

**Public Statement by Rt Hon Sir Mekere Morauta  
Former Prime Minister and Member for Moresby North-West  
Port Moresby, 17 May 2019**

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**O'Neill approves secret K1.1 billion deal for Kumul Petroleum**



Secret Kumul Petroleum documents reveal that Prime Minister Peter O'Neill has approved company plans for a headquarters building worth almost K1.1 billion to be built in Port Moresby.

"This is a scandalous waste of money that should be going to consolidated revenue to help pay for essential services such as health and education," Sir Mekere said. "Mr O'Neill, as sole trustee for the Kumul Group, ought to be ashamed of himself for approving this while the nation is crumbling around him.

"At this time of economic and financial crisis, the last thing PNG needs is more wasteful expenditure on monuments to the Prime Minister in Port Moresby. Mr O'Neill should immediately cancel his plans and allocate the money to Consolidated Revenue.

"As sole shareholder of the Kumul Group, he alone is responsible for everything that happens to the company, including the use of its revenue. Why do we allow this man to be in charge of K2.3 billion in revenue? The Treasurer should be sole shareholder and trustee and Mr O'Neill should hand the positions over immediately.

"And who will build this PNC palace? I have my suspicions – a well-known local construction company or an overseas venture spring readily to mind."

Sir Mekere said Mr O'Neill's decision highlights the need for an immediate investigation by an incoming Government into the condition of State-Owned Enterprises, starting with the Kumul group. "I fear that this wasteful and reckless decision by Mr O'Neill is only the tip of the iceberg," he said.

Kumul Petroleum's 2017 Annual Report indicates that the company is little more than a slush fund for Mr O'Neill, his cronies and employees. For example, Sir Mekere said that in 2017 Kumul Petroleum made donations totaling K18.4 million. Did any of this go to PNC by way of direct donations, sponsorships, or payments for events? This is public money, and should be going through the Budget.

Kumul Petroleum's 2017 accounts demonstrate that the company, and by extension the entire Kumul group, is being badly mismanaged. By not having all Kumul accounts audited and published, the Prime Minister is simply hiding the extent of his mismanagement.

He has promised time and time again to table all the accounts, but he has failed to do so. We all know why.

Kumul Petroleum's 2017 accounts report that gross profits (mostly from PNG LNG) were K1.4 billion, but expenses, debt repayment and impairments and other costs ate up K1 billion of that, leaving just K300 million to be paid to the State as dividend. The company reported operating costs of K90 million for the year – a very large amount. Perhaps it is partly explained by the fact that there are 10 employees out of 74 earning more than K400,000. The total employee benefits bill was K8.5 million. K4.7 million went to consultants. Nearly K2 million was spent on travel, accommodation, meetings and conferences. K550 million went on debt repayments in 2017 alone. Mr O'Neill has saddled the company with debt, including K450 million from BSP to pre-pay dividends to the Government – how long will it take for that to be repaid?

Papua New Guineans still do not know the full extent of the losses incurred in the UBS-Oil Search deal, in which Kumul Petroleum was a principal player. Who were the state's shares in Oil Search sold to? At what price were they sold? Does the Prime Minister have any personal or professional connection to the purchaser or its representatives?

"As a result of all this mismanagement and waste, the audited value to the nation of Kumul Petroleum fell by K1 billion to K4.9 billion in 2017," Sir Mekere said. "This is a money-eating machine. It is not a well-run company operating for the benefit of the nation."

Sir Mekere said the Prime Minister should table all the Kumul accounts in the forthcoming session of Parliament so Members and the public can scrutinise them, establish what has gone wrong, and propose solutions.

"The lavish expenditure we can see in Kumul Petroleum's 2017 accounts, and Mr O'Neill's approval of K1.1 billion for a headquarters building, is a slap in the face for people who can only dream of medical treatment, for families whose children are not receiving an adequate education, for communities that do not have access to clean water or power supplies, for villagers who cannot get their produce to market.

"An incoming Government has an obligation to conduct a detailed examination of the entire Kumul group and to make recommendations to the relevant authorities. At the same time the Kumul group must be restructured to minimise Mr O'Neill's reckless and wasteful spending and to ensure that almost all of the K2.3 billion Kumul Petroleum revenues go to the State to be used for essential services that benefit the people."

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