

A BILL FOR AN ACT

To establish Caroline Islands Air, a public corporation, under the laws of the Federated States of Micronesia, to operate, maintain and administer an inter-island air service within the nation, and for other purposes.

BE IT ENACTED BY THE CONGRESS OF THE FEDERATED STATES OF MICRONESIA:

1 Section 1. Establishment of Corporation. Caroline
2 Islands Air, Incorporated, hereinafter referred to as the "the
3 Corporation", is hereby established as a public corporation
4 under the laws of the Federated States of Micronesia.

5 Section 2. Powers and responsibilities of the
6 Corporation. The Corporation has the following powers and
7 responsibilities:

8 (1) to provide air transportation services
9 throughout the Nation;

10 (2) to contract with domestic and foreign persons
11 and corporations for the provisions of aircraft and services;

12 (3) to operate domestic air transportation
13 services;

14 (4) to train citizens in professions related to
15 aeronautics;

16 (5) to act as a "Freely Associated State Air
17 Carrier" within the meaning of the Federal Program and
18 Services Agreement concluded pursuant to the Compact of Free
19 Association;

20 (6) to engage in support activities; including,
21 but not limited to, freight terminal and delivery activities
22 and passenger services; and

23 (7) to enter into joint ventures with other
24 entities in order to effectuate its operations.

25 Section 3. Legal capacity of the Corporation. In

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1 performing the functions authorized by this chapter or other
2 law of the Federated States of Micronesia, the Corporation
3 shall have the capacity to exercise all powers normally
4 exercised by a corporation, including, but not limited to, the
5 following:

6 (1) to adopt, alter, and use a corporate seal;

7 (2) to adopt and amend bylaws governing the
8 conduct of its business and the exercise of its powers;

9 (3) to sue and be sued in its corporate name;

10 (4) to acquire, in any lawful manner, real,
11 personal, or mixed property, either tangible or intangible; to
12 hold, maintain, use, and operate such property; and to sell,
13 lease, or otherwise dispose of such property;

14 (5) to acquire and take over in any lawful manner
15 the business, property, assets, and liabilities of any entity;

16 (6) to borrow or raise any sum or sums of money
17 and to issue corporate bonds on such security and upon such
18 terms as may from time to time be deemed necessary for the
19 expansion and improvement of air transportation services;

20 (7) to retain and terminate the services of
21 employees, agents, attorneys, auditors, and independent
22 contractors upon such terms and conditions as it may deem
23 appropriate and;

24 (8) to do all such other things as may be deemed
25 incidental to or conducive to the attainment of the

1 responsibilities of the Corporation.

2 Section 4. Debts and obligations of the Corporation.

3 Unless otherwise provided by law, the debts and obligations of
4 the Corporation shall not be debts or obligations of the
5 Government of the Federated States of Micronesia, nor shall
6 the Government of the Federated States of Micronesia be
7 responsible for any debts or obligations.

8 Section 5. Board of Directors - Establishment. The
9 affairs of the Corporation shall be managed and its corporate
10 powers exercised by a Board of Directors, hereinafter referred
11 as the "Board."

12 Section 6. Board of Directors - Composition.

13 (1) The Board shall initially be composed of seven
14 members specified in this act, as follows:

15 (a) The Secretary of the National Government
16 Department of Transportation and Communication;

17 (b) The Director of the Division of Civil
18 Aviation within the Department of Transportation and
19 Communication;

20 (c) The General Manager for the Pohnpei Port
21 Authority;

22 (d) The Chuuk State Airport Manager;

23 (e) The Kosrae State Airport Manager;

24 (f) The Yap State Airport Manager; and

25 (e) The Chairman of the Congressional

1 Standing Committee on Transportation and Communication.

2 (2) The initial members of the Board shall be
3 deemed appointed and confirmed upon this act becoming law.
4 Subsequent members of the Board shall be appointed by the
5 President, and confirmed by Congress, upon the expiration of
6 the term of an incumbent member, or upon the removal of a
7 member of the Board under the provisions of section 10 of this
8 act.

9 (3) Each municipality with an airfield served by
10 the Corporation shall nominate a representative to serve as an
11 ex-officio, non-voting member of the Board; such members shall
12 also be confirmed by Congress.

13 Section 7. Board of Directors - Organizational meeting.

14 (1) Within thirty days of the date this act
15 becomes law, and annually thereafter on such dates as are set
16 by the Board, the Board shall meet to select its officers
17 and to conduct such other business as it shall deem advisable.

18 (2) At the first such meeting, the appointed
19 members of the Board shall determine by random selection the
20 length of their initial terms, with three members serving
21 initial terms of one year, two serving initial terms of two
22 years, and two serving initial terms of three years.

23 Section 8. Board of Directors - Terms of office. Terms

24 of office shall be for a period of three years, except that
25 the initial terms of office and the filling of vacancies shall

1 be as provided by this act. The terms of office shall
2 commence on the date of the organizational meeting of the
3 Board.

4 Section 9. Board of Directors - Vacancies.

5 (1) Each vacancy on the Board shall be filled for
6 the unexpired portion of the term in the manner set forth in
7 subsection (2) of section 6 of this act. Upon determination
8 that a vacancy exists, the chairman or, in his absence, the
9 presiding officer of the Board shall issue a notice of vacancy
10 to all members of the Board and the parties responsible for
11 filling the vacancy.

12 (2) Any vacancy occasioned by failure to make a
13 nomination to the Congress prior to the expiration of the
14 previous term, or by failure to submit a nomination within
15 sixty days of receipt of notice that a vacancy exists, or
16 within ten days of receipt of notice of rejection of a
17 nomination, shall be filled by nomination of the Speaker of
18 the Congress, subject to the advice and consent of Congress,
19 or an authorized committee thereof. The nomination of the
20 President or the Governor shall be entitled to consideration
21 if such nomination is made prior to that of the Speaker.

22 Section 10. Board of Directors - Removal.

23 (1) Members of the Board may be removed from the
24 Board for failure to attend three consecutive meetings of the
25 Board.

1 (2) A member may be removed by a majority vote of
2 all other members of the Board for neglect of duty or
3 malfeasance in office. Notification of intent to call for
4 removal pursuant to this subsection shall be made at least
5 thirty days in advance, by means which shall be described in
6 the bylaws of the Corporation, and shall include a summary of
7 the basis of the charges against the member and identification
8 of the witness to be called and evidence to be used.

9 (3) The Supreme Court of the Federated States of
10 Micronesia shall have jurisdiction to hear claims of
11 wrongful removal.

12 Section 11. Board of Directors - Officers. The Board
13 shall elect from among its members a chairman, vice chairman,
14 and secretary-treasurer. The chairman shall ordinarily
15 preside at Board meetings. In his absence the vice chairman
16 shall preside. The bylaws shall provide for determination of
17 the presiding officer in the absence of these officers.

18 Section 12. Board of Directors - Regular meetings.
19 Regular meetings shall be held not less than once per calendar
20 quarter, at such times and place or places as shall be
21 determined in the bylaws.

22 Section 13. Board of Directors - Special meetings.
23 Special meetings shall be called by the chairman on his own
24 initiative, or by petition of two of the members, pursuant to
25 notice as shall be provided by the bylaws.

1 Section 14. Board of Directors - Quorum. A quorum of
2 all regular business of the Board shall be four voting
3 members.

4 Section 15. Board of Directors - Executive committee -
5 Establishment; Meetings. There shall be an executive
6 committee of the Board composed of the chairman, vice
7 chairman, and secretary-treasurer, or their individually
8 designated substitutes chosen from among the membership of the
9 Board. The executive committee shall meet with the chief
10 executive officer at least once per calendar quarter at such
11 times and places as shall be determined by the bylaws.

12 Section 16. Board of Directors - Executive committee -
13 Powers. The executive committee shall be empowered to conduct
14 all business of the Board, except that the executive committee
15 shall not have the authority to terminate the services of the
16 chief executive officer, to retain the services of a new chief
17 executive officer, to alter the senior levels of the
18 administrative structure of the Corporation, to approve the
19 budget of the Corporation, or to increase the indebtedness of
20 the Corporation beyond such limits as are provided in the
21 bylaws, without the concurrence of the Board.

22 Section 17. Board of Directors - Record of meetings.
23 The secretary-treasurer, or in his absence another member
24 designated by the bylaws, shall keep full and accurate minutes
25 of all meetings.

1 Section 18. Board of Directors - Compensation of
2 directors. Directors who are employees or officials of the
3 National Government, a State government, a municipal
4 government, or of a public or quasi-public agency or
5 corporation shall receive no additional compensation for their
6 service as members of the Board. The compensation of members
7 who are not such employees or officials shall be determined by
8 the Board. All members of the Board shall be entitled to
9 compensation for travel and per diem at established Federated
10 States of Micronesia Government rates when serving the
11 Corporation.

12 Section 19. Management. There shall be a chief
13 executive officer of the Corporation, whose compensation,
14 title, and term of office shall be determined by the Board.
15 The chief executive officer shall be responsible for the
16 management of the operations of the Corporation, and shall, in
17 accordance with the policies established by the Board, retain,
18 direct, and terminate the services of employees. Subject to
19 the Board's approval, in the event that the chief executive
20 officer is not a citizen of the Federated States of
21 Micronesia, the chief executive officer shall select and train
22 a citizen of the Federated States of Micronesia to take over
23 the responsibilities of the chief executive officer as soon as
24 feasible.

25 Section 20. Budget and finance officer. The chief

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1 executive officer shall appoint, with the concurrence of the
2 Board, a budget and finance officer, for such term as shall be
3 provided in the bylaws of the Corporation. The budget and
4 finance officer shall receive and disburse all funds of the
5 Corporation. The Board may require that the budget and
6 finance officer shall execute, at the expense of the
7 Corporation, a good and sufficient bond with sureties
8 authorized to do business in the Federated States of
9 Micronesia. The budget and finance officer shall serve at all
10 times under the direct supervision of the chief executive
11 officer.

12 Section 21. Budget preparation. The budget and finance
13 officer shall prepare in advance of each fiscal year, under
14 the supervision of the chief executive officer, an annual
15 budget for the Corporation, taking into consideration
16 anticipated capital and operational expenditures and
17 anticipated revenues. The Corporation shall use the same
18 fiscal calendar as that of the Government of the Federated
19 States of Micronesia. The budget shall indicate the
20 operational, capital, and maintenance requirements of the
21 Corporation that will be met with the anticipated revenues of
22 the Corporation, and such essential requirements as cannot be
23 met without increase in the rate of revenues or outside
24 financial assistance.

25 Section 22. Supplemental budget requests. To the extent

1 that the Corporation deems it necessary and advisable, the
2 Corporation is authorized to seek appropriations from the
3 Congress of the Federated States of Micronesia, and, to the
4 extent approved by the President of the Federated States of
5 Micronesia, grants from sources outside of the Federated
6 States of Micronesia, of such funds as are necessary to
7 supplement revenues to provide for the operations,
8 maintenance, and expansion of the air transportation system of
9 the Corporation.

10 Section 23. Accounts and records.

11 (1) The Board and the chief executive officer
12 shall be jointly responsible to ensure that the budget and
13 finance officer establishes and maintains a complete set of
14 accounting records consistent with generally accepted
15 accounting principles pertinent to the nature of
16 the Corporation and its operations.

17 (2) The Board, not later than ninety days after
18 the close of each governmental fiscal year, shall submit to
19 the President and the Congress a complete report, including
20 financial statements, prepared in accordance with generally
21 accepted accounting principles and standards, showing the
22 activities of the Corporation during the fiscal year, the
23 present condition of the Corporation, and such other matters
24 as the Board shall deem appropriate. Financial statements
25 shall include at least a balance sheet, income statement,


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1 statement of changes in financial position, and statement of
2 changes in capital.

3 (3) The financial statements of the Corporation
4 shall be audited no less frequently than annually by either
5 the Public Auditor or a certified public accountant selected
6 by the Board of Directors.

7 Section 24. This act shall become law upon approval by
8 the President of the Federated States of Micronesia or upon
9 its becoming law without such approval.

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Date: May 19, 1997 Introduced by: 
Peter M. Christian