A BILL FOR AN ACT

To establish a Federated States of Micronesia Shipping Corporation, and for other purposes.

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

1 Section 1. Short title. This act may be cited as the
2 "Federated States of Micronesia Shipping Corporation Act of 1987."

3 Section 2. Establishment of Corporation. The Federated States
4 of Micronesia Shipping Corporation is hereby established as a public
5 corporation under the laws of the Federated States of Micronesia.
6 It may be hereinafter referred to as "the Corporation."

7 Section 3. Powers and responsibilities of the Corporation. The
8 Corporation has the following powers and responsibilities:
9 (1) To take title to the ships owned by the Federated
10 States of Micronesia and operate inter-island sea transportation
11 services throughout the Nation;
12 (2) To contract with domestic and foreign persons and
13 corporations for the provision of ships and services;
14 (3) To operate international and domestic sea trans-
15 portation services;
16 (4) To train citizens as masters, mates and licensed crew,
17 and in other related maritime professions;
18 (5) To engage in support activities, such as, but not
19 limited to, freight and delivery activities, passenger
20 services, port facilities management, and;
21 (6) To enter into joint ventures with other entities as
22 required in the course of its operations.

23 Section 4. Legal capacity of the Corporation. In performing the
24 functions authorized by this act or other law of the Federated
25 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 sell, lease, or otherwise
dispose of such property;
(5) To acquire and take over in any lawful manner the
business, property, assets, and liabilities of any entity;
(6) To borrow or raise any sum or sums of money and to
issue corporate bonds on such security and upon such terms as
may from time to time be deemed necessary for the expansion and
improvement of sea transportation services;
(7) To retain and terminate the services of employees,
agents, attorneys, auditors, and independent contractors upon such
terms and conditions as it may deem appropriate; and
(8) To do all such other things as may be deemed inciden-
tal to or conducive to the attainment of the responsibilities of the
Corporation.

Section 5. Debts and obligations of the Corporation. The debts
and obligations of the Corporation shall not be debts or obligations
of the Government of the Federated States of Micronesia, nor shall
the Government of the Federated States of Micronesia be responsible
for any such debts or obligations.

Section 6. **Tax liability.** The Corporation shall exist and
operate solely for the benefit of the public and shall be exempt
from any taxes or assessments on any of its property, operations, or
activities. Nothing herein shall be deemed to exempt employees and
independent contractors of the Corporation from tax liability for
services rendered to the Corporation; and the Corporation shall be
liable for employers' contributions to the Social Security System
of the Federated States of Micronesia in the manner provided by law.

Section 7. **Board of Directors - Establishment.**

The affairs of the Corporation shall be managed and
its corporate powers exercised by a Board of Directors, hereinafter
referred to as "the Board."

Section 8. **Board of Directors - Composition.** The Board
shall be composed of seven members. Two members shall be
appointed by the President of the Federated States of Micronesia
with the advice and consent of the Congress. The Governor of each
State of the Federated States of Micronesia shall appoint one member
of the Board with the advice and consent of the respective State
legislature. The chief executive officer of the Corporation
shall serve, ex officio, as a member of the Board with full rights
of membership.

Section 9. **Board of Directors - Organizational meeting.**

(1) Within 60 days of the confirmation of all
members of the Board, as set forth in section 8 of this act, 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 lot the length of their initial
terms, with two members serving initial terms of 1 year, two
serving initial terms of 2 years, and two serving initial terms
of 3 years.

Section 10. Board of Directors - Terms of office. Terms of
office shall be for a period of 3 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 Board.

Section 11. Board of Directors - Vacancies.

(1) Each vacancy on the Board shall be filled for the
unexpired portion of the term in the same manner as originally
filled. 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 a
nomination to the Congress or a State legislature prior to the
expiration of the previous term, or by failure to submit a
nomination within 60 days of receipt of notice that a vacancy
exists, or within 10 days of receipt of notice of rejection of a nomina-
tion, shall be filled by nomination of the Speaker of the Congress or the
Speaker of the State legislature, respectively, subject to advice and
consent of the Congress or the legislature or an authorized committee
thereof. The nomination of the President or Governor shall be entitled
to consideration if such nomination is made prior to that of the Speaker.

Section 12. 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 30 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 witnesses 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 13. 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 14. **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 by the bylaws.

Section 15. **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 in the bylaws.

Section 16. **Board of Directors - Quorum.** A quorum of all regular business of the Board shall be four members.

Section 17. **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 executive officer at least once per calendar quarter at such times and places as shall be determined by the bylaws.

Section 18. **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 19. **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 20. **Board of Directors - Compensation of directors.** Directors who are employees of the National Government or a State government of the Federated States of Micronesia shall receive no additional compensation for their service as members of the Board. The compensation of members who are not Government employees 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 21. **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 22. **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 receive and disburse all funds of the Corporation. The Board may require that the budget and finance officers shall execute, at the expense of the Corporation, a good and sufficient bond with sureties authorized to do business in the Federated States of Micronesia. The budget and finance officer shall serve at all times under the direct supervision of the chief executive officer.

Section 23. **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 Corporation that will be met with the anticipated revenues of the Corporation, and such essential requirements as cannot be met without increase in the rate of revenues or outside financial assistance.

Section 24. **Supplemental budget requests.** To the extent that the Corporation deems it necessary and advisable, the Corporation is authorized to seek appropriations from the Congress of the Federated States of Micronesia, and, to the extent approved by the
1 President of the Federated States of Micronesia, grants from sources
2 outside of the Federated States of Micronesia, of such funds
3 as are necessary to supplement revenues to provide for the
4 operations, maintenance, and expansion of the sea transportation
5 system of the Corporation.

6 Section 25. Accounts and records.
7 (1) The Board and the chief executive officer shall be
8 jointly responsible to ensure that the budget and finance officer
9 prepares proper and complete books of account reflecting all
10 income, expenditures, assets and liabilities of the Corporation.
11 (2) The Board, not later than 90 days after the
12 close of each governmental fiscal year, shall submit to the President,
13 the Congress, and the Governor and legislature of each State a
14 complete report, including financial statements, prepared in
15 accordance with generally accepted accounting principles and
16 standards, showing the activities of the Corporation during the
17 fiscal year, the present condition of the Corporation, and such
18 other matters as the Board shall deem appropriate. Financial
19 statements shall include at least a balance sheet, income
20 statement, statement of changes in financial position, and
21 statement of changes in capital.
22 (3) The financial statements of the Corporation shall
23 be audited no less frequently than annually by either the Public
24 Auditor or a Certified Public Accountant selected by the Board
25 of Directors.
Section 26. Effective date. This act shall become law upon
approval by the President of the Federated States of Micronesia or
upon its becoming law without such approval.

Date: 2-3-87

Introduced by: Koichi Sana