

AUSTRALIAN FINANCIAL REVIEW

Son of ousted PNG PM living in \$13m Sydney waterfront home

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The middle son of ousted Papua New Guinea prime minister Peter O'Neill is living in a \$13 million house on Sydney's most expensive street as an investigation is set to begin into his father's time in office.

Brian O'Neill, who is studying at university, has been living at the house in Wolseley Road, Point Piper since the start of last year. A commission of inquiry into his father's role in the UBS loan affair is due to start within weeks.

The property is held in the name of Sir Theophilus Constantinou, a close associate of the former prime minister and one of PNG's richest men.

Sir Theo has never lived at the house and when visiting Sydney stays at the Langham Hotel.

IMAGE: Brian O'Neill the son of former PNG prime minister Peter O'Neill at the home in Point Piper.

One potential avenue for investigators, to look into ... via the Sydney office of law firm Norton Rose Fulbright and one of its former partners, Vince Baudille, who acted on the house purchase in 2015.

Another Norton Rose partner, Anthony Latimer, advised the O'Neill government the previous year on a \$1.24 billion loan from investment bank UBS to buy a 10 per cent stake in the ASX-listed Oil Search.

New inquiry

That deal is now the subject of a commission of inquiry in PNG, which has similar powers to a royal commission and is due to be convened within weeks.

Mr Latimer and Mr Baudille left Norton Rose at the same time in January last year for the Sydney office of international law firm Bird & Bird.

Mr Latimer was the principal adviser to the O'Neill government on the UBS loan, which ultimately turned sour and cost PNG an estimated \$420 million

after the
Pacific nation was forced to sell its stake in Oil Search.

The new government in Port Moresby is looking into ... Mr O'Neill entered into the loan agreement and those, like NortonRose, who helped facilitate it.

Kerenga Kua, PNG's newly sworn-in Petroleum Minister and a former attorney-general, said the role of all those involved in the controversial loan would be examined.

The Commission of Inquiry, which was announced by new Prime Minister James Marape late last month, will go beyond an earlier report by the Ombudsman Commission, which could only look into the role played by ministers and senior public servants, broadly defined as "leaders".

"The Commission of Inquiry will now review the conduct of people who were not leaders," Mr Kua said.

He said it was misleading for those who fell outside the Ombudsman's scope to say the report had made no findings against them, as UBS has done.

"Everybody who had a a role to play will be the subject of scrutiny in this inquiry," Mr Kua said.

Payments and transactions

The Ombudsman extensively documented the role of UBS in the deal, as it did with Norton Rose and its then partner Mr Latimer.

It passed no judgment on the firm's legal advice or Mr Latimer's role in the deal, as this fell outside its scope.

A Norton Rose spokesman said: "It's not for us to comment on matters related to our clients. As has been reported, there were a number of advisers on this transaction. We acted alongside a PNG law firm, and in accordance with our instructions."

He said the firm had not been asked to respond to an inquiry.

It is expected the Commission of Inquiry, which is in the process of being set up, will examine payments to advisers.

The Ombudsman found that up to 9 million kina (\$3.8 million) was set aside to pay two PNG consultants, Pacific Legal and Pacific Capital.

UBS, Norton Rose, Ashurst and KPMG were allocated up to \$14.6 million in advisory fees for their role.

The issue for the Ombudsman was that 1.25 million kina was transferred to Pacific Capital, which then made payments over a three-month period worth a total 660,000 kina to a consulting firm, Pertusio Capital Partners.

As the Ombudsman's commission noted in its report, Pertusio Partners had previously counted the acting secretary of the PNG Treasury, Dairi Vele, as a shareholder and director.

The Ombudsman also criticised Mr Vele for hiring legal advisers without approval.

In a response to the Ombudsman, Mr Vele denied he engaged the consultants and said it was Norton Rose who "actually retained" Pacific Legal.

Paper trail

The Australian Financial Review has established that on April 2, 2014, company filings were lodged to show Mr Vele was no longer a Pertusio shareholder.

Less than two weeks later, on April 10, 2014, the funds began to be transferred from Pacific Capital to Pertusio.

Mr Vele's ownership in Pertusio had been transferred to Norwegian Lars Mortenson and Australian Nathan Chang. The company filings said a board meeting approving the transfer had been held more than two years ...

That was a Saturday, and the filings provide no explanation as to why the paperwork was lodged two years later and just weeks before the money was transferred from Pacific Capital.

The Commission of Inquiry is also expected to closely examine the advice given by Norton Rose to the PNG government.

The Ombudsman found 15 laws may have been broken in approving the loan, which was deemed to be "highly inappropriate" and "speculative".

Its final report, tabled in Parliament last month, made adverse findings against Mr O'Neill and said the deal to purchase the Oil Search shares was "irregular" due to the lack of consultation with state agencies and the bypassing of parliamentary approval.

The Ombudsman also made findings against Mr Marape, who was Finance Minister at the time. The new Prime Minister said he would resign if substantive findings were made against him.

The Ombudsman found the lack of parliamentary approval may have breached the constitution and the country's responsible lending laws.

Close scrutiny

The role of Mr Latimer is likely to be closely scrutinised by the Commission of Inquiry, as he acted as the principal adviser to the PNG government.

He was present, according to the Ombudsman, at key moments of the deal including a visit to Abu Dhabi.

Mr Latimer was part of a delegation headed by PNG's ... Pato, which had been dispatched to the United Emirates to negotiate with Sheik Mansour bin Zayed Al Nahyan.

The Papua New Guineans were seeking the return of their 15 per cent stake in Oil Search, which had been pledged as collateral for a loan to cover their investment in the PNG LNG project.

Explicit in the agreement was a clause which allowed Abu Dhabi to forgive the loan and keep the shares.

It ultimately chose to do this, which pushed Mr O'Neill to borrow the \$1.2 billion from UBS to buy the 10 per cent stake in Oil Search.

Oil Search would then use the funds from the PNG government's share purchase to buy into the promising, if controversial, Elk-Antelope gas fields, which form part of the \$20 billion Papua LNG expansion plan that is awaiting final approvals.

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