
AN ACT

To establish a telecommunications corporation of the Federated States of Micronesia, 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 "Federated
2 States of Micronesia Telecommunications Corporation Act of 1981."

3 Section 2. Establishment of Corporation. The Telecommunications
4 Corporation of the Federated States of Micronesia is hereby established
5 as a public corporation under the laws of the Federated States of Micro-
6 nesia. 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 operate as the sole provider of all telecommunications
10 services, except radio and television broadcasting, within the Federated
11 States of Micronesia and between points in the Federated States of
12 Micronesia and points outside thereof;

13 (2) To operate and manage such services on the basis of
14 commercially accepted practices, treating all users of telecommunications
15 services on equitable terms in accordance with its published tariffs, and
16 requiring all users to pay for the services provided;

17 (3) To plan for the expansion and improvement of telecommunica-
18 tions facilities and services;

19 (4) To the extent practicable, to expand telecommunications
20 services to areas and communities in the Federated States of Micronesia
21 that are presently unserved or poorly served and to improve the quality,
22 reliability, and variety of services available to all users in a manner

1 consistent with commercial reasonableness and with promoting economic
2 development, the advancement of education and health care, and the
3 preservation of the cultural identity of the people of the Federated
4 States of Micronesia;

5 (5) To improve the telecommunications skills and promote the
6 telecommunications training of Micronesian citizens who are employees of
7 the Corporation;

8 (6) To establish, publish, and implement a structure of tariffs
9 and rates for telecommunications services calculated to ensure that, to
10 the extent practicable, adequate and equitable charges are imposed for
11 services and that the tariff structure promotes the increased use of
12 telecommunications services;

13 (7) To invest all surplus revenues of the Corporation in the
14 expansion and improvement of telecommunications facilities and services;

15 (8) To incur indebtedness for the purpose of expanding and
16 improving telecommunications facilities, to the extent and on such terms
17 as are deemed commercially reasonable by the Corporation;

18 (9) To provide on a reimbursable basis emergency telecommuni-
19 cations services to governments, individuals, and entities in the
20 Federated States of Micronesia; and

21 (10) To represent the Federated States of Micronesia with regard
22 to telecommunications matters in such international organizations and fora
23 in which the Federated States of Micronesia is represented, subject to the
24 policy guidance of the Government of the Federated States of Micronesia.

25 Section 4. Other powers of the Corporation. To the extent that such

1 services do not unreasonably impair the ability of the Corporation to
2 provide and maintain its national and international telecommunications
3 services, the Corporation is authorized:

4 (1) To provide on a commercially reasonable basis such services
5 relating to telecommunications as may be requested by governments,
6 individuals, and entities; and

7 (2) To establish and operate on a commercial basis, or on a
8 reimbursable basis if so requested by the Government of the Federated
9 States of Micronesia, radio and television broadcast stations, or to
10 provide radio and television programming, in a manner consistent with
11 promoting economic development, the advancement of education and health
12 care, and the preservation of the cultural identity of the people of the
13 Federated States of Micronesia, as identified by the National Government.

14 Section 5. Legal capacity of the Corporation. In performing the
15 functions authorized under this act or other law of the Federated States
16 of Micronesia, the Corporation shall have the capacity to exercise all
17 powers normally exercised by a corporation, including, but not limited to,
18 the following:

19 (1) To adopt, alter, and use a corporate seal;

20 (2) To adopt and amend bylaws governing the conduct of its
21 business and the exercise of its powers;

22 (3) To sue and be sued in its corporate name;

23 (4) To acquire, in any lawful manner, real, personal, or mixed
24 property, either tangible or intangible; to hold, maintain, use, and
25 operate such property; and to sell, lease, or otherwise dispose of such

1 property;

2 (5) To acquire and take over in any lawful manner the business,
3 property, assets, and liabilities of any entity, including the Government
4 of the Trust Territory of the Pacific Islands relating to communications;

5 (6) To borrow or raise any sum or sums of money and to issue
6 corporate bonds on such security and upon such terms as may from time to
7 time be deemed necessary for the expansion and improvement of communica-
8 tions facilities;

9 (7) To retain and terminate the services of employees, agents,
10 attorneys, auditors, and independent contractors upon such terms and
11 conditions as it may deem appropriate; and

12 (8) To do all such other things as may be deemed incidental to
13 or conducive to the attainment of the responsibilities of the Corporation.

14 Section 6. Debts and obligations of the Corporation. Unless other-
15 wise expressly provided by law, the debts and obligations of the
16 Corporation shall not be debts or obligations of the Government of the
17 Federated States of Micronesia, nor shall the Government of the Federated
18 States of Micronesia be responsible for any such debts or obligations.

19 Section 7. Tax liability. The Corporation shall exist and operate
20 solely for the benefit of the public and shall be exempt from any taxes or
21 assessments on any of its property, operations, or activities. Nothing
22 herein shall be deemed to exempt employees and independent contractors of
23 the Corporation from tax liability for services rendered to the
24 Corporation; and the Corporation shall be liable for employers' contribu-
25 tions to the Social Security System of the Federated States of Micronesia

1 in the manner provided by law.

2 Section 8. Board of Directors.

3 (1) Establishment. The affairs of the Corporation shall be
4 managed and its corporate powers exercised by a Board of Directors,
5 hereinafter referred to as "the Board."

6 (2) Composition. The Board shall be composed of nine members.
7 Three members shall be appointed by the President of the Federated States
8 of Micronesia with the advice and consent of the Congress. The Governor
9 of each State of the Federated States of Micronesia shall appoint one
10 member of the Board with the advice and consent of the respective State
11 legislature. The Vice President of the Federated States of Micronesia and
12 the chief executive officer of the Corporation shall serve ex officio as
13 members of the Board with full rights of membership.

14 (3) Organizational meeting. On September 1, 1981, and annually
15 thereafter during the month of September on such dates as are set by the
16 Board, the Board shall meet to select its officers and to conduct such
17 other business as it shall deem advisable. At the first such meeting, the
18 appointed members of the Board shall determine by lot the length of their
19 initial terms, with three members serving initial terms of one year, two
20 serving initial terms of two years, and two serving initial terms of three
21 years. The President of the Federated States of Micronesia may, by
22 Executive order, set the first organizational meeting for another date not
23 later than December 31, 1981, when he has determined that a majority of
24 the Board has not been appointed or confirmed prior to September 1, 1981.

25 (4) Terms of office. Terms of office shall be for a period of

1 three years, except that the initial terms of office and the filling of
2 vacancies shall be as provided by this act. The terms of office shall
3 commence on September 1, 1981, or on the date of the organizational
4 meeting of the Board, whichever occurs first.

5 (5) Vacancies. Each vacancy on the Board shall be filled for
6 the unexpired portion of the term in the same manner as originally filled.
7 Upon a determination that a vacancy exists, the chairman or, in his
8 absence, the presiding officer of the Board shall issue a notice of
9 vacancy to all members of the Board and the parties responsible for filling
10 the vacancy. Any vacancy occasioned by failure to make a nomination to the
11 Congress or a State legislature prior to the expiration of the previous
12 term, or by failure to submit a nomination within 60 days of receipt of
13 notice that a vacancy exists, or within 10 days of receipt of notice of
14 rejection of nomination, shall be filled by nomination of the Speaker of
15 the Congress or the Speaker of the State legislature, subject to advice
16 and consent of the Congress or the legislature or an authorized committee
17 thereof; PROVIDED, HOWEVER, that the nomination of the President or
18 Governor shall be entitled to consideration if such nomination is made
19 prior to that of the Speaker.

20 (6) Removal.

21 (a) Members of the Board may be removed from the Board for
22 failure to attend three consecutive meetings of the Board.

23 (b) A member may be removed by a 2/3 majority vote of all
24 other members of the Board for neglect of duty or malfeasance in office.
25 Notification of intent to call for removal pursuant to this subsection

1 shall be made at least 30 days in advance, by means which shall be
2 described in the bylaws of the Corporation, and shall include a summary of
3 the basis of the charges against the member and identification of the
4 witnesses to be called and evidence to be used.

5 (c) The Supreme Court of the Federated States of Micro-
6 nesia shall have jurisdiction to hear claims of wrongful removal.

7 (7) Officers. The Board shall elect from among its members a
8 chairman, vice chairman, and secretary-treasurer. The chairman shall
9 ordinarily preside at Board meetings. In his absence the vice chairman
10 shall preside. The bylaws shall provide for determination of the
11 presiding officer in the absence of these officers.

12 (8) Regular meetings. Regular meetings shall be held not less
13 than once per calendar quarter, at such times and place or places as
14 shall be determined by the bylaws.

15 (9) Special meetings. Special meetings shall be called by the
16 chairman on his own initiative, or by petition of 1/3 of the members,
17 pursuant to notice as shall be provided in the bylaws.

18 (10) Quorum. A quorum of all regular business of the Board
19 shall be five members.

20 (11) Executive committee. There shall be an executive committee
21 of the Board composed of the chairman, vice chairman, and secretary-
22 treasurer, or their individually designated substitutes chosen from among
23 the membership of the Board. The executive committee shall meet with the
24 chief executive officer at least once per calendar quarter at such times
25 and places as shall be determined by the bylaws. The executive committee

1 shall be empowered to conduct all business of the Board, except that the
2 executive committee shall not have the authority to terminate the services
3 of the chief executive officer, to retain the services of a new chief
4 executive officer, to alter the senior levels of the administrative
5 structure of the Corporation, to approve the budget of the Corporation, or
6 to increase the indebtedness of the Corporation beyond such limits as are
7 provided in the bylaws, without the concurrence of the Board.

8 (12) Record of meetings. The secretary-treasurer, or in his
9 absence another member designated by the bylaws, shall keep full and
10 accurate minutes of all meetings.

11 (13) Compensation of directors. Directors who are employees of
12 the National Government or a State government of the Federated States of
13 Micronesia shall receive no additional compensation for their service as
14 members of the Board. The compensation of members who are not government
15 employees shall be as determined by the Board. All members of the Board
16 shall be entitled to compensation for travel and per diem at established
17 Federated States of Micronesia Government rates when serving the Corpora-
18 tion.

19 Section 9. Management. There shall be a chief executive officer of
20 the Corporation, whose compensation, title, and term of office shall be
21 determined by the Board. The chief executive officer shall be responsible
22 for the management of the operations of the Corporation, and shall, in
23 accordance with the policies established by the Board, retain, direct, and
24 terminate the services of employees. Effective January 1, 1984, the chief
25 executive officer must be a citizen of the Federated States of Micronesia.

1 Section 10. Budget and finance officer. The chief executive officer
2 shall appoint, with the concurrence of the Board, a budget and finance
3 officer, for such term as shall be provided in the bylaws of the
4 Corporation. He shall receive and disburse all funds of the Corporation.
5 The Board may require that he shall execute, at the expense of the Corpora-
6 tion, a good and sufficient bond with sureties authorized to do business in
7 the Federated States of Micronesia. The budget and finance officer shall
8 serve at all times under the direct supervision of the chief executive
9 officer.

10 Section 11. Budget preparation. The budget and finance officer shall
11 prepare in advance of each fiscal year, under the supervision of the chief
12 executive officer, an annual budget for the Corporation, taking into
13 consideration anticipated capital and operational expenditures and
14 anticipated revenues. The Corporation shall use the same fiscal calendar
15 as that of the Government of the Federated States of Micronesia. The
16 budget shall indicate the operational, capital, and maintenance require-
17 ments of the Corporation that will be met with the anticipated revenues of
18 the Corporation, and such essential requirements as cannot be met without
19 increase in the rate of revenues or outside financial assistance.

20 Section 12. Supplemental budget requests. To the extent that the
21 Corporation deems it necessary and advisable, the Corporation is authorized
22 to seek appropriations from the Congress of the Federated States of
23 Micronesia and, to the extent approved by the President of the Federated
24 States of Micronesia, grants from sources outside of the Federated States
25 of Micronesia, of such funds as are necessary to supplement revenues to

1 provide for the operations, maintenance, and expansion of the telecommuni-
2 cations system of the Federated States of Micronesia.

3 Section 13. Accounts and records.

4 (1) The Board and the chief executive officer shall be jointly
5 responsible to ensure that the budget and finance officer prepares proper
6 and complete books of account reflecting all income, expenditures, assets,
7 and liabilities of the Corporation.

8 (2) The Board, not later than 90 days after the close of each
9 governmental fiscal year, shall submit to the President, the Congress, and
10 the Governor and legislature of each State a complete report showing the
11 activities of the Corporation during the fiscal year, the present condition
12 of the Corporation, and such other matters as the Board shall deem
13 appropriate.

14 (3) The Board shall have the books of account audited by an
15 independent auditor no less frequently than annually. The public auditor,
16 when appointed, shall perform this function.

17 Section 14. Public consultation. The Board and the executive
18 committee shall periodically consult with, and seek the advice of,
19 interested members of the public in each respective State of the Federated
20 States of Micronesia regarding the operation of telecommunications
21 services. The Board and the executive committee shall endeavor to ensure
22 that such consultations are done with persons broadly representative of
23 the actual and potential users of the telecommunications system, including
24 representatives of the medical and educational professions, civil
25 aviation, maritime commerce, broadcasting, law enforcement, and business.

1 Section 15. Transition.

2 (1) The Corporation shall commence provision of services in
3 the Federated States of Micronesia at such time as it has acquired title
4 to or control over the telecommunications equipment and other related
5 property of any entity including the Trust Territory of the Pacific
6 Islands which is located in the Federated States of Micronesia, or as may
7 otherwise be agreed between the Government of the Federated States of
8 Micronesia and the Government of the Trust Territory of the Pacific
9 Islands. The Corporation shall determine the manner and terms upon which
10 it shall assume its responsibilities under this act, in accordance with
11 applicable law.

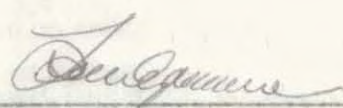
12 (2) The Corporation shall undertake to employ the employees
13 of the Trust Territory Government and the State governments who are
14 employed in good standing in telecommunications services at the time
15 that the Corporation commences operation of telecommunications services.
16 Nothing herein shall require the Corporation to hire such employees at
17 positions commensurate with their former responsibilities, or at the
18 rate of wages previously received; however, each such employee shall
19 retain his rights to accrued sick leave and annual leave not in excess
20 of 100 hours each.

21 Section 16. Effective date. This act shall become law upon approval
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1 by the President of the Federated States of Micronesia or upon its
2 becoming law without such approval.

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August 26, 1981



Tosiwo Nakayama
President
Federated States of Micronesia