

STANDING COMMITTEE REPORT NO. 20-107

RE: C.B. NO. 20-264/R&D

SUBJECT: AMENDMENTS TO TITLE 24 OF THE FSM CODE
(Vessel Day Scheme Acquisition Fund)

MAY 6, 2019

The Honorable Wesley W. Simina
Speaker, Twentieth Congress
Federated States of Micronesia
Eighth Special Session, 2019

Dear Mr. Speaker:

Your Committee on Resources and Development, to which was referred C.B. No. 20-264, entitled:

“A BILL FOR AN ACT TO FURTHER AMEND TITLE 24 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA (ANNOTATED), BY CREATING A NEW CHAPTER 12 TO ESTABLISH THE VESSEL DAY SCHEME ACQUISITION FUND, AND FOR OTHER PURPOSES.”,

begs leave to report as follows:

The intent and purpose of the bill are expressed in its title.

The subject bill was transmitted to the Twentieth Congress on October 23, 2018, through Presidential Communication No. 20-344 during the Sixth Special Session of the Twentieth Congress. C.B. No. 20-264 proposes to create a new chapter 12 of title 24 of the Code of the Federated States of Micronesia to establish a Vessel Day Scheme Acquisition Fund.

According to the communication from the President, this

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revolving fund is to enable the National Oceanic Resource Management Authority (NORMA) to trade vessel days with members of the Parties to the Nauru Agreement (PNA) when the conditions for the trade are favorable to the FSM. It has been the practice among PNA countries in the region to trade vessel days among themselves under the Vessel Day Scheme (VDS), and this practice has resulted in extra revenues for each party. The sole purpose of this Fund is to give the Authority the flexibility to buy fishing days during unpredictable fishing conditions and sell them at a higher value to maximize additional revenue from fisheries resources for the FSM.

Proposed Amendments

1. The intent of Section 1 of the bill is to create a new chapter 12, entitled: "Vessel Day Scheme Acquisition Fund" to be separated from the General Fund of the Federated States of Micronesia.
2. Section 1201 of the bill establishes the Vessel Day Scheme Acquisition Fund, and the Fund herein shall be used exclusively to purchase vessel days.
3. The proposed section 1202 explains the purpose of this new Vessel Day Scheme Acquisition Fund, which is to provide a legal framework and financial authority of the National Oceanic Resources Management Authority to purchase vessel days from Parties to the Nauru Arrangement for the purpose of re-selling the purchased vessel days to interested parties who hold valid fishing access agreements with the NORMA. With regards to this scheme, NORMA may generate revenue or maximize economic benefit for the Federated States of Micronesia.
4. The proposed section 1203 of the bill provides the Executive Director of NORMA in consultation with the Board of NORMA, to

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use the funds in the VDS Acquisition Fund to buy additional fishing days from PNA members.

5. The proposed section 1204 of this bill ensures that all future appropriations for the Fund shall be deposited into the Fund. The threshold amount of the Fund is \$3,000,000, and any revenues generated and unexpended moneys in excess of \$3,000,000 shall be paid into the General Fund.

6. The proposed section 1205 of the bill is the administration of the Fund. The President of the Federated States of Micronesia or his designee shall administer the Fund. The President shall establish procedures necessary and appropriate for the effectuation and implementation of the provisions of this chapter.

7. Section 1206 of the bill provides for reporting requirement of the Fund. The President or his designee shall report to the Congress of the Federated States of Micronesia on the status of the Fund at the close of each fiscal year.

8. Section 1207 of the bill authorizes the National Oceanic Management Authority to adopt or promulgate the necessary regulation governing the trading of vessel days and such controls that shall govern the management of the revolving fund in accordance with the Financial Management Act.

Your Committee conducted a public hearing on C.B. No. 20-264 on Friday, November 16, 2018. Witnesses that attended the hearing included: the Executive Director of NORMA, Mr. Eugene Pangelinan, the Secretary of the Department of Resources and Development, Mr. Marion Henry, President's office representative, Mr. Pelsesar Petrus, the Assistant Secretary of Budget, Mr. Sohs John, the Assistant Secretary of the Department of Foreign Affairs, Mr. Berlino Martin, and Administrative Officer, Mrs. Donna Amaraich.

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Chairman David W. Panuelo opened the hearing and allowed the witnesses to express their views on the measure. Mr. Pangelinan explained that the bill will give NORMA the ability to strategize on how it can sell days before any bilateral negotiations. If the measure is passed, the Authority can buy vessel days at a lower price and subsequently sell the days to any interested Fishing Companies, and this sale or transaction by the Authority has to be made in a timely manner. So if the funds are made available, the Authority can easily secure days and sell them once there is an offer from any PNA member country. Thus, offer and sale of days sometimes occur when fishing is good in the East.

According to the Authority, having a Vessel Day Scheme Acquisition fund gives the Authority the flexibility to sell days when the time is right, which the Authority can maximize the revenues from fisheries through the trading of vessel days.

Conclusion

Your Committee on Resources and Development is in accord with the intent and purpose of C.B. 20-264 and recommends its passage on First Reading and that it be placed on the Calendar for Second and Final Reading in the form attached hereto C.B. 20-264.

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Respectfully submitted,

/s/ David W. Panuelo
David W. Panuelo, chairman

Tiwiter Aritos, vice chairman

Alik L. Alik, member

Isaac V. Figir, member

/s/ Victor V. Gouland
Victor V. Gouland, member

/s/ Derensio S. Konman
Derensio S. Konman, member

/s/ Esmond B. Moses
Esmond B. Moses, member