
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

1 exercise all powers normally exercised by a corporation, including,
2 but not limited to, the following:

3 (1) To adopt, alter, and use a corporate seal;

4 (2) To adopt and amend bylaws governing the conduct
5 of its business and the exercise of its powers;

6 (3) To sue and be sued in its corporate name;

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

11 (5) To acquire and take over in any lawful manner the
12 business, property, assets, and liabilities of any entity;

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

17 (7) To retain and terminate the services of employees,
18 agents, attorneys, auditors, and independent contractors upon such
19 terms and conditions as it may deem appropriate; and

20 (8) To do all such other things as may be deemed inciden-
21 tal to or conducive to the attainment of the responsibilities of the
22 Corporation.

23 Section 5. Debts and obligations of the Corporation. The debts
24 and obligations of the Corporation shall not be debts or obligations
25 of the Government of the Federated States of Micronesia, nor shall

1 the Government of the Federated States of Micronesia be responsible
2 for any such debts or obligations.

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

11 Section 7. Board of Directors - Establishment.

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

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

24 Section 9. Board of Directors - Organizational meeting.

25 (1) Within 60 days of the confirmation of all

1 members of the Board, as set forth in section 8 of this act, and
2 annually thereafter on such dates as are set by the Board, the
3 Board shall meet to select its officers and to conduct such other
4 business as it shall deem advisable.

5 (2) At the first such meeting, the appointed members
6 of the Board shall determine by lot the length of their initial
7 terms, with two members serving initial terms of 1 year, two
8 serving initial terms of 2 years, and two serving initial terms
9 of 3 years.

10 Section 10. Board of Directors - Terms of office. Terms of
11 office shall be for a period of 3 years, except that the initial
12 terms of office and the filling of vacancies shall be as provided by
13 this act. The terms of office shall commence on the date of the
14 organizational meeting of the Board.

15 Section 11. Board of Directors - Vacancies.

16 (1) Each vacancy on the Board shall be filled for the
17 unexpired portion of the term in the same manner as originally
18 filled. Upon determination that a vacancy exists, the chairman
19 or, in his absence, the presiding officer of the Board shall issue
20 a notice of vacancy to all members of the Board and the parties
21 responsible for filling the vacancy.

22 (2) Any vacancy occasioned by failure to make a
23 nomination to the Congress or a State legislature prior to the
24 expiration of the previous term, or by failure to submit a
25 nomination within 60 days of receipt of notice that a vacancy

1 exists, or within 10 days of receipt of notice of rejection of a nomina-
2 tion, shall be filled by nomination of the Speaker of the Congress or the
3 Speaker of the State legislature, respectively, subject to advice and
4 consent of the Congress or the legislature or an authorized committee
5 thereof. The nomination of the President or Governor shall be entitled
6 to consideration if such nomination is made prior to that of the Speaker.

7 Section 12. Board of Directors - Removal.

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

10 (2) A member may be removed by a majority vote of all
11 other members of the Board for neglect of duty or malfeasance in
12 office. Notification of intent to call for removal
13 pursuant to this subsection shall be made at least 30 days in
14 advance, by means which shall be described in the bylaws of the
15 Corporation, and shall include a summary of the basis of the charges
16 against the member and identification of the witnesses to be called
17 and evidence to be used.

18 (3) The Supreme Court of the Federated States of Micro-
19 nesia shall have jurisdiction to hear claims of wrongful removal.

20 Section 13. Board of Directors - Officers. The Board shall
21 elect from among its members a chairman, vice chairman, and
22 secretary-treasurer. The chairman shall ordinarily preside at
23 Board meetings. In his absence the vice chairman shall preside.
24 The bylaws shall provide for determination of the presiding officer
25 in the absence of these officers.

1 Section 14. Board of Directors - Regular meetings. Regular
2 meetings shall be held not less than once per calendar quarter, at
3 such times and place or places as shall be determined by the bylaws.

4 Section 15. Board of Directors - Special meetings. Special
5 meetings shall be called by the chairman on his own initiative, or by
6 petition of two of the members, pursuant to notice as shall be
7 provided in the bylaws.

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

10 Section 17. Board of Directors - Executive committee -
11 Establishment; Meetings. There shall be an executive committee of
12 the Board composed of the chairman, vice chairman, and secretary-
13 treasurer, or their individually designated substitutes chosen from
14 among the membership of the Board. The executive committee shall
15 meet with the chief executive officer at least once per calendar
16 quarter at such times and places as shall be determined by the
17 bylaws.

18 Section 18. Board of Directors - Executive committee -
19 Powers. The executive committee shall be empowered to conduct
20 all business of the Board, except that the executive committee
21 shall not have the authority to terminate the services of the
22 chief executive officer, to retain the services of a new
23 chief executive officer, to alter the senior levels of the
24 administrative structure of the Corporation, to approve the
25 budget of the Corporation, or to increase the indebtedness of

1 the Corporation beyond such limits as are provided in the bylaws,
2 without the concurrence of the Board.

3 Section 19. Board of Directors - Record of meetings. The
4 secretary-treasurer, or in his absence another member designated by
5 the bylaws, shall keep full and accurate minutes of all meetings.

6 Section 20. Board of Directors - Compensation of directors.
7 Directors who are employees of the National Government or a State
8 government of the Federated States of Micronesia shall receive no
9 additional compensation for their service as members of the Board.
10 The compensation of members who are not Government employees shall
11 be determined by the Board. All members of the Board shall be
12 entitled to compensation for travel and per diem at established
13 Federated States of Micronesia Government rates when serving the
14 Corporation.

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

1 Section 22. Budget and finance officer. The chief
2 executive officer shall appoint, with the concurrence of the Board,
3 a budget and finance officer, for such term as shall be provided in
4 the bylaws of the Corporation. The budget and finance officer shall
5 receive and disburse all funds of the Corporation. The Board may
6 require that the budget and finance officers shall execute,
7 at the expense of the Corporation, a good and sufficient bond with
8 sureties 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 officer.

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

22 Section 24. Supplemental budget requests. To the extent that
23 the Corporation deems it necessary and advisable, the Corporation
24 is authorized to seek appropriations from the Congress of the
25 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.

1 Section 26. Effective date. This act shall become law upon
2 approval by the President of the Federated States of Micronesia or
3 upon its becoming law without such approval.

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Date: 1/23/87

Introduced by: *Koichi Sana*
Koichi Sana