

STANDING COMMITTEE REPORT NO. 20-36

RE: C.B. NO. 20-54/R&D

SUBJECT: CONVERSION OF UNPAID BALANCES OF PRIOR
LOANS FROM THE NATIONAL GOVERNMENT TO
THE NATIONAL FISHERIES CORPORATION

SEPTEMBER 28, 2017

The Honorable Wesley W. Simina
Speaker, Twentieth Congress
Federated States of Micronesia
Second Regular Session, 2017

Dear Mr. Speaker:

Your Committee on Resources and Development, to which was
jointly assigned C.B. No. 20-41, entitled:

"A BILL FOR AN ACT TO CONVERT THE BALANCES OF
PRIOR LOANS FROM THE NATIONAL GOVERNMENT OF THE
FEDERATED STATES OF MICRONESIA TO THE NATIONAL
FISHERIES CORPORATION, PURSUANT TO PUBLIC LAW NO.
6-69 SMF PUBLIC LAW NO. 9-78, INTO GRANTS FOR THE
PURPOSES FOR WHICH SUCH LOANS WERE PROVIDED, 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 Nineteenth Congress
but there was no action taken. It is now transmitted to the
Twentieth Congress.

STANDING COMMITTEE REPORT NO. 20-36

RE: C.B. NO. 20-54/R&D

SUBJECT: CONVERSION OF UNPAID BALANCES OF PRIOR
LOANS FROM THE NATIONAL GOVERNMENT TO
THE NATIONAL FISHERIES CORPORATION

SEPTEMBER 28, 2017

Your Committee on Resources and Development held a hearing on the bill on September 27, 2017. The witnesses included Mr. Peter Sitan and Secretary Marion Henry from the National Fisheries Corporation and Pelsesar Petrus from the President's Office.

BACKGROUND

The initial loan started in fiscal year 1990. The loan was executed between the NFC and the National Government. It provides that repayment shall begin three years after the execution and that no interest shall be paid. With respect to these future loans, the NFC is deemed to be a subsidiary recipient and neither an allottee, suballottee nor a National Government agency for any purpose.

Mr. Sitan explained that the NFC had this outstanding loan for around 20 years. He indicated that the loan started off to fund the NFC's subsidiary companies in each of the state. At present, the NFC already paid the outstanding loans in each of the states.

The plan for the NFC now is to diversify its operation, but with this loan, it cannot finance its proposed activities. At the hearing, Mr. Sitan explained some of the proposed activities and investment that the NFC is trying to undertake. One of the proposed projects is called "Micro canning", the canning of tuna product. With the proposed investment, the NFC needs to seek funding but its financial portfolio needs to be cleaned.

Your Committee understands very well that the NFC wanted this loan to be converted into a grant in order for them to borrow from other borrowing agencies. Currently, it cannot because of the said loan with the National Government. In fact, currently there is no effort in trying to clear the loan for the NFC. At one time during one of the hearing of this measure, the Department of Justice representative explained that the NFC has filed a suit against the

STANDING COMMITTEE REPORT NO. 20-36

RE: C.B. NO. 20-54/R&D

SUBJECT: CONVERSION OF UNPAID BALANCES OF PRIOR
LOANS FROM THE NATIONAL GOVERNMENT TO
THE NATIONAL FISHERIES CORPORATION

SEPTEMBER 28, 2017

National Government. At the hearing, Mr. Sitan explained that the lawsuit filed against the National Government has been withdrawn.

Your Committee also wishes to share with the witnesses the notion of why the NFC is doing fine with its operation and yet it is seeking the National Government to convert its loan into a grant. There was no clear answer to this inquiry.

Conclusion

Your Committee is in full support of the attempt to convert the loan into a grant because there has never been an attempt to clear this loan. Your Committee feels that to start a fresh, this loan needs to be taken off the book so the NFC can start its proposed plans, activities and investment as C.B. No. 20-54, C.D.1.

Your Committee would like to offer the following amendment to C.B. No. 20-54 to read as follows:

1. Title, line 3, after "Corporation" delete the word "funded".

Your Committee on Resources and Development is in accord with the intent and purpose of C.B. No. 20-54 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 as C.B. No. 20-54, C.D.1.

STANDING COMMITTEE REPORT NO. 20-36

RE: C.B. NO. 20-54/R&D

SUBJECT: CONVERSION OF UNPAID BALANCES OF PRIOR
LOANS FROM THE NATIONAL GOVERNMENT TO
THE NATIONAL FISHERIES CORPORATION

SEPTEMBER 28, 2017

Respectfully submitted,

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

Tiwiter Aritos, vice chairman

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

Isaac V. Figir, member

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

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

Alik L. Alik, member