

STANDING COMMITTEE REPORT NO. 13-131

RE: FY 2005 BUDGET/TC

SUBJECT: FY 2005 BUDGET

JUNE 02, 2004

The Honorable Peter M. Christian
Speaker, Thirteenth Congress
Federated States of Micronesia
Third Regular Session, 2004

Dear Mr. Speaker:

Your Committee on Transportation and Communications, to which was referred the National Government's proposed FY 2005 budget, begs leave to report as follows:

Pursuant to rule 7, section 2(b), of the Official Rules of Procedure of the Thirteenth Congress of the Federated States of Micronesia, your committee has limited its review to those portions of the proposed budget relating to matters under its jurisdiction. These are the budgets for:

1. The Department of Transportation, Communication and Infrastructure, which comprises the Office of the Secretary, and the divisions of Marine Transportation, Civil Aviation, Communications, and Infrastructure (together the "Department");
2. Grants, Subsidies and Contributions to:
 - (a) the Asia Pacific Telecommunity (APT);
 - (b) the International Telecommunications Union (ITU);
 - (c) the International Civil Aviation Organization (ICAO);
 - (d) the Micronesian Shipping Commission;
 - (e) Utilities for FSM Capital
3. Capital and Human Resource Development
 - (a) MS Caroline Voyager Drydocking
 - (b) Project Management Unit (PMU)

Your committee conducted a series of public hearings and committee meetings following the convening of Congress on May 11, 2004. The report and recommendations that follow are based upon the information and input provided by the Secretary and staff of the Department of Transportation, Communication and Infrastructure (the "Department") interviewed during those hearings on the FY2005 proposed budget.

GENERAL COMMENTS

STANDING COMMITTEE REPORT NO. 13-131

RE: FY 2005 BUDGET/TC

SUBJECT: FY 2005 BUDGET

JUNE 02, 2004

Your committee expresses its appreciation to the Secretary and staff of the Department of Transportation, Communication and Infrastructure for their continued dedication in fulfilling their respective missions. The committee encourages the Secretary and his staff to continue their efforts to improve fiscal responsibility within the Department while maintaining high quality services.

The committee expresses its appreciation to the Department for its continuous effort in accommodating the transportation needs of this nation. The committee intends to work closely with the Department on transportation activities to continually meet the transportation needs of this nation. The committee, once again, urges the Department to coordinate schedules of the Micro class vessels to meet each state's needs. The committee notes that the Micro classes are not for patrol purposes and urges the use of the FSM patrol boats for patrolling purposes. The committee requests the Department to follow up reports concerning the benefits differences between surveillance officers and crews on the Micro classes. In this respect, the committee wishes to receive more complete and candid reports from the Department.

The committee has noted a number of position vacancies and urges that they be filled at the earliest possible time if qualified personnel are available. Where positions remain vacant for a considerable period of time, the continuing need for that position should be carefully re-evaluated.

The committee cautions the Department and each of the offices under its jurisdiction to limit international travel to absolutely necessary activities, and to focus their resources on increasing collaboration with their appropriate counterparts among the states. The committee highly encourages that international travel be better coordinated within and among Departments and agencies of the government. Where international travel to conferences does occur, the committee requests follow-up reports that document the specific benefits to the country of those trips.

The committee strongly recommends that the Department critically examine the requirements of the new Planning and Management Unit (the "PMU"). The committee encourages the Department to specify the administrative overhead of the PMU, clarify staff responsibilities, and place staff, to the extent possible, in achieving reporting requirements in the unit. The committee understands that the PMU will be headed by a team of certified engineers. The committee requests the Department to report on other alternatives in personnel recruitment in case it is difficult to find certified engineers.

STANDING COMMITTEE REPORT NO. 13-131

RE: FY 2005 BUDGET/TC

SUBJECT: FY 2005 BUDGET

JUNE 02, 2004

The committee has reviewed the requests for annual grants, subsidies, and contributions to the organizations under its jurisdiction. Regarding the regional and international organizations to which our country belongs, the committee urges that better utilization of the technical resources available through these organizations be achieved. To ensure this result, the committee requests that the Department prepare and present a detailed report no later than March 1, 2005, on the specific benefits to our country of continued participation in each regional and international association.

The committee requests the Secretary to submit quarterly reports on the financial transactions of the Maritime Revolving Fund account and to ensure that the profits of the Ship Operation is deposited in this Maritime Revolving Fund account.

In respect to the Fiber Optic proposal, the committee urges the Department to review the proposal in line with the Amended Compact.

Summary of Major Budget Changes

Overall the Department of Transportation, Communication and Infrastructure recommended budget is \$1,201,923, which is \$9327 less than last year's budget. Your committee carefully reviewed the proposed budget and recommends for approval a total budget of \$1,131,922.

The proposed budget for Grants, Subsidies and Contributions for FY2005 is \$373,690. The committee recommends the approval of \$390,690.

The proposed budget for Capital and Human Resource Development Program for FY2005 is \$1,130,000. The committee recommends approval of \$1,130,000.

Following is a detailed presentation of the committee's findings and recommendations (committee's recommendations are highlighted/bold/underlined).

I. DEPARTMENT OF TRANSPORTATION, COMMUNICATION AND INFRASTRUCTURE

A. Office of the Secretary:

1. Positions, Salaries and Benefits

Recommended by President 6 at a total of \$71,761
Recommended by Committee 6 at a total of \$71,761

STANDING COMMITTEE REPORT NO. 13-131

RE: FY 2005 BUDGET/TC

SUBJECT: FY 2005 BUDGET

JUNE 02, 2004

There is no change in the number of positions in the Office of the Secretary. The committee recommends that the same amount for salaries and benefits for FY2005 will be the same as FY2004.

2. Travel:

Recommended by President \$15,969
Recommended by Committee \$35,969

The committee recommends an increase of \$20,000 in the travel category to assist with the cost of attending to certain functions in China where the two FSM vessels are being built.

3. Contractual Services:

Recommended by President \$4,000
Recommended by Committee \$4,000

4. Other Current Expenses:

Recommended by President \$50,000
Recommended by Committee \$60,000

The committee recommends an increase in the amount of \$10,000 for training of ship's personnel of the FSM's ships so that they may be certified under the International Maritime Organization, enabling them to travel to Guam and Commonwealth of the Northern Mariana Islands (CNMI) for commerce.

5. Fixed Assets:

Recommended by President \$0
Recommended by Committee \$0

B. Division of Marine Transportation:

1. Positions, Salaries and Benefits

Recommended by President 5 at a total of \$94,997
Recommended by Committee 5 at a total of \$94,997

The committee strongly encourages the Department to fill the remaining vacancies under this unit. Your committee has learned the funds flowing through this unit are quite substantial. The committee is

STANDING COMMITTEE REPORT NO. 13-131

RE: FY 2005 BUDGET/TC

SUBJECT: FY 2005 BUDGET

JUNE 02, 2004

gravely concerned about the monitoring of funds in the Micronesian Shipping Corporation.

2. Travel:

Recommended by President \$35,801

Recommended by Committee \$35,801

3. Contract Services

Recommended by President \$474,083

Recommended by Committee \$374,083

The committee has decided to cut \$100,000 from the contract services category because of information which reflected a surplus in the account. The committee feels that the Department can operate with the existing surpluses in the account. The committee will reconsider this decrease of \$100,000 during next session of Congress pending accurate accounting on this account by the Department.

4. Other Current Expenses:

Recommended by President \$0

Recommended by Committee \$0

5. Fixed Assets:

Recommended by President \$0

Recommended by Committee \$0

C. Division of Civil Aviation

1. Positions, Salaries and Benefits:

Recommended by President 2 at a total of \$48,385

Recommended by Committee 2 at a total of \$48,385

2. Travel:

Recommended by President \$10,000

Recommended by Committee \$10,000

3. Contract Services:

Recommended by President \$0

Recommended by Committee \$0

STANDING COMMITTEE REPORT NO. 13-131

RE: FY 2005 BUDGET/TC

SUBJECT: FY 2005 BUDGET

JUNE 02, 2004

4. Other Current Expenses:

Recommended by President \$0
Recommended by Committee \$0

5. Fixed Assets:

Recommended by President \$0
Recommended by Committee \$0

D. Division of Communication

1. Positions, Salaries and Benefits:

Recommended by President 2 at a total of \$37,750
Recommended by Committee 2 at a total of \$37,750

2. Travel:

Recommended by President \$15,000
Recommended by Committee \$15,000

3. Contract Services:

Recommended by President \$25,000
Recommended by Committee \$25,000

4. Other Current Expenses:

Recommended by President \$0
Recommended by Committee \$0

5. Fixed Assets:

Recommended by President \$10,000
Recommended by Committee \$10,000

E. Division of Infrastructure

1. Positions, Salaries and Benefits:

Recommended by President 12 at a total of \$177,981
Recommended by Committee 12 at a total of \$177,981

2. Travel:

STANDING COMMITTEE REPORT NO. 13-131

RE: FY 2005 BUDGET/TC

SUBJECT: FY 2005 BUDGET

JUNE 02, 2004

Recommended by President \$19,230
Recommended by Committee \$19,230

3. Contract Services:

Recommended by President \$97,965
Recommended by Committee \$97,965

4. Other Current Expenses:

Recommended by President \$14,000
Recommended by Committee \$14,000

5. Fixed Assets:

Recommended by President \$0
Recommended by Committee \$0

II. GRANTS, SUBSIDIES AND CONTRIBUTIONS:

A. Asia Pacific Telecommunity (APT):

Recommended by President \$7,640
Recommended by Committee \$7,640

B. International Telecommunications Union (ITU):

Recommended by President \$28,000
Recommended by Committee \$55,000

This is an error in the FY05 budget book the amount of \$28,000 shown as the FY04 approvals for the ITU is, in fact, one half of the FY04 budget. According to Joldon Johnnyboy, the correct amount should be \$55,000, which is the annual contribution by the FSM government to ITU. The committee recommends this increase.

C. International Civil Aviation Organization (ICAO):

Recommended by President \$28,050
Recommended by Committee \$28,050

D. Micronesian Shipping Commission:

Recommended by President \$10,000
Recommended by Committee \$0

STANDING COMMITTEE REPORT NO. 13-131

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SUBJECT: FY 2005 BUDGET

JUNE 02, 2004

The committee is gravely concerned about the \$10,000 annual appropriation by Congress for the Micronesian Shipping Commission (MSC). The committee has learned that the MSC has its own account in the Bank of Guam, which reflects a substantial balance. The committee, once again, will reconsider this decrease in the next session of Congress and urges the Marine Transportation Division of the Department to carefully review the MSC account and report back to the committee.

E. Energy (FSM Utility):

Recommended by President \$300,000

Recommended by Committee \$300,000

III. Capital and Human Resources Development

A. MS Caroline Voyager Dry-Docking:

Recommended by President \$630,000

Recommended by Committee \$630,000

The Department has informed your committee that the MS Caroline Voyager Dry-docking needs this appropriation for their biannual dry-docking for the maintenance of the vessel.

B. Planning Management Unit:

Recommended by President \$500,000

Recommended by Committee \$500,000

IV. CONCLUSIONS:

Your committee on Transportation and Communication has reviewed the proposed FY2005 Budget within your committee's jurisdiction. Each of the sums "**Recommended by Committee**" set forth above reflects funding for the designated activity, contributions, and capital and human resource development for all of fiscal year 2005.

Subject to the conditions and limitations set forth herein, and the availability of funds as determined by your Committee on Ways and Means, your Committee on Transportation and Communication recommends approval of the amounts listed above.

STANDING COMMITTEE REPORT NO. 13-131

RE: FY 2005 BUDGET/TC

SUBJECT: FY 2005 BUDGET

JUNE 02, 2004

Respectfully submitted,

/s/ Moses A. Nelson
Moses A. Nelson, chairman

/s/ Ramon Peyal
Ramon Peyal, vice chairman

Tiwiter Aritos, member

/s/ Jack Fritz
Jack Fritz, member

/s/ Peter M. Christian
Peter M. Christian, member

Dion G. Neth, member

/s/ Claude H. Phillip
Claude H. Phillip, member