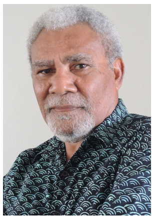
Public Statement
by Rt Hon Sir Mekere Morauta
Former Prime Minister and Member for Moresby North-West
Port Moresby, 22 September 2017

Prime Minister's Oil Search deal costs the nation hundreds of millions of kina



The Member for Moresby North-West, Sir Mekere Morauta, said today he was astounded to hear news of the O'Neill Government's fire sale of its shares in Oil Search at a loss of more than a billion kina.

"We always knew that this illegal deal between the Prime Minister, Oil Search and Union Bank of Switzerland was a bad deal, a bad investment and a bad use of public money," he said. "But we never knew it would be this bad.

"The total cost to the people of Papua New Guinea is likely to be more than K1 billion. Prime Minister Peter O'Neill must come clean on the exact costs."

He must also come clean on whether the sale was caused by his Government's inability to repay the loan. For Sir Moi Avei, chairman of Kumul Petroleum, to say that the decision to sell the shares was a commercial decision taken by the board is not believable.

Selling at a loss – announced by Kumul Petroleum as $US254 million, is not a sound commercial decision. The shares were legally owned by the bankers as security for the loan; they were not Kumul Petroleum's to sell.

Obviously Kumul Petroleum and/or the O'Neill Government could not meet the repayments, and was forced by the bankers to sell, in order to minimise their loss."

Mr O'Neill must also tell the nation what the balance of the loan was left to pay.

Former Prime Minister Morauta said a full, independent inquiry is needed into the deal, which was initiated personally by the Prime Minister and the Oil Search managing director, Mr Peter Botten.

It was done in secret in Australia and Papua New Guinea, without the proper authorisation of Parliament. It was signed, sealed and delivered by Mr O'Neill as acting Treasurer after the then Treasurer Don Polye refused to sign because he regarded the deal as illegal and bad. Don Polye has been proven to be absolutely correct.

The Prime Minister was also advised by the Office of the State Solicitor that the deal was illegal. Furthermore, Mr O'Neill as Minister responsible for Kumul Petroleum, and sole shareholder in the company, misused his position by foisting the UBS loan onto the company's books. Now, as Minister responsible for Kumul and as sole shareholder, he has secretly gone along with a fire sale.

"Those responsible for this loss of possibly K1 billion of public money through illegal means must be held accountable," Sir Mekere said.

"In the forthcoming sitting of Parliament Mr O'Neill should table all the relevant documents relating to his financial disaster. These include all of Kumul Petroleum's financial statements and all documentation for the deal in its possession, as well as details of the impact on Kumul Petroleum's balance sheet.

"Mr O'Neill should also table the terms sheet and other documentation for the original deal. The public, the owners of this investment, and the people who will pay for the mistake, have a right to know the extent of profiteering by foreign banks, companies, and advisers.

"The losses are not coming from Peter O'Neill's own pocket; they are coming from the public purse. The man is not fit to be Prime Minister."

Sir Mekere said it is clear that the foreign banks involved have been secretly selling secured Oil Search shares over the past few months.

According to Kumul Petroleum, the final price for the last sale after the sharemarket closed on Friday was $6.70 a share, compared to the price of $8.20 a share that Mr O'Neill paid and boasted about as a wonderful deal for the nation.

'This is the best deal for PNG,' he said in March 2014, predicting that the value of Oil Search shares would double over the coming months. *'This is a huge financial gain for PNG,'* he said.

"The loss in the share price is just one part of the loss incurred on this illegal deal," Sir Mekere said. "Many hundreds of millions of kina must be added to this in the form of advisory fees, refinancing fees and other borrowing costs, interest costs, commissions, and the original loan set-up costs. Then there is the lost opportunity of not being able to invest the K3 billion cost of the loan in the development of PNG, for example in essential services such as health and education.

"In the public interest the Prime Minister must detail all of this, so we know what the ultimate cost is, and the likely impacts in the future. I estimate that K1 billion is a bare minimum. It would not surprise me to find out that it may be far more."