

TENTH CONGRESS OF THE FEDERATED STATES OF MICRONESIA

FIRST REGULAR SESSION, 1997

CONGRESSIONAL BILL NO. 10-78, C.D.1,
C.D.2, C.D.3, C.D.4

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. It is
5 the intent of Congress that the Corporation shall be subject
6 to annual financial review, as set forth in section 23 of this
7 act, and that, at the earliest practical opportunity, and
8 following a resolution of Congress calling for the same, the
9 National Government shall dissolve the Corporation, and a new,
10 non-governmental corporation, in which shares shall be offered
11 for sale to the general public, shall thereupon be
12 established, which corporation shall continue to provide the
13 air transportation services previously provided by the
14 Corporation.

15 Section 2. Powers and responsibilities of the
16 Corporation. The Corporation has the following powers and
17 responsibilities:

- 18 (1) to provide air transportation services
19 throughout the Nation;
- 20 (2) to contract with domestic and foreign persons
21 and corporations for the provisions of aircraft and services;
- 22 (3) to operate domestic air transportation

1 services;

2 (4) to train citizens in professions related to
3 aeronautics;

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

8 (6) to engage in support activities; including,
9 but not limited to, freight terminal and delivery activities
10 and passenger services; and

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

13 Section 3. Legal capacity of the Corporation. In
14 performing the functions authorized by this chapter or other
15 law of the Federated States of Micronesia, the Corporation
16 shall have the capacity to exercise all powers normally
17 exercised by a corporation, including, but not limited to,
18 the following:

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

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

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

23 (4) to acquire, in any lawful manner, real,
24 personal, or mixed property, either tangible or intangible;
25 to hold, maintain, use, and operate such property; and to

1 sell, lease, or otherwise dispose of such property, PROVIDED,
2 that the Corporation shall operate aircraft owned by the
3 National Government only according to the terms of a valid
4 and binding lease agreement;

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

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

12 (7) to retain and terminate the services of
13 employees, agents, attorneys, auditors, and independent
14 contractors upon such terms and conditions as it may deem
15 appropriate and;

16 (8) to do all such other things as may be deemed
17 incidental to or conducive to the attainment of the
18 responsibilities of the Corporation.

19 Section 4. Debts and obligations of the Corporation.

20 Unless otherwise provided by law, the debts and obligations
21 of the Corporation shall not be debts or obligations of the
22 Government of the Federated States of Micronesia, nor shall
23 the Government of the Federated States of Micronesia be
24 responsible for any debts or obligations.

25 Section 5. Board of Directors - Establishment. The

1 affairs of the Corporation shall initially be managed, and its
2 corporate powers exercised by a Board of Directors for its
3 Pohnpei operations, hereinafter referred as the "Board".

4 Section 6. Board of Directors - Composition.

5 (1) The Board shall initially be composed of five
6 members specified in this act, as follows:

7 (a) The Secretary of the National Government
8 Department of Transportation and Communication, or his
9 designee;

10 (b) The General Manager for the Pohnpei Port
11 Authority, or his designee;

12 (c) The Chief Magistrate Representative,
13 Mwoakilloa;

14 (d) The Chief Magistrate Representative,
15 Pingelap;

16 (e) An employee representative selected from
17 the regular, full-time employees of Caroline Islands Air.

18 (2) The Board shall add the following two
19 additional members, for a total of seven, upon the airstrips
20 in their respective districts becoming operational:

21 (a) The Chief Magistrate Representative,
22 Sapwuahfik;

23 (b) The Chief Magistrate Representative,
24 Kapingamarangi;

25 (3) Subsequent members of the Board shall be

1 appointed by the President upon the expiration of the term of
2 an incumbent member, or upon the removal of a member of the
3 Board under the provisions of section 10 of this act.

4 Section 7. Board of Directors - Organizational meeting.

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

9 (2) At the first such meeting, the appointed
10 members of the Board shall determine by random selection the
11 length of their initial terms, with three members serving
12 initial terms of one year, and two serving initial terms of
13 two years.

14 Section 8. Board of Directors - Terms of office. Terms
15 of office shall be for a period of three years, except that
16 the initial terms of office and the filling of vacancies shall
17 be as provided by this act. The terms of office shall
18 commence on the date of the organizational meeting of the
19 Pohnpei Board.

20 Section 9. Board of Directors - Vacancies.

21 (1) Each vacancy on the Pohnpei Board shall be
22 filled for the unexpired portion of the term in the manner
23 set forth in subsection (2) of section 6 of this act. Upon
24 determination that a vacancy exists, the chairman or, in his
25 absence, the presiding officer of the Board shall issue a

1 notice of vacancy to all members of the Board and the parties
2 responsible for filling the vacancy.

3 (2) Any vacancy occasioned by failure to make an
4 appointment prior to the expiration of the previous term, or
5 by failure to make an appointment within sixty days of
6 receipt of notice that a vacancy exists, shall be filled by
7 appointment by the Speaker of the Congress, subject to the
8 advice and consent of Congress, or an authorized committee
9 thereof. An appointee of the President or the Governor shall
10 be entitled to consideration if such appointment is made
11 prior to that of the Speaker.

12 Section 10. Board of Directors - Removal.

13 (1) Members of the Board may be removed from the
14 Board for failure to attend three consecutive meetings of the
15 Board.

16 (2) A member may be removed by a majority vote of
17 all other members of the Board for neglect of duty or
18 malfeasance in office. Notification of intent to call for
19 removal pursuant to this subsection shall be made at least
20 thirty days in advance, by means which shall be described in
21 the bylaws of the Corporation, and shall include a summary of
22 the basis of the charges against the member and
23 identification of the witness to be called and evidence to be
24 used.

25 (3) The Supreme Court of the Federated States of

1 Micronesia shall have jurisdiction to hear claims of
2 wrongful removal.

3 Section 11. Board of Directors - Officers. The Board
4 shall elect from among its members a chairman, vice chairman,
5 and secretary-treasurer. The chairman shall ordinarily
6 preside at Board meetings. In his absence the vice chairman
7 shall preside. The bylaws shall provide for determination of
8 the presiding officer in the absence of these officers.

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

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

17 Section 14. Board of Directors - Quorum. A quorum of
18 all regular business of the Board shall be four voting
19 members.

20 Section 15. Board of Directors - Executive committee -
21 Establishment; Meetings. There shall be an executive
22 committee of the Board composed of the chairman, vice
23 chairman, and secretary-treasurer, or their individually
24 designated substitutes chosen from among the membership of
25 the Board. The executive committee shall meet with the chief

1 executive officer at least once per calendar quarter at such
2 times and places as shall be determined by the bylaws.

3 Section 16. Board of Directors - Executive committee -
4 Powers. The executive committee shall be empowered to
5 conduct all business of the Board, except that the executive
6 committee shall not have the authority to terminate the
7 services of the chief executive officer, to retain the
8 services of a new chief executive officer, to alter the
9 senior levels of the administrative structure of the
10 Corporation, to approve the budget of the Corporation, or to
11 increase the indebtedness of the Corporation beyond such
12 limits as are provided in the bylaws, without the concurrence
13 of the Board.

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

18 Section 18. Board of Directors - Compensation of
19 directors. Directors who are employees or officials of the
20 National Government, a State government, a municipal
21 government, or of a public or quasi-public agency or
22 corporation shall receive no additional compensation for
23 their service as members of the Board. The compensation of
24 members who are not such employees or officials shall be
25 determined by the Board. All members of the Board shall be

1 entitled to compensation for travel and per diem at
2 established Federated States of Micronesia Government rates
3 when serving the Corporation.

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

17 Section 20. Budget and finance officer. The chief
18 executive officer shall appoint, with the concurrence of the
19 Board, a budget and finance officer, for such term as shall
20 be provided in the bylaws of the Corporation. The budget and
21 finance officer shall serve at all times under the direct
22 supervision of the chief executive officer, and shall have
23 the following duties:

24 (1) To establish and maintain an account to be
25 used strictly for expenses arising directly from the use,

1 operation and maintenance of aircraft owned by the
2 corporation, such as insurance, fuel, parts, landing and
3 handling fees, rental for hangar space, pilots', mechanics'
4 and ground crews' salaries and benefits, and into which shall
5 be deposited

6 (a) all revenues derived from fares, freight, mail
7 carriage, and other charges received by the corporation in
8 connection with providing air transportation services; and

9 (b) any and all appropriations from the General
10 Fund of the Federated States of Micronesia;

11 (2) To receive and disburse all funds of the
12 Corporation; and

13 (3) As the Board may require, execute, at the expense of
14 the Corporation, a good and sufficient bond with sureties
15 authorized to do business in the Federated States of
16 Micronesia.

17 Section 21. Budget preparation. The budget and finance
18 officer shall prepare in advance of each fiscal year, under
19 the supervision of the chief executive officer, an annual
20 budget for the Corporation, taking into consideration
21 anticipated capital and operational expenditures and
22 anticipated revenues. The Corporation shall use the same
23 fiscal calendar as that of the Government of the Federated
24 States of Micronesia. The budget shall indicate the
25 operational, capital, and maintenance requirements of the

1 Corporation that will be met with the anticipated revenues of
2 the Corporation, and such essential requirements as cannot be
3 met without increase in the rate of revenues or outside
4 financial assistance.

5 Section 22. Supplemental budget requests. To the extent
6 that the Corporation deems it necessary and advisable, the
7 Corporation is authorized to seek appropriations from the
8 Congress of the Federated States of Micronesia, and, to the
9 extent approved by the President of the Federated States of
10 Micronesia, grants from sources outside of the Federated
11 States of Micronesia, of such funds as are necessary to
12 supplement revenues to provide for the operations,
13 maintenance, and expansion of the air transportation system of
14 the Corporation.

15 Section 23. Accounts and records.

16 (1) The Board and the chief executive officer
17 shall be jointly responsible to ensure that the budget and
18 finance officer establishes and maintains a complete set of
19 accounting records consistent with generally accepted
20 accounting principles pertinent to the nature of
21 the Corporation and its operations.

22 (2) The Board, not later than ninety days after
23 the close of each governmental fiscal year, shall submit to
24 the President and the Congress a complete report, including
25 financial statements, prepared in accordance with generally

1 accepted accounting principles and standards, showing the
2 activities of the Corporation during the fiscal year, the
3 present condition of the Corporation, and such other matters
4 as the Board shall deem appropriate. Financial statements
5 shall include at least a balance sheet, income statement,
6 statement of changes in financial position, and statement of
7 changes in capital.

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

12 Section 24. This act shall become law upon approval by
13 the President of the Federated States of Micronesia or upon
14 its becoming law without such approval.

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Jacob Nena
President
Federated States of Micronesia