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 Islands Air, Incorporated, hereinafter referred to as the "the Corporation", is hereby established as a public corporation under the laws of the Federated States of Micronesia. It is the intent of Congress that the Corporation shall be subject to annual financial review, as set forth in section 23 of this act, and that, at the earliest practical opportunity, and following a resolution of Congress calling for the same, the National Government shall dissolve the Corporation, and a new, non-governmental corporation, in which shares shall be offered for sale to the general public, shall thereupon be established, which corporation shall continue to provide the air transportation services previously provided by the Corporation.

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

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

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

(3) to operate domestic air transportation services.
services;
(4) to train citizens in professions related to
aeronautics;
(5) to act as a "Freely Associated State Air
Carrier" within the meaning of the Federal Program and
Services Agreement concluded pursuant to the Compact of Free
Association;
(6) to engage in support activities; including,
but not limited to, freight terminal and delivery activities
and passenger services; and
(7) to enter into joint ventures with other
entities in order to effectuate its operations.
Section 3. Legal capacity of the Corporation. In
performing the functions authorized by this chapter or other
law of the Federated States of Micronesia, the Corporation
shall have the capacity to exercise all powers normally
exercised by a corporation, including, but not limited to,
the following:
(1) to adopt, alter, and use a corporate seal;
(2) to adopt and amend bylaws governing the
conduct of its business and the exercise of its powers;
(3) to sue and be sued in its corporate name;
(4) to acquire, in any lawful manner, real,
personal, or mixed property, either tangible or intangible;
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 or 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
5 Section 6. Board of Directors - Composition.
6
7 (1) The Board shall initially be composed of five
8 members specified in this act, as follows:
9
10 (a) The Secretary of the National Government
11 Department of Transportation and Communication, or his
12 designee;
13
14 (b) The General Manager for the Pohnpei Port
15 Authority, or his designee;
16
17 (c) The Chief Magistrate Representative,
18 Mwoakilloa;
19
20 (d) The Chief Magistrate Representative,
21 Pingelap;
22
23 (e) An employee representative selected from
24 the regular, full-time employees of Caroline Islands Air.
25
26 (2) The Board shall add the following two
27 additional members, for a total of seven, upon the airstrips
28 in their respective districts becoming operational:
29
30 (a) The Chief Magistrate Representative,
31 Sapwuahfik;
32
33 (b) The Chief Magistrate Representative,
34 Kapingamarangi;
35
36 (3) Subsequent members of the Board shall be
appointed by the President upon the expiration of the term of
an incumbent member, or upon the removal of a member of the
Board under the provisions of section 10 of this act.

Section 7. Board of Directors - Organizational meeting.

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

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

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

Section 9. Board of Directors - Vacancies.

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

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

Section 10. Board of Directors - Removal.

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

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

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

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

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

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

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

Section 15. Board of Directors - Executive committee -
Establishment: Meetings. There shall be an executive
committee of the Board composed of the chairman, vice
chairman, and secretary-treasurer, or their individually
designated substitutes chosen from among the membership of
the Board. The executive committee shall meet with the chief
Section 16. Board of Directors - Executive Committee - Powers. The executive committee shall be empowered to conduct all business of the Board, except that the executive committee shall not have the authority to terminate the services of the chief executive officer, to retain the services of a new chief executive officer, to alter the senior levels of the administrative structure of the Corporation, to approve the budget of the Corporation, or to increase the indebtedness of the Corporation beyond such limits as are provided in the bylaws, without the concurrence of the Board.

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

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

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

Section 20. Budget and Finance Officer. The chief
executive officer shall appoint, with the concurrence of the
Board, a budget and finance officer, for such term as shall
be provided in the bylaws of the Corporation. The budget and
finance officer shall serve at all times under the direct
supervision of the chief executive officer, and shall have
the following duties:
(1) To establish and maintain an account to be
used strictly for expenses arising directly from the use,
operation and maintenance of aircraft owned by the corporation, such as insurance, fuel, parts, landing and handling fees, rental for hangar space, pilots', mechanics' and ground crews' salaries and benefits, and into which shall be deposited

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

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

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

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

Section 21. Budget preparation. The budget and finance officer shall prepare in advance of each fiscal year, under the supervision of the chief executive officer, an annual budget for the Corporation, taking into consideration anticipated capital and operational expenditures and anticipated revenues. The Corporation shall use the same fiscal calendar as that of the Government of the Federated States of Micronesia. The budget shall indicate the 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
6 Section 22. Supplemental budget requests. To the extent
7 that the Corporation deems it necessary and advisable, the
8 Corporation is authorized to seek appropriations from the
9 Congress of the Federated States of Micronesia, and, to the
10 extent approved by the President of the Federated States of
11 Micronesia, grants from sources outside of the Federated
12 States of Micronesia, of such funds as are necessary to
13 supplement revenues to provide for the operations,
14 maintenance, and expansion of the air transportation system of
15 the Corporation.
16
17 Section 23. Accounts and records.
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19 (1) The Board and the chief executive officer
20 shall be jointly responsible to ensure that the budget and
21 finance officer establishes and maintains a complete set of
22 accounting records consistent with generally accepted
23 accounting principles pertinent to the nature of
24 the Corporation and its operations.
25
26 (2) The Board, not later than ninety days after
27 the close of each governmental fiscal year, shall submit to
28 the President and the Congress a complete report, including
29 financial statements, prepared in accordance with generally
accepted accounting principles and standards, showing the
activities of the Corporation during the fiscal year, the
present condition of the Corporation, and such other matters
as the Board shall deem appropriate. Financial statements
shall include at least a balance sheet, income statement,
statement of changes in financial position, and statement of
changes in capital.

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

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

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Jacob Nena
President
Federated States of Micronesia