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New PNG Police minister to target Paladin, UBS

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Papua New Guinea's Police Minister, Bryan Kramer, has pledged to investigate links between controversial security contractor Paladin and former prime minister Peter O'Neill, while calling out investment bank UBS for its "fishy" dealings in the Pacific nation.

The outspoken Mr Kramer, who was a surprise appointment to the cabinet of James Marape last month, said Mr O'Neill must be held accountable for corruption and decay during his seven years in power.

He described the former prime minister as the "centre point" of patronage networks in PNG and said one avenue of investigation was any ownership links between Mr O'Neill and security firm Black Swan, which was purchased by Paladin for an undisclosed sum in July last year.

"That is what I want to establish, to see if there is any clear lead between Black Swan and Peter O'Neill," Mr Kramer told The Australian Financial Review during a visit to Sydney.

Black Swan has been continually forced to deny any links with the family of Mr O'Neill, even as it won lucrative government contracts, including being the main security provider at the APEC regional forum last year.

The security firm was set up by Australian Brian Kelly and a relative of Mr Kramer, PNG-Australian businessman Francis Kramer. Bryan Kramer was a director of the firm until 2012. Mr Kelly was listed as the sole owner when Paladin purchased the firm.

Apart from the APEC contract, Black Swan has also worked for local company Remington Technology, which is part-owned by Mr O'Neill.

Paladin's purchase of Black Swan came less than a year after it was awarded federal government contracts now worth \$532 million to provide refugee services on Manus Island in PNG.

Paladin was awarded these contracts without an open tender, a deal that has been the subject of heated questioning in Senate Estimates, is being investigated by the Auditor-General and is the subject on an internal audit by Home Affairs.

Mr Kramer was in Australia with Prime Minister James Marape, who during his week-long visit held talks with his counterpart Scott Morrison, took in a rugby league game, visited a school and gave a speech at the Lowy Institute

"Now is the time to tackle the cancer of corruption that has taken hold, using the power of prosecution and all other means that we have at our disposal," Mr Marape told Lowy on Thursday evening in Sydney.

Mr Kramer, as the newly installed Police Minister, is responsible for investigating corruption and has vowed to deliver some "real hits" within three months.

In addition he has pledged to run his own investigation into the so-called UBS loan affair, which saw PNG borrow \$1.2 billion from the investment bank in March 2014 to purchase a 10 per cent stake in the ASX-listed Oil Search.

PNG is estimated to have lost around \$420 million on the deal after Oil Search shares fell sharply on the back of a drop in oil prices.

"The whole deal from day one was bad ... you don't borrow [money] to invest in the stock market," Mr Kramer said.

He said UBS, which put the deal together, should have been wary about entering into a rushed transaction, which was not approved by Parliament and was rammed through cabinet.

"The likes of UBS, these international bankers, they should understand something that appears like a red flag transaction," he said.

"Any ordinary person in the banking industry would say this smells fishy, this entire arrangement."

At issue is whether UBS either ignored or failed to ask sufficient questions around the legality of the transaction.

The Ombudsman Commission of PNG found the state solicitor was given 28 volumes of documents at midnight on the eve of a special cabinet meeting convened to approve the loan.

It found this was insufficient time to "give legal clearance". However the state solicitor did have time to rule that parliamentary approval was required for the loan, under section 209 of the Constitution. This was never sought, which has thrown into question the legality of the deal.

In its report, the Ombudsman noted 14 of cabinet's 33 members were not present to approve the loan, while Treasurer Don Polye resigned before the meeting in protest.

"So it will come down to what they ought to have known... what the lawyer sought to have known, what UBS ought to have known," said Mr Kramer.

The UBS loan and the transactions which followed PNG's purchase of the Oil Search stake will be examined by a Commission of Inquiry,

announced by Mr Marape soon after he came to office in late May.

Mr Kramer said he would run a "parallel" investigation to the Commission of Inquiry, which will have similar powers to a royal commission but is yet to be convened or have its terms of reference settled.

In an effort to ensure an independent Commission of Inquiry there is a push to appoint an Australian judge, with commercial expertise and PNG experience, to oversee the investigation.

Mr Kramer said he was in favour of appointing an Australian judge, who could be seconded to PNG as part of Canberra's aid program.

"The perceived fairness of having someone from the outside would be a step in the right direction, the better option," he said.

"It would be the best way forward, assuming a foreign judge would take that position."

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