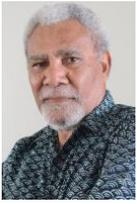


**Public Statement by Rt Hon Sir Mekere Morauta
Former Prime Minister and Member for Moresby North-West
Port Moresby, 18 September 2019**

No MRDC dividends – what has all the money been spent on?



Moresby North-West MP Sir Mekere Morauta today questioned the commercial viability of investments totalling hundreds of millions of kina in landowner royalties by Mineral Resources Development Corporation, and the resulting lack of profitability.

“I have it on good authority that the MRDC group has never paid a dividend to its landowners,” he said.

“The Hilton Hotel is a glaring example of investments being made for non-commercial reasons. It was built to satisfy Peter O’Neill’s one-day wonder of APEC.

“The lack of dividends points to the possibility of very serious problems within MRDC. The chairman, Chief Secretary Isaac Lupari, and the CEO, Augustine Mano, must immediately explain to landowners why MRDC has invested landowner money in non-commercial ventures and why MRDC has not paid dividends. I will certainly be referring my information to the inquiry into MRDC agreed to by Prime Minister James Marape.”

Comments by company auditors and the Auditor-General over many years are critical of MRDC’s operations, including investments. They have refused to sign off on a number of annual financial statements because of concerns about the group’s investments and the processes used to make them.

Landowners have every justification to demand an independent investigation into all the investments MRDC has made on their behalf. Mr Lupari and Mr Mano should give landowners an assurance, with documentary proof, that their investments are not cash-flow negative – making a loss.

Former Prime Minister Sir Mekere said that if satisfactory responses are not quickly forthcoming, consideration should be given to suspending the board and management of MRDC and its subsidiaries and installing external administrators.

“If the allegations of investment losses are correct, as I believe them to be, then questions arise about the overall financial position of MRDC and the real value of its investment portfolio,” Sir Mekere said. “If the information I have been given about investment values is correct, landowner losses could be very severe.

“One of the first tasks of the Prime Minister’s proposed inquiry should be to conduct a forensic audit of MRDC group investments to establish the true financial position of the company and the true value of landowner investments.”

Other issues that should be examined in the proposed MRDC inquiry include:

- Whether landowners should be given the option to exit MRDC and find more professional and prudent investment vehicles and fund managers (as Lihir Landowners did).
- A requirement for prudential oversight of the MRDC group, in the same way that the nation’s super funds are monitored by the Bank of Papua New Guinea, and a requirement that audited annual reports and financial statements be presented to Parliament within six months of the end of each financial year, with appropriate penalties for failure.
- MRDC’s systems and processes for investment management, including:
 - Whether the group has established formal and appropriate mechanisms for its investment activities, including Return on Investment criteria and a dividend policy.
 - Whether MRDC has established formal and appropriate mechanisms for assessing the suitability and value of investment proposals.
 - Whether there is a need for independent external investment advisers.
- The group’s overhead costs, including potentially exorbitant salaries and entitlements and fees paid to external suppliers.
- The need for a fit and proper persons test for the board and senior management and the appointment of a probity adviser to monitor and report on transactions between MRDC and the Government.
- Formal protections against improper influence and political interference in MRDC operations.
- Appointment of an independent board of directors, including landowner representatives, and removal of the Chief Secretary as Chairman.

Sir Mekere said: “Every day I am hearing new allegations about possible fraud, misappropriation, political interference, abuse of office and breaches of various laws including the Public Finances (Management) Act, the Companies Act and the Auditor-General’s Act.

“Now Moran landowners are threatening legal action to protect their Development Levy funds from the depredations of the Government, which apparently wants to invest this statutory benefit in the controversial Dirio power project, a favorite of Chief Secretary Lupari.

“The sooner the full extent of the problems at MRDC are identified and dealt with, the better off landowners and the nation will be.”