

TransPac Still In Business

SAIPAN (MNS) - The Trust Territory's franchised shipping company, TransPacific Lines, Inc., was officially declared to be a "state of insolvency" Friday (Feb. 15), and was placed in receivership by order of the government.

The action came when an executive order signed by Deputy High Commissioner Peter T. Coleman was delivered to the government-designated receiver, Saipan businessman David M. Sablan. Sablan formally accepted the appointment and took over the company at six p.m. Friday evening on Saipan.

"The situation had reached a point where some action had to be taken by the government," Coleman said. "The company had apparently lost its leadership." He explained that the specific event which precipitated the Friday action was the threat by the owners of the M/V Lotte Reith to divert the ship and her cargo in mid-ocean if back payments due on her charter were not paid. The ship is on her way from Japan to Saipan with more than 2,000 tons of pre-paid cargo on board, destined for all Trust Territory districts. The cargo could have been sold at auction

by the owners of the ship, the Orion Shiffahrts Gesellschaft of Hamburg, Germany.

Immediately after Coleman's action placing TransPac in receivership, a telegram was sent to Orion giving the firm notification that the government will guarantee the "receiver will be prepared to pay regular charter hire payments that are now due." Early Saturday morning a reply from Orion indicated they would need payment before the ship could be permitted to enter any port, but indications were the Lotte Reith would not be diverted.

As receiver, it will be Sablan's responsibility to gather and protect the assets of TransPac, take an inventory of the assets and debts of the company, and make a determination as to whether the company should continue in operation. He is to make bi-weekly reports on the operation of the company to the High Commissioner of the Trust Territory.

Sablan met Saturday morning with government transportation and legal officials, and with officials of TransPac. In one of his first actions, he moved to formally accept the resignation

of C. Douglas Echols as Managing Director of the company. Echols had submitted his resignation to a meeting of the TransPac shareholders on Tuesday, February 12, but no action had been taken on it.

Sablan also asked TransPac General Manager William Penrose and Corporation Counsel James White to remain in their positions until further notice. Both men were present at the meeting and have pledged their full cooperation. Sablan also said he hopes to meet at the earliest opportunity with employees of TransPac to discuss their positions and future with the company. He said he hopes that employees will not take any hasty action as a result of TransPac's current difficulties, pointing out that TransPac is still in business and no determination has yet been made on whether the company will continue operating or go out of business.

"What we're considering now are the pressing things," Sablan stated. "These include the cargoes presently in transit that could be diverted, such as on the Lotte Reith, the containers on Guam that need to be moved to the districts, and so forth."

He said he intends to contact Jose Sarmiento, manager of the Guam Port, as soon as possible to work out an arrangement for moving TransPac cargo that is on Guam. The port is one of TransPac's creditors, and earlier this year had refused to handle further TransPac voyages until its past due bills had been paid.

One question still not resolved is the status of the TransPac franchise. It is not automatically cancelled with the action placing the company in receivership, but that is a possibility, and Deputy High Commissioner Coleman said Saturday the government is carefully reviewing the situation. High Commissioner Edward E. Johnston was due to return to Saipan from Hawaii Saturday afternoon, and a decision regarding the franchise was expected within a few days. Just what cancellation of the franchise might mean to the fortunes of TransPac under the present circumstances was unclear.

The action taken by Coleman Friday was not unexpected. It followed a turbulent week

during which both TransPac shareholders and the company's Board of Directors failed to accomplish anything at scheduled meetings toward resolving TransPac's problems. The Echols resignation was unexpected, as was a court restraining order later in the week that prevented the TT Government from voting the 210,000 company shares that it holds in trust, thereby precluding any effective action being taken at the shareholders meeting. Corporate officers could not be gathered for a board meeting, and some board members walked out of one gathering.

Early Friday morning the TransPac counsel, James White, attempted through the Trust Territory High Court to put the company into receivership, acting without the authority of the board because the board could not be convened. He failed in this attempt. Then came the threat of diversion of the Lotte Reith, and the TT Government was finally forced to act to protect the cargo and the assets of the company.