

AUSTRALIAN FINANCIAL REVIEW

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 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 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.

IMAGE The house in Point Piper, Sydney, where the son of former PNG prime minister Peter O'Neill has been living.

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.

Mr 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 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 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 Mr 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 Mr 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.

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