

STANDING COMMITTEE REPORT NO. 16-67

RE: C.B. NO. 16-68/T&C

SUBJECT: AMENDING PUBLIC LAW NO. 10-072
CAROLINE ISLANDS AIR CORPORATION

FEBRUARY 11, 2010

The Honorable Isaac V. Figir
Speaker, Sixteenth Congress
Federated States of Micronesia
Third Regular Session, 2010

Dear Mr. Speaker:

Your Committee on Transportation and Communications, to which was referred C.B. No. 16-68 entitled:

"A BILL FOR AN ACT TO FURTHER AMEND PUBLIC LAW NO. 10-072 BY AMENDING SECTION 1 THEREOF, BY CHANGING THE NAME OF THE CORPORATION, BY AMENDING SECTIONS 6,7,8 AND 9 THEREOF RELATING TO THE COMPOSITION OF THE BOARD OF DIRECTORS OF THE CORPORATION, AND BY AMENDING SECTION 19 THEREOF, BY CHANGING THE REQUIREMENT FOR THE CHIEF EXECUTIVE OFFICER OF THE CORPORATION, AND FOR OTHER PURPOSES."

begs leave to report as follows:

The intent and purpose of C.B. No.16-68 are expressed in its title.

The first proposed amendment is to change the name of the Corporation from Caroline Island Air, Inc., to Micronesian Air Service to be recognized if the bill becomes law after July 1, 2010.

The second proposed amendment is to change the composition of the Board of Directors of the Corporation. Currently, there are five members on the Board of Directors of the Corporation. By law, the Secretary of the FSM National Government Department of Transportation, Communication and Infrastructure or his designee is automatically a member of the Board of Directors of the Corporation. The other four members, one member representing each of the States, are appointed by the President. The second proposed amendment is to have all members on the Board appointed by the President with the advice and consent of Congress. The appointment of any State representative shall be upon the recommendation to the President by the Governor of the pertinent State. Furthermore, the chief executive officer of the Corporation is to serve ex officio as a member of the Board without the right to vote.

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The third proposed amendment is to do away with the requirement that members of the Board shall determine by random selection the length of their initial terms, with three members serving the initial terms of one year and two serving initial terms of two years.

The fourth proposed amendment is to allow for staggered terms of Board members so that no more than two of the five terms expire in one year. In addition, the rights and powers of a member whose term has expired remain in effect until a successor is appointed and confirmed, except that no member shall remain in office in this manner for longer than one year after the end of his or her term. Currently, a member serves on the Board for three years.

The fifth proposed amendment is to require that any vacancy on the Board of Directors be filled by Presidential appointment and confirmation of Congress. In the event of an impending vacancy, the Presiding Officer of the Board shall notify the President and the Governor of the State involved not less than ninety days prior to the vacancy occurring.

The sixth proposed amendment would make the Chief Executive Officer of the Corporation ineligible to be a pilot of the Corporation.

Your Committee held a public hearing on C.B. No. 16-68 on February 2, 2010. Present at the hearing were Chairman Dion G. Neth, members Joseph J. Urusemal, Paliknoa K. Welly, Peter M. Christian, Peter Sitan, Dohsis Halbert, Secretary of the Department of Transportation, Communication and Infrastructure Mr. Francis I. Itimai and his key staff, Mayors from Pingelap and Mwokilloa, Board of Directors of the Corporation Mr. Kiosy Phillip, Mr. Jesse Sidney, and congress staff Alik Jackson.

During the hearing, Acting Assistant Secretary for the Division of Aviation Mr. Master Halbert commented on the proposed name change of the Corporation. He explained that any proposal to change a name of an airline is an indication that the airline has been involved in an accident or the management of the airline has filed for bankruptcy and wants to start afresh by proposing a new name. Your Committee inquired whether the name change is applicable to domestic and international airlines. Mr. Master Halbert indicated that the requirement of name change is applicable to both domestic and international airlines. One of the witnesses commented that if the name change is to attract

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other countries to join, then the proposal is feasible. However, the name change is not important, what is important is the availability of the airline's services.

Mr. Master Halbert further commented on the proposed amendment that the Chief Executive Officer (CEO) not be a pilot of the Corporation. He explained that what is important is to provide certain criteria that a CEO must possess. The management informed the Committee that currently the CEO is the pilot and also the mechanic, and it will be very costly to hire additional pilots and mechanics.

Furthermore, your Committee wishes to see that the Corporation is privatized in the future as initially envisioned when it was established.

Therefore, your Committee recommends amendments to the bill to read as follows:

1. Title, line 1, following "Public Law No. 10-072" insert ", as amended by Public Law No. 10-103,".
2. Title, lines 1 and 2, delete "Section 1 thereof, by changing the name of the Corporation, by amending".
3. Title, line 3, after "composition", insert "organization, terms, and vacancies".
4. Title, line 4, in front of "Corporation" insert "Caroline Islands Air."
5. Title, lines 4 and 5, delete "and by amending Section 19, thereof, by changing the requirement for the chief executive officer of the Corporation".
6. Page 1, lines 1 to 17, delete their entirety.
7. Page 2, lines 1 to 3, delete in their entirety.
8. Page 2, line 4, delete "Section 2" and insert "Section 1" in lieu thereof.
9. Page 2, line 8, delete "(1)".
10. Page 2, line 9, after "members" insert "and one ex officio non-voting member".
11. Page 2, line 21, delete "on" and insert "to" in lieu thereof.
12. Page 3, line 7, delete "Section 3" and insert "Section 2" in lieu thereof.
13. Page 3, line 21, delete "Section 4" and insert "Section 3" in lieu thereof.
14. Page 4, line 5, delete "Pohnpei"
15. Page 4, line 13, delete "Section 5" and insert "Section 4" in lieu thereof.

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16. Page 4, line 16, delete "(1)"; and delete "Pohnpei".
17. Page 4, line 19, double underline "as provided by section 6 of this Act".
18. Page 5, lines 6 to 25, delete in their entirety.
19. Page 6, lines 1 to 9, delete in their entirety.
20. Page 6, line 10, delete "Section 7" and insert "Section 5" in lieu thereof.

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Your Committee on Transportation and Communication is in accord with the intent and purpose of C.B. No. 16-68, as amended hereby, 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. 16-68, C.D.1.

Respectfully submitted,

/s/ Dion G. Neth
Dion G. Neth, chairman

Tony H. Otto, vice chairman

Tiwiter Aritos, member

Claude H. Phillip, member

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

/s/ Joe N. Suka
Joe N. Suka, member

/s/ Joseph J. Urusemal
Joseph J. Urusemal, member