat operators, ground-handlers, and tour operators, while also sustaining jobs and tax revenue for the State. Cruise ships support local employment and economic stability across Hawai'i's ports.

In addition, the cruise ship industry plays an important role in strengthening Hawai'i's local supply chains. Cruise vessels are an important of revenue for local farmers and fishermen on all islands of Hawai'i, supporting small agricultural businesses and contributing to Hawai'i's food resilience.

SB2698 establishes a per-passenger head fee on cruise ship visitors arriving at Hawai'i's commercial harbors and creates a Cruise Ship Special Fund to ensure these revenues are dedicated toward harbor infrastructure needs and improvements. The bill also repeals the transient accommodations tax as it applies to cruise ship passengers.

We believe this measure provides a clearer and more equitable structure for supporting the harbor system. A dedicated fund will allow the Department of Transportation to invest directly in port improvements that enhance operational efficiency, strengthen resiliency, and advance important sustainability goals such as shore power connectivity and emissions reduction.

For the reasons outlined above, Honolulu Ship Supply respectfully asks that you advance SB2698.

Mahalo for your consideration.

TESTIMONY IN SUPPORT OF SB2698

Senate Committees on Transportation and the Arts (TRS) and Economic Development and Tourism (EDT)

Chair Inouye, Chair DeCoite, Vice Chair Elefante, Vice Chair Wakai, 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 20 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.

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 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. Thank you for the opportunity to testify.

Aloha Chair Inouye, Chair DeCoite, Vice Chair Elefante, Vice Chair Wakai, and Committee Members

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

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.

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

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: TRANSIENT ACCOMMODATIONS, MISCELLANEOUS, New Head Charge for Cruise Ships, Repeal of TAT Extension to Cruise Ships

BILL NUMBER: HB 2195, SB 2698

INTRODUCED BY: HB by KILA, EVSLIN, MIYAKE; SB by INOUYE, LAMOSAO

EXECUTIVE SUMMARY: Requires the Department of Transportation to assess a per passenger head fee against cruise ships docking in the State's commercial harbors. Establishes the Cruise Ship Special Fund. Repeals existing law imposing the Transient Accommodations Tax on cruise ships, effective retroactive to 1/1/2026.

SYNOPSIS: Adds two new sections to chapter 266, HRS.

The first would establish a passenger head fee of \$6.50 per passenger to be collected from any cruise ship that docks in any commercial harbor in the State.

The second would establish a special fund into which the fee would be deposited.

Amends sections 37-79, 237D-1, and 237D-2, HRS, to repeal the 2025 amendments extending the transient accommodations tax to cruise ships.

EFFECTIVE DATE: The tax sections in the bill are retroactive to January 1, 2026. The new tax is effective July 1, 2026.

STAFF COMMENTS: We note that the industry has filed suit in federal court against the State seeking to enjoin enforcement of the transient accommodation tax extension to cruise ships as a violation of the Tonnage Clause in the U.S. Constitution and the Rivers and Harbors Act, 33 U.S.C. § 5.

A head tax on passengers already has been held to violate the Tonnage Clause. *Passenger Cases*, 7 How. 283, 458-59 (1849) (quoted in *Polar Tankers, Inc. v. City of Valdez*, 557 U.S. 1, 8 (2009)). It thus appears that the problem that this bill is intended to fix will instead be made worse if the bill is enacted.

Digested: 2/7/2026



**TESTIMONY OF TINA YAMAKI, MANAGING DIRECTOR
HAWAII TRANSPORTATION ASSOCIATION
FEBRUARY 10, 2026
SB 2698 RELATING TO TRANSPORTATION.**

Aloha Chair Inouye and Chair DeCoite and members of the Senate Committee on Transportation and the Seante Committee on Economic Development & Tourism. 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. This measure requires the Department of Transportation to assess a per passenger head fee against cruise ships docking in the State's commercial harbors; establishes the Cruise Ship Special Fund; repeals existing law imposing the Transient Accommodations Tax on cruise ships, and is effectively retroactive to 1/1/2026.

This measure establishes a clearer, fairer, and more workable framework for assessing fees on cruise ships docking at Hawai'i's commercial harbors.

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 and deposited into the Cruise Ship Special Fund 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.

Overall, SB 2698 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.

TESTIMONY IN SUPPORT OF SB2698

House Committees on Transportation (TRN) and Tourism (TOU)

Chair Kila, Vice Chair Miyake, and Committee Members:

My name is **Terry Fischer**, and I am the President and CEO of **Polynesian Adventure Tours**. I am here 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.

A handwritten signature in black ink, appearing to read 'Terry Fischer', positioned above a horizontal line.

Terry Fischer

President – Polynesian Adventure Tours



February 10, 2026

SENATE COMMITTEE ON TRANSPORTATION

Sen. Lorraine Inouye, Chair; Sen. Brandon Elefante, Vice Chair; and Committee Members

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND TOURISM

Sen. Lynn DeCoite, Chair; Sen. Glenn Wakai, Vice Chair; and Committee Members

Public Hearing, February 10, 2026, 3:01 p.m. – Conference Room 229, State Capitol

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

My name is William F. Anonsen, the Managing Partner/Principal of The Maritime Group, and I am submitting testimony in strong support of S.B. 2698. This measure replaces the application of the Transient Accommodations Tax to cruise fares with a straightforward \$6.50 per-passenger harbor user fee, with revenues deposited into a dedicated Cruise Ship Special Fund for harbor and port capital improvements.

This is a practical and appropriate policy shift. Cruise ships use Hawai'i's facilities as transportation infrastructure, not lodging accommodations. A per-passenger head fee more accurately reflects port usage, simplifies administration, and provides greater legal clarity than the prior TAT model.

Equally important, the bill ensures that revenues remain within the harbor system and are reinvested directly in needed improvements, including shore power and emissions-reduction projects, pier and terminal upgrades, safety and resilience enhancements, and environmental performance improvements. This "user-pays, user-benefits" structure strengthens Hawai'i's ports while supporting jobs, local businesses, and the visitor economy.

By creating a predictable funding source and aligning fees with actual harbor use, this measure will help to improve fairness, efficiency, and long-term sustainability for both the State and the cruise industry. For these reasons, I respectfully urge the Committee to pass S.B. 2698.

Mahalo for your consideration.

Respectfully submitted,

William F. Anonsen

William F. Anonsen
Managing Partner/Principal
THE MARITIME GROUP

Testimony of Matson Navigation Company, Inc.
Support of SB2698
Before the Committees on Transportation
and Economic Development and Tourism
February 10, 2026

Dear Chair Inouye, Chair DeCoite, Vice Chair Elefante, Vice Chair Wakai, and Members of the Committees:

Matson Navigation Company, Inc. supports SB2698, 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.



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

Senate Committee on Transportation
Senate Committee on Economic Development & Tourism
February 10, 2026

Aloha Chairs Inouye and DeCoite, Vice Chairs Elefante and Wakai, and members of the committees,

The Hawaii Harbors Users Group is writing in **support** of SB 2698, 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 Hawaii Harbors Users Group 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, 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 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. 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.

For these reasons, the Hawaii Harbors Users Group supports SB 2698.



TESTIMONY OF
CAROLINE ANDERSON
Interim President & CEO
Hawai'i Tourism Authority
before the
SENATE COMMITTEE ON TRANSPORTATION
AND
SENATE COMMITTEE ON ECONOMIC DEVELOPMENT & TECHNOLOGY

Tuesday, February 10, 2026
3:01 p.m.
State Capitol, Room 229

In consideration of
SB 2698
RELATING TO TRANSPORTATION

Aloha Chairs Inouye and DeCoite, Vice Chairs Elefante and Wakai, and Members of the Committees:

The Hawai'i Tourism Authority (HTA) offers comments on SB 2698, which would establish a \$6.50 per-passenger head fee on cruise ships each time they dock at a commercial harbor in the State. It would also create a Cruise Ship Special Fund and limit its use to port and harbor capital improvement projects, including shore power connectivity that supports the cruise industry. 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 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 revenues into a dedicated Cruise Ship Special Fund provides a clearer and more transparent path for how fee revenues are spent. By limiting the fund to port and harbor capital improvements, 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 harbor and port infrastructure upgrades—especially shore power and related improvements—can help cruise operators meet sustainability expectations outlined in the Department of Transportation's Hawai'i Energy Security and Waste Reduction Plan. 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.

SB-2698

Submitted on: 2/6/2026 6:37:20 PM

Testimony for TRS on 2/10/2026 3:01:00 PM

Submitted By	Organization	Testifier Position	Testify
Edward keliinohomoku	Testifying for Go tours Hawaii	Support	Written Testimony Only

Comments:

Dear Honorable Members of the Hawaii State Legislature,

My name is Edward Keliinohomoku and I am the founder and managing director of Go Tours Hawaii, a Native Hawaiian owned and operated company built on the foundation of cultural education and economic opportunity. I am writing to express my strong support for SB2698 and HB2195.

The cruise industry is not just a part of our tourism sector. It is a lifeline for small local businesses like mine that sit at the end of the visitor chain. Our drivers, guides, dispatchers and partner vendors rely on the steady flow of cruise guests to put food on the table. At Go Tours Hawaii we take pride in offering immersive and authentic island experiences. Our guests do not just visit Hawaii, they connect with it. Cruise tourism makes those moments possible.

When cruise activity is strong we are able to

- Support full time jobs: Our team consists of local residents, some Native Hawaiian, who depend on the reliability of this income. Unlike seasonal work, cruise driven business allows us to maintain consistent hours and stable employment.
- Support generational households: This work funds tuition, rent, car payments and kupuna care. It is not extra income. It is what keeps households afloat.
- Preserve Hawaiian culture through education: Every tour we offer is a chance to teach guests about our language, stories and history. We are not here to entertain. We are here to educate and inspire pride in place.

The current taxation model under Act 96, which introduces an unsustainable two hundred dollar per person tax for Pride of America guests, is a serious threat. It creates an unfair burden on an industry already contributing through harbor fees and dues. If cruise lines are pushed away by legal uncertainty or excessive cost, the first to feel the impact will be businesses like mine and the families who rely on us.

SB2698 and HB2195 offer a fair and constitutionally sound alternative. By replacing the contested tax structure with a predictable per passenger fee directed to the Harbors Special Fund, the bill protects both the state's interests and our ability to keep operating. It gives us the clarity and consistency we need to retain staff, grow responsibly and contribute meaningfully to Hawaii's economy.

I respectfully ask you to see beyond this as just policy. See the lives this touches. Support SB2698 and HB2195 because behind every tour company, boat vendor, local farm and shuttle driver is a family counting on stability.

Mahalo for your time and consideration.

Sincerely,

SB-2698

Submitted on: 2/6/2026 9:53:42 PM

Testimony for TRS on 2/10/2026 3:01:00 PM

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

Comments:

SUPPORT for SB2698 – 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.

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 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. 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

SB-2698

Submitted on: 2/8/2026 1:16:12 PM

Testimony for TRS on 2/10/2026 3:01:00 PM

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

Comments:

Aloha Chair, Vice Chair, and Members of the Committee,

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 Consultants

aaron@hawaiiitc.com

214 Kahoma Village Loop, Lahaina, Hawaii 96761



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. Such as **Island Corner Cafe** and **Reel Aloha Poke** 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.

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

February 10, 2026

Hawai'i State Legislature
Senate Committee on Transportation
Senate Community on Economic Development & Tourism

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

Aloha Chairs Inouye and DeCoite, Vice Chairs Elefante and Wakai, and esteemed members of the committees,

On behalf of our coalition's leadership committee, we are writing to provide comments on SB 2698, 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 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

McCabe, Hamilton & Renny Co., Ltd.
“THE STEVEDORES”

Testimony for SB 2698, Relating to Transportation

Dear Chair Inouye and Committee Members,

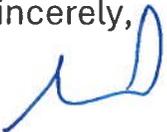
I write in support of Senate Bill 2698 on behalf of McCabe, Hamilton & Renny Co., Ltd. For 125 years, McCabe has served Hawai‘i’s harbors. With over 400 employees, we are a cornerstone of the State’s port operations.

Cruise calls require a wide range of stevedoring services — mooring and gangway operations, 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 also play a vital role in cargo operations throughout Hawai‘i. The economic activity generated by cruise vessels sustains McCabe and the broader harbor workforce.

At the same time, we must protect Hawai‘i’s unique environment. SB 2698 strikes a practical balance by repealing the current cruise language in the TAT/Green Bill and replacing it with a per-passenger fee deposited into a Harbors Special Fund. A per-passenger fee more appropriately distinguishes cruise-room revenue from hotel revenue and directly links visitors to funding for environmental and harbor projects.

I respectfully urge you to pass SB 2698 to support both our harbor workforce and Hawai‘i’s environmental sustainability.

Sincerely,



Matt Guard

President, McCabe Hamilton & Renny Co. Ltd.



HAWAII STEVEDORES, INC.

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

SB 2698

Written Testimony - Submitted Online February 9, 2026

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

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 forward.

Respectfully,

A handwritten signature in black ink, appearing to read "R Grune".

Randy Grune
Vice President Community Affairs