

Push for Sydney house to be included in PNG inquiry

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Papua New Guinea's new government is under pressure to examine the purchase of a Sydney house now worth \$13 million (US\$9 million) as part of its commission of inquiry into the UBS loan affair.

The country's new Prime Minister, James Marape, announced late last month there would be an inquiry into the \$1.2 billion (US\$836 million) loan extended to the Pacific nation by the Sydney office of UBS. The PNG government used the money to buy a 10 per cent stake in Oil Search.

The terms of reference for the inquiry are currently under consideration and it is understood the Attorney-General has been asked to include the 2015 purchase of the Point Piper house by one of PNG's wealthiest businessmen, Theophilus Constantinou.

There are growing calls in PNG to make the investigation as broad as possible, allowing for an examination of the business links of former prime minister Peter O'Neill.

O'Neill, who led the country for almost eight years, stepped down in late May after losing support.

His son Brian, who is attending university in Sydney, has been living in the \$13 million (US\$9 million) house, owned by Sir Theo, since the start of last year.

Sir Theo, whose family is involved in property and construction in PNG, has never lived in the house and when in Sydney he stays at the Langham Hotel. Former Norton Rose Fulbright partner Vince Baudille acted on the house purchase.

Sir Theo's brother, Kostas Constantinou, sits on the board of Oil Search, which has a long history of operating in PNG. He has been a director since 2002.

The commission of inquiry has similar powers to a royal commission and PNG's cabinet is expected to sign off on the choice of a presiding judge and the final terms of reference within weeks.

The formation of the commission of inquiry follows last month's tabling of a report by the PNG Ombudsman on the UBS loan arrangement, which found 15 laws may have been broken. O'Neill was prime minister at the time the deal was agreed in early 2014.

PNG is estimated to have lost \$420 million (US\$292 million) after the government was forced to sell its Oil Search shares amid slumping prices.

The new inquiry could subject UBS' Sydney office and law firms that advised on the deal, Norton Rose and Ashurst, to fresh scrutiny.

The Ombudsman said the the UBS loan to PNG and the government's subsequent purchase of its stake in Oil Search was "highly inappropriate" and "speculative".

The Ombudsman's final report, tabled in Parliament last month, made adverse findings against O'Neill and said the deal was "irregular" due to the lack of consultation with state agencies and the bypassing of parliamentary approval.

The Ombudsman was also critical of the role played by Marape, who was finance minister at the time. Despite this, the now Prime Minister has said he is committed to the inquiry and would resign if substantive findings were made against him.

Meanwhile, former Prime Minister Hon. Peter O'Neill has called out the Australian Financial Review newspaper for its blatant attempt to create false sensationalism ahead of the upcoming Commission of Inquiry into the UBS Loans.

"The Prime Minister has announced that the Commission of Inquiry will take place and I am looking forward to this matter being cleared by an independent and transparent process.

"I have stated in Parliament that I will be the first person to appear before the Commission of Inquiry.

"I have never met anyone from UBS to negotiate these loans that are the subject of the report.

"The UBS loan was negotiated by relevant and rightful government officials including Treasury.

"The information that was first leaked from the Ombudsman Commission through dubious circumstances was politically biased.

"If the AFR was serious about finding truth they would be looking at the leaks.

"They would investigate who was behind the leaks and if these are the same members of the OC that were involved in ensuring people mentioned in the report had no right of reply to the claims before they were published."

O'Neill highlighted the cheap attempt by the newspaper to link the UBS loans to a residential property in Sydney where there is no basis for "Attempting to link this property that is owned by a family friend of thirty years is a cheap shot and misleading by the AFR.

"My children have been renting while studying in Australia, and our family do not own any property in Sydney.

"During visits to Australia to see them or for official travel we stay at a hotel, and a decent investigation will reveal that.

"My assets and interests have been fully declared to the Ombudsman Commission since holding leadership positions since 1997.

"The Financial Review is simply trying to make nonsense insinuations that this house is linked to UBS.

"We understand that this property was purchased well before the UBS Loan by the owners who have right to invest in Australia," he said.

SOURCE: FINANCIAL REVIEW/PNC/PACNEWS