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A BILL FOR AN ACT

To establish a Federated States of Micronesia Airline 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 Airline Corporation Act of 1987."

3       Section 2. Establishment of Corporation. The Federated States  
4 of Micronesia Airline 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 be the flag carrier of the Federated States of  
10 Micronesia, providing air transportation services throughout the  
11 Nation;

12              (2) To contract with domestic and foreign persons and  
13 corporations for the provision of aircraft and services;

14              (3) To operate international and domestic air trans-  
15 portation services;

16              (4) To train citizens as pilots and other related  
17 professions;

18              (5) To act as a "Freely Associated State Air Carrier"  
19 within the meaning of the Federal Program and Services Agreement  
20 concluded pursuant to the Compact of Free Association;

21              (6) To engage in support activities such as but not  
22 limited to freight terminal and delivery activities and passenger  
23 services; and

24              (7) To enter into joint ventures with other entities in  
25 order to effectuate its operations.

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1       Section 4. Legal capacity of the Corporation. In performing the  
2 functions authorized by this act or other law of the Federated  
3 States of Micronesia, the Corporation shall have the capacity to  
4 exercise all powers normally exercised by a corporation, including,  
5 but not limited to, the following:

- 6           (1) To adopt, alter, and use a corporate seal;
- 7           (2) To adopt and amend bylaws governing the conduct  
8 of its business and the exercise of its powers;
- 9           (3) To sue and be sued in its corporate name;
- 10          (4) To acquire, in any lawful manner, real, personal, or  
11 mixed property, either tangible or intangible; to hold, maintain,  
12 use, and operate such property; and to sell, lease, or otherwise  
13 dispose of such property;
- 14          (5) To acquire and take over in any lawful manner the  
15 business, property, assets, and liabilities of any entity;
- 16          (6) To borrow or raise any sum or sums of money and to  
17 issue corporate bonds on such security and upon such terms as  
18 may from time to time be deemed necessary for the expansion and  
19 improvement of air transportation services;
- 20          (7) To retain and terminate the services of employees,  
21 agents, attorneys, auditors, and independent contractors upon such  
22 terms and conditions as it may deem appropriate; and
- 23          (8) To do all such other things as may be deemed inciden-  
24 tal to or conducive to the attainment of the responsibilities of the  
25 Corporation.

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1       Section 5. Debts and obligations of the Corporation. Unless  
2 expressly provided by section 6 of this act, or otherwise  
3 provided by law, the debts and obligations of the Corporation shall  
4 not be debts or obligations of the Government of the Federated  
5 States of Micronesia, nor shall the Government of the Federated  
6 States of Micronesia be responsible for any such debts or  
7 obligations.

8       Section 6. Government guarantee of certain debts of the  
9 Corporation. For a period not to exceed 10 years, the Government  
10 of the Federated States of Micronesia shall provide loan guarantees  
11 with its full faith and credit for debts of the Corporation;  
12 PROVIDED such loan guarantees shall not exceed \$15 million.

13       Section 7. Tax liability. The Corporation shall exist and  
14 operate solely for the benefit of the public and shall be exempt  
15 from any taxes or assessments on any of its property, operations, or  
16 activities. Nothing herein shall be deemed to exempt employees and  
17 independent contractors of the Corporation from tax liability for  
18 services rendered to the Corporation; and the Corporation shall be  
19 liable for employers' contributions to the Social Security System  
20 of the Federated States of Micronesia in the manner provided by law.

21       Section 8. Board of Directors - Establishment.

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

25               (2) Until the first Board of Directors is appointed

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1 pursuant to sections 9 and 10 hereof, the working committee on  
2 air transportation as established by Congressional Resolution No. 4-53  
3 shall serve as the Board of Directors.

4       Section 9. Board of Directors - Composition. The Board  
5 shall be composed of seven members. Two members shall be  
6 appointed by the President of the Federated States of Micronesia  
7 with the advice and consent of the Congress. The Governor of each  
8 State of the Federated States of Micronesia shall appoint one member  
9 of the Board with the advice and consent of the respective State  
10 legislature. The chief executive officer of the Corporation  
11 shall serve, ex officio, as a member of the Board with full rights  
12 of membership.

13       Section 10. Board of Directors - Organizational meeting.

14               (1) Within 60 days of the confirmation of all  
15 members of the Board, as set forth in section 9 of this act, and  
16 annually thereafter on such dates as are set by the Board, the  
17 Board shall meet to select its officers and to conduct such other  
18 business as it shall deem advisable.

19               (2) At the first such meeting, the appointed members  
20 of the Board shall determine by lot the length of their initial  
21 terms, with two members serving initial terms of 1 year, two  
22 serving initial terms of 2 years, and two serving initial terms  
23 of 3 years.

24       Section 11. Board of Directors - Terms of office. Terms of  
25 office shall be for a period of 3 years, except that the initial

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1 terms of office and the filling of vacancies shall be as provided by  
2 this act. The terms of office shall commence on the date of the  
3 organizational meeting of the Board.

4 Section 12. Board of Directors - Vacancies.

5 (1) Each vacancy on the Board shall be filled for the  
6 unexpired portion of the term in the same manner as originally  
7 filled. Upon determination that a vacancy exists, the chairman  
8 or, in his absence, the presiding officer of the Board shall issue  
9 a notice of vacancy to all members of the Board and the parties  
10 responsible for filling the vacancy.

11 (2) Any vacancy occasioned by failure to make a  
12 nomination to the Congress or a State legislature prior to the  
13 expiration of the previous term, or by failure to submit a  
14 nomination within 60 days of receipt of notice that a vacancy  
15 exists, or within 10 days of receipt of notice of rejection of a  
16 nomination, shall be filled by nomination of the Speaker of the  
17 Congress or the Speaker of the State legislature, subject to  
18 advice and consent of the Congress or the legislature or an authorized  
19 committee thereof. The nomination of the President or Governor  
20 shall be entitled to consideration if such nomination is made prior  
21 to that of the Speaker.

22 Section 13. Board of Directors - Removal.

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

25 (2) A member may be removed by a majority vote of all

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1 other members of the Board for neglect of duty or malfeasance in  
2 office. Notification of intent to call for removal  
3 pursuant to this subsection shall be made at least 30 days in  
4 advance, by means which shall be described in the bylaws of the  
5 Corporation, and shall include a summary of the basis of the charges  
6 against the member and identification of the witnesses to be called  
7 and evidence to be used.

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

10 Section 14. Board of Directors - Officers. The Board shall  
11 elect from among its members a chairman, vice chairman, and  
12 secretary-treasurer. The chairman shall ordinarily preside at  
13 Board meetings. In his absence the vice chairman shall preside.  
14 The bylaws shall provide for determination of the presiding officer  
15 in the absence of these officers.

16 Section 15. Board of Directors - Regular meetings. Regular  
17 meetings shall be held not less than once per calendar quarter, at  
18 such times and place or places as shall be determined by the bylaws.

19 Section 16. Board of Directors - Special meetings. Special  
20 meetings shall be called by the chairman on his own initiative, or by  
21 petition of two of the members, pursuant to notice as shall be  
22 provided in the bylaws.

23 Section 17. Board of Directors - Quorum. A quorum of all  
24 regular business of the Board shall be four members.

25 Section 18. Board of Directors - Executive committee -

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1 Establishment; Meetings. There shall be an executive committee of  
2 the Board composed of the chairman, vice chairman, and secretary-  
3 treasurer, or their individually designated substitutes chosen from  
4 among the membership of the Board. The executive committee shall  
5 meet with the chief executive officer at least once per calendar  
6 quarter at such times and places as shall be determined by the  
7 bylaws.

8       Section 19. Board of Directors - Executive committee -  
9 Powers. The executive committee shall be empowered to conduct  
10 all business of the Board, except that the executive committee  
11 shall not have the authority to terminate the services of the  
12 chief executive officer, to retain the services of a new  
13 chief executive officer, to alter the senior levels of the  
14 administrative structure of the Corporation, to approve the  
15 budget of the Corporation, or to increase the indebtedness of  
16 the Corporation beyond such limits as are provided in the bylaws,  
17 without the concurrence of the Board.

18       Section 20. Board of Directors - Record of meetings. The  
19 secretary-treasurer, or in his absence another member designated by  
20 the bylaws, shall keep full and accurate minutes of all meetings.

21       Section 21. Board of Directors - Compensation of directors.  
22 Directors who are employees of the National Government or a State  
23 government of the Federated States of Micronesia shall receive no  
24 additional compensation for their service as members of the Board.  
25 The compensation of members who are not Government employees shall

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1 be determined by the Board. All members of the Board shall be  
2 entitled to compensation for travel and per diem at established  
3 Federated States of Micronesia Government rates when serving the  
4 Corporation.

5 Section 22. Management. There shall be a chief executive  
6 officer of the Corporation, whose compensation, title, and term  
7 of office shall be determined by the Board. The chief executive  
8 officer shall be responsible for the management of the operations  
9 of the Corporation, and shall, in accordance with the policies  
10 established by the Board, retain, direct, and terminate the services  
11 of employees. Subject to the Board's approval, in the event that  
12 the chief executive officer is not a citizen of the Federated States  
13 of Micronesia, the chief executive officer shall select and train a  
14 citizen of the Federated States of Micronesia to take over the  
15 responsibilities of the chief executive officer as soon as feasible.

16 Section 23. Budget and finance officer. The chief  
17 executive officer shall appoint, with the concurrence of the Board,  
18 a budget and finance officer, for such term as shall be provided in  
19 the bylaws of the Corporation. The budget and finance officer shall  
20 receive and disburse all funds of the Corporation. The Board may  
21 require that the budget and finance officers shall execute,  
22 at the expense of the Corporation, a good and sufficient bond with  
23 sureties authorized to do business in the Federated States of  
24 Micronesia. The budget and finance officer shall serve at all  
25 times under the direct supervision of the chief executive officer.

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1       Section 24. Budget preparation. The budget and finance officer  
2 shall prepare in advance of each fiscal year, under the supervision  
3 of the chief executive officer, an annual budget for the  
4 Corporation, taking into consideration anticipated capital and  
5 operational expenditures and anticipated revenues. The Corporation  
6 shall use the same fiscal calendar as that of the Government of the  
7 Federated States of Micronesia. The budget shall indicate the  
8 operational, capital, and maintenance requirements of the Corporation  
9 that will be met with the anticipated revenues of the Corporation,  
10 and such essential requirements as cannot be met without increase  
11 in the rate of revenues or outside financial assistance.

12       Section 25. Supplemental budget requests. To the extent that  
13 the Corporation deems it necessary and advisable, the Corporation  
14 is authorized to seek appropriations from the Congress of the  
15 Federated States of Micronesia, and, to the extent approved by the  
16 President of the Federated States of Micronesia, grants from sources  
17 outside of the Federated States of Micronesia, of such funds  
18 as are necessary to supplement revenues to provide for the  
19 operations, maintenance, and expansion of the air transportation  
20 system of the Corporation.

21       Section 26. Accounts and records.

22               (1) The Board and the chief executive officer shall be  
23 jointly responsible to ensure that the budget and finance officer  
24 establishes and maintains a complete set of accounting records  
25 consistent with generally accepted accounting principles pertinent

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1 to the nature of the Corporation and its operations.

2 (2) The Board, not later than 90 days after the  
3 close of each governmental fiscal year, shall submit to the President,  
4 the Congress, and the Governor and legislature of each State a  
5 complete report, including financial statements, prepared in  
6 accordance with generally accepted accounting principles and  
7 standards, showing the activities of the Corporation during the  
8 fiscal year, the present condition of the Corporation, and such  
9 other matters as the Board shall deem appropriate. Financial  
10 statements shall include at least a balance sheet, income  
11 statement, statement of changes in financial position, and  
12 statement of changes in capital.

13 (3) The financial statements of the Corporation shall  
14 be audited no less frequently than annually by either the Public  
15 Auditor or a Certified Public Accountant selected by the Board  
16 of Directors.

17 Section 27. Effective date. This act shall become law upon  
18 approval by the President of the Federated States of Micronesia or  
19 upon its becoming law without such approval.

20  
21 Date: 1/15/87

Introduced by:

Pedro S. Harris

Claudio H. Phillips

Antonio Lopez

Gen. H. Roman

John Lopez