



Media Statement by

Rt Hon Sir Michael Somare, MP and Rt Hon Sir Mekere Morauta

Port Moresby Monday 12 October 2015

Two former Prime Ministers Grand Chief Sir Michael Somare and Sir Mekere Morauta today called on the Prime Minister, Peter O'Neill, to explain to the nation why he has saddled Papua New Guinea with a huge financial burden with the UBS-Oil Search loan, which is aggravating the Government's simmering fiscal crisis.

Information revealed publicly in the past few days raises many questions about the \$1.2 billion loan, for the Government to buy a 10 percent shareholding in Oil Search, and shows that it has had a severe adverse impact on the nation's finances.

"We already know that the loan is illegal, in that Mr O'Neill did not go to Parliament for approval, as required," the two said. "And that it led to the sacking of former Treasurer Don Polye, Petroleum Minister William Duma and later Attorney General Kerenga Kua for questioning its propriety."

Now, loan documents made public by the Fairfax media group in Australia show that due process was not followed in many aspects of the borrowing. Indeed, the documents reveal possible corrupt activities.

Because of the risks to national finances inherent in the loan, and the manifest failure to follow due process, the Prime Minister needs to answer to the people as soon as possible, given that he personally oversaw the transaction."

The two former Prime Ministers said there can be no justification for the Prime Minister to hand control of all PNG LNG revenues to UBS – a foreign bank that does not even have a branch in Papua New Guinea.

Not only has the Prime Minister handed over control of Government LNG revenue flows to UBS, the Prime Minister has also handed over control of the revenue due to the landowners.

"The people of Papua New Guinea, as the owners of the gas, and as the victims of the financial burden the Prime Minister has masterminded, need answers from him," Sir Michael and Sir Mekere said.

"Members of Parliament, as the elected representatives of their people, must stand up and ask questions so that they can get to the bottom of this scandal.

"We believe that the information revealed about the transaction warrants an independent investigation by the Fraud and Anti-Corruption Directorate of the Police.

"We are aware that the Ombudsman Commission has already begun its own inquiry, which the Prime Minister has defied. We trust that the Ombudsman Commission inquiry is continuing, and urge the Prime Minister to cooperate himself and ensure that other Members of the Government and public servants also cooperate to the fullest extent.

"It might also be appropriate for the PNG authorities to call in international bodies, including from Australia such as the Australian Securities and Investments Commission and the AUSTRAC money-laundering watchdog."

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Sir Michael and Sir Mekere said many questions and issues arise from the documents recently made public. For example:

- How could Oil Search announce publicly on 27 February 2014 that the Government had entered into funding arrangements with UBS to purchase the Oil Search shares, before Cabinet considered the matter (6th March) and before the NPCP Board was bulldozed by the Prime Minister (on 9th March), a clear demonstration of lack of due process and possible collusion?
- Why did the Prime Minister allow UBS to charge an effective annual interest rate of 13.3 percent on the \$330 million bridge loan part of the transaction – about five times the rate at which banks like UBS lend to each other in Australia?
- Why did the Prime Minister forward-sell to UBS one fifth (20 percent) of the Government's other tranche of Oil Search shares at a price ten percent less than the Government paid for them, that is, at a ten percent loss?
- Why did the Prime Minister agree to give UBS tax-free status for all parts of the transaction?
- Why did he grant UBS power of attorney – in other words total control – over all the PNG LNG revenue, which is now going into a secret Singapore bank account?
- Why did Mr O'Neill also hand over to UBS control of all the landowner PNG LNG revenue - at least until the point of equity transfer - and direct that money into the secret UBS account as well?
- Did the Prime Minister seek the permission of landowners to do this?
- Will the Prime Minister free the landowners' 4.2 per cent equity and hand it over to them immediately?
- Can the Prime Minister explain to the nation what will happen in mid-2016 when UBS has to be repaid \$900 million – where will that money come from? Will he join hands with UBS to add another rope around the country's collar?
- Will the Prime Minister now tell the nation how much in fees is being paid to UBS, legal consultants, financial advisers and other parties involved, and provide to Parliament a list of those payees and the amounts due?

We note that UBS has now denied working on behalf of the PNG Government to arrange new financing for land owners without their consent. This is contrary to our own information. Is it possible that UBS has some roaming agents in PNG, acting with their knowledge?

Sir Michael and Sir Mekere have issued this statement in the national interest and request that the Prime Minister table all relevant documents in the forthcoming sitting of Parliament and give a full account of the transaction.

Yours sincerely


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RT Sir Mekere Morauta Kt