

REPUBLIC OF VANUATU
OFFICE OF THE OMBUDSMAN

PUBLIC REPORT
ON THE
PURCHASE, REPAIR,
MANAGEMENT, OPERATION
AND
SALE OF PRINCE II

2 December 1998

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**FINAL REPORT
ON THE
PURCHASE, REPAIR, MANAGEMENT,
OPERATION AND SALE OF PRINCE II**

PREAMBLE

"Gather the people together men and women and children and the stranger that is within thy gates, that they may hear and that they may learn, and fear the Lord your God, and observe to do all the words of this law."

Deuteronomy 31 v 12

The country of Vanuatu adopted in 1980 as a motto for their independence, the unusual words "Long God Yumi Stanap". As the 20th year of independence approaches in 2000, and the new millennium begins, it would be appropriate to ask just how closely "yumi stanap long God" in terms of our country's decisions and standards and actions. Is our moral compass keeping us in a good direction? Is our "ship of state" in good repair?

The accompanying report is only one of many that sadly has become part of the duties of the Ombudsman's Office to investigate. It shows what so many of the reports have shown - not only the lack of experience and maturity that might be expected in new and untested candidates, but a disregard of those principles of honesty and justice which are vital if this country is to be led to prosperity and happiness.

It has been depressing for the Ombudsman's Office to see repeated again and again the selfish and greedy actions of those who put personal gain before public service with such regularity that it is with heavy hearts that the growing pile of complaints is surveyed. Cause for sadness, too, in that those charged with offences have chosen not to follow the path of confession and potential forgiveness but of denial or silence.

Constant attacks are made on the Ombudsman and endless parliamentary time taken to seek ways to reduce the power of the office to investigate and make public these offences against the public good. There is much talk about openness, accountability and responsibility while at the same time ways are sought to preserve secrecy and inappropriate power.

Therefore once again, as the Ombudsman's contract draws to a close, we appeal to the public to be vigilant over what is happening to take a stand against corruption to realise that some "men love darkness rather than light because their deeds are evil".

If we are to "stanap long God" we had better insure that we have "fought a good fight with the power of wrong-doers, and battled for something more commendable than covetousness and envy. The future for our young people is at stake and it is our duty not only to learn those wise commandments, but to do them.

However desirable and welcome the work of visiting advisers and experts is, the factor that will determine the health and prosperity of our country is obedience to existing laws and observance of moral standards which alone will have a hope of keeping us on the right lines. If these laws are broken without consequences to the offenders, we can only expect disaster in the long run.

SUMMARY

This report looks into the purchase in 1993 of a ship *Prince II* in total breach of all the existing financial procedures and tender rules. The report outlines also all the questionable actions of the people involved in arranging loans and investing funds in a project destined from the outset to be loss-making.

This operation caused the loss for the Government and the people of Vanuatu of a total sum of **Vt172 million vatu** (USD 145.000) divided as follows amongst the government agencies for the purchase costs, the major repairs and the running costs.

Original purchase price:	Vt67 million (paid by the Vanuatu Government)
Vanuatu Commodities Marketing Board (VCMB):	Vt65 million
Vanuatu Cooperative Federation:	Vt15 million
Development Bank of Vanuatu:	Vt25 million

This amount represents 9 times the budget of Public Prosecution Office and 3 times the budget of the Judiciary.

This purchase was initiated and led by Mr Serge Vohor, former Minister for Economic Affairs, his 1st Secretary, Mr Alfred Maliu who was also Vice Chairman of the Board of the Development Bank, the former Director of the Cooperatives Department, Mr Robert Figa, the former manager of VCMB, Mr Franklin Kere, and the Executive Board of the Development Bank of Vanuatu, namely Mr Petre Malsungai, Mr Amos Andeng, Mr Alfred Maliu.

Prince II ceased operating in late '95 and she has been laid up and deteriorating and rusting in Port Vila's harbour since then. Recently in Parliament, a Minister suggested sinking it to make a dive site. All the Vt 172 million appear to have been totally lost and unrecoverable.

The ship in fact only operated for 14 months on and off and only a total of 1060 tonnes of goods were shipped. This represents 6 full trips made by *Prince II* since it arrived in 1993.

In around 1991 or 1992, Mr Serge Vohor met with a New Caledonian, ship broker, Mr Franck Gallo who was also an old personal friend, and asked him to find a ship to service the islands of Vanuatu. *Prince II* was found in Singapore. It was just over 43.6 metres in length and had a gross tonnage of 385 tonnes with a net tonnage of 170 tonnes. It was very much bigger than any locally owned vessel. In August 1993, Mr Vohor addressed the Council of Ministers about purchasing this ship. While the purchase agreement which was signed by Mr Vohor, he informed the Council of Ministers that the price was 560,000 USD (67.2 million vatu).

At the same meeting, although he was provided with information by the Cooperatives Department that the shipping project would be making a loss of Vt35 million each year, Mr Vohor deceived the Council of Ministers by indicating that the ship would be generating a total income of Vt20 million annually.

Prince II was sold to the Government of Vanuatu for VT 82 million. Mr Gallo had purchased it for USD 370.000 and resold it to the Republic of Vanuatu for USD 670.000. The Government paid VT67 million from its budget in October 1993, while the balance of Vt15 million was borrowed from the Development Bank and paid in February 1994. The balance was part of a loan of Vt17 million; the other Vt2 million was used to set up a company, the Melanesian Shipping Line (MSL), to operate the ship. MSL was to be managed by Vanuatu Commodities Marketing Board.

After the decision of the Council of Ministers to approve the purchase of *Prince II* at 67 million, Mr Vohor increased the price by 15 million vatu which he financed by instructing the Development Bank through his own political appointee Mr Maliu to grant a loan.

Mr Alfred Maliu as First Secretary, Ministry of Economic Affairs and Vice President of Development Bank, applied for a loan of Vt30 million to complete the payment for the purchase of the ship and for working capital for MSL to operate the ship. The loan was

rejected by the Development Bank, however, on the same day, the board of the bank met and approved the loan. Mr Maliu was a member of the board. While the entire amount requested was approved by the board, for some reason only Vt 17 million was disbursed to MSL.

When *Prince II* arrived in Vanuatu it was not seaworthy. It sat at wharf in Port Vila undergoing repairs for 13 months. After having been repaired, it operated for only 14 months and was again laid up. A further Vt43 million was spent on repairs to the ship, bringing the total cost of bringing the ship up to a seaworthy standard to Vt 125 million.

Because the ship was too big for local demands, and was regularly in port for mechanical problems it was difficult for it to compete with other local shipping operators. As a result the company made a huge loss of Vt27 million in the first year of operating.

The Ombudsman found that Mr Serge Vohor's conduct was blatantly unreasonable and unjustified and in breach of the Leadership Code under the Constitution, and lead to losses to the government and people of Vanuatu of Vt 172 million. Mr Vohor did not carry out a feasibility study of the shipping project, nor did he arrange to have the price of the ship assessed. Even though the Finance Regulations had been introduced by the time the purchase of the ship was made, Mr Vohor did not follow them in that no tender was made to the public for the supply of a ship. After misleading the Council of Ministers, he went ahead and purchased the ship from an old friend. Mr Vohor knew the ship would operate at a loss.

The Ombudsman also found that the loan approval by the Development Bank Board members was improper and based on irrelevant considerations as it was made against the bank management's own assessment report. Possible economic loss to the bank was not considered and the end result was that the Development Bank made a loss of Vt25 million, being Vt17 million principal plus Vt8 million interest on the unpaid loan. Mr Maliu was found to have a conflict of interest as political secretary of Serge Vohor and Vice Chairman of the Development Bank and acted contrary to S.15 of the Development Bank Act and s.208 of the Companies.

Mr Robert Figa was found by the Ombudsman to have acted unreasonably by approving that Vanuatu Cooperative Federation invest in a project that had already been assessed as non-viable. The Ombudsman also found that Mr Franklin Kere also acted unreasonably by injecting Vanuatu Commodities Marketing Board funds under his management after having been made fully aware of the non-viability of the entire project.

The Ombudsman recommends that Mr Serge Vohor not be reappointed to any ministerial post in the government, Messrs Alfred Maliu, Petre Malsungai and Amos Andeng should not be appointed to any statutory board and that they should compensate the Development Bank for losses due to their negligence. The Ombudsman also recommends that Mr Robert Figa and

Mr Franklin Kere not be appointed to any position where investment decisions are to be made. The Director General of Finance should ensure that every incoming Council of Ministers is fully informed of the Finance Regulations, in particular Chapter 22 to prevent a recurrence of the incidents involved in *Prince II*.

The final recommendations made by the Ombudsman is that the Director Generals of Finance and Trade & Commerce coordinate their efforts to liquidate MSL's assets and decide upon the future use of *Prince II*.

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1. JURISDICTION

- 1.1 The Constitution and the Ombudsman Act No 14 of 1995 allow me to look into the actions of the government and other organisations in which the government has interests. I can also look into defects in the law or the administration of the law, discrimination and breaches of the Leadership Code. This includes Mr Serge Vohor as Minister of Economic Affairs, the Development Bank Board, Mr Robert Figa as Director of Cooperatives Department and Mr Franklin Kere as Vanuatu Commodities Marketing Board Manager and Director of Melanesian Shipping Line.
- 1.2 The Ombudsman Act still applies to this case even though it has been repealed recently as the investigation began while the Act was in force (Interpretation Act [CAP 132] s. 11).

2. PURPOSE, SCOPE OF INVESTIGATION AND METHODS USED

- 2.1 The purpose of this report is to present my findings as required by Article 63 of the Constitution and Section 24 of the Ombudsman Act.
- 2.2 The scope of this investigation is to establish the facts about the purchase and the operation of the Prince II and to determine whether:
- *the conduct of Mr Serge Vohor then Minister of Economic Affairs in negotiating the purchase and tendering procedures was proper,*
 - *the conduct of Vanuatu Development Bank Board in approving a loan to Melanesian Shilling Line was proper;*
 - *the conduct of Mr Robert Figa in approving funds from the Vanuatu Cooperative Federation for the repair of the Prince II was proper;*
 - *the conduct of Mr Franklin Kere in injecting funds from the Vanuatu Commodities Marketing Board into Melanesian Shipping Line was proper;*
 - *Mr Serge Vohor breached the Leadership Code.*
- 2.3 This Office collects information and documents by informal request, summons, letters, interviews and research.

3. RELEVANT LAWS AND REGULATIONS

3.1 CONSTITUTION OF THE REPUBLIC OF VANUATU

CONDUCT OF LEADERS

66.(1) Any person defined as a leader in Article 67 has a duty to conduct himself in such a way, both in his public and private life, so as not to-

- (a) place himself in a position in which he has or could have a conflict of interests or in which the fair exercise of his public or official duties might be compromised;

- (b) demean his office or position;
 - (c) allow his integrity to be called into question; or
 - (d) endanger or diminish respect for and confidence in the integrity of the Government of the Republic of Vanuatu.
- (2) In particular, a leader shall not use his office for personal gain or enter into any transaction or engage in any enterprise or activity that might be expected to give rise to doubt in the public mind as to whether he is carrying out or has carried out the duty imposed by subarticle (1).

DEFINITION OF A LEADER

67. For the purposes of this Chapter, a leader means the President of the Republic, the Prime Minister and other Ministers, members of Parliament, and such public servants, officers of Government agencies and other officers as may be prescribed by law.

3.2 PUBLIC FINANCE ACT [CAP 117], FINANCE REGULATIONS

Chapter 22 of the Finance Regulations sets out the procedures required for purchase of goods and services. Where a purchase price exceeds 1 million Vatu, at least three written tenders must be obtained. The tenders must be submitted to the Central Tender Board and specific procedures must be followed, including advertisement, open competitive bidding, the use of sealed submissions, and acceptance of the lowest evaluated tender. Contracts over 3 million vatu must be approved by the Council of Ministers before being awarded and by the Attorney General before signature.

3.3 DEVELOPMENT BANK OF VANUATU ACT [CAP 169]

Section 15

Every member of the Board shall fully disclose to the Board any financial or other personal interest that he may have directly or indirectly in any matter before the Board and **shall not take part in the discussion of any such matter nor vote thereon**, and, if requested to do so by the person presiding at the meeting, shall absent himself while deliberations with respect to any such matter are taking place.

(emphasis added)

3.4 COMPANIES ACT [CAP 191]

Section 208(1)

Subject to the provisions of this section, it shall be the duty of a director of a company who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the company to declare the nature of his interest at a meeting of the directors of the company

4. OUTLINE OF EVENTS

PURCHASE OF SHIP

- 4.1 In Noumea in 1992, Minister of Economic Affairs Serge Vohor met Mr Jean Franck Gallo, a New Caledonian ship broker whom he had known for 7 or 8 years. According to Mr Gallo, Mr Vohor asked him if he could find a ship that could service

the islands. Mr Gallo then located and purchased the Kahenda Gold for 370,000 US Dollars for subsequent sale to Vanuatu as the MV Prince II. The ship is 43.60 metres in length, of steel welded construction, with a gross tonnage of 385 and a net tonnage of 170. She is stated to have been built in 1991 in Vietnam, and was previously registered in San Lorenzo, Honduras. **(Appendix A).**

- 4.2 On **22 April 1993** the Council of Ministers approved the need for a ship in principle. On the same date the Secretary General of the Council of Ministers, Mr Charlot Salwai, wrote to the Minister of Economic Affairs Mr Vohor. He stated that the approval of the Council of Ministers was subject to identifying the borrower, obtaining more information on the terms of the purchase and the economic viability of the project, and the survey report of the Ports and Marine Department **(Appendix B).**
- 4.3 On **22 April 1993** the Cooperatives Department Financial Adviser, Mr. Peter Tomlinson confirmed the advice he had given orally to the Director of Cooperatives Department Mr Robert Figa with respect to the proposed ship purchase. Mr Tomlinson advised that a feasibility study should be carried out prior to the purchase of any ship, that funding could be obtained for a feasibility study, and that an independent expert should assess the condition of the ship to confirm that it would meet the stated needs **(Appendix C).**
- 4.4 On **3 May 1993**, Mr. Figa advised Mr. Tomlinson that he had noted his advice, however this was really a political decision to help the people in the rural areas, and the ship would go on the slipway in Singapore on 11 May **(Appendix D).**
- 4.5 On **3 May 1993** First Secretary in the Ministry of Economic Affairs, Mr. Alfred Maliu requested financial information from Mr Figa to facilitate the processing of a loan for the purchase of the Department of Cooperatives ship. **(Appendix E).**
- 4.6 On **18 May 1993** Mr Tomlinson submitted to Mr Figa a detailed Profit and Loss Estimate which showed that **the projected annual loss of the proposed ship purchase would be greater than VT 35 million.** He considered the difficulties of inter-island shipping, the presence of competition in the country and current over-capacity, the high operating costs of the proposed ship, and the high price of the ship, and concluded that the shipping project would be loss-making and would require Government subsidy **(Appendix F).**
- 4.7 On **27 May 1993** Mr Figa submitted Mr Tomlinson's financial information to Mr Maliu.
- 4.8 On **9 June 1993**, *Prince II* was surveyed in Singapore by an officer from Bureau Veritas at the request of the owner Mr Gallo **(Appendix G).** Two officers from the Ports and Marine Department were also sent on the instruction of Minister Vohor to survey the ship in Singapore. At the time of the inspection all machinery and equipment was shut down, and because there was no power supply the machines could not be tested. The ship was deserted and no one was available to answer questions. The general condition of the ship was poor and there was equipment missing. The ship was not classed by any international classification society except for the Statutory and Trading Certificate stated to have been issued by the Honduras Authority.
- 4.9 The Special Projects Implementation Committee (SPIC) was a committee formed by Prime Minister Maxime Carlot Korman in April 1993 to negotiate funding and oversee the speedy and efficient implementation of priority projects. On **9 June 1993**, SPIC met and finalised a list of projects to be financed in 1993, including the cooperative ship. A total of VT 66 million was set aside for the purchase of *Prince II* from SPIC funds.
- 4.10 In **August 1993** Minister of Economic Affairs, Mr. Serge Vohor, presented a paper **(Appendix H)** to the Council of Ministers. He wrote that the estimated annual income of operating the ship would be VT 20 million, using the detailed figures from Mr Tomlinson's Annual Profit and Loss Estimate. However, he did not provide the Council of Ministers with the Expenditures and Loss figures from this Estimate. Instead, he wrote that the initial operating expenses (excluding dry docking and maintenance) of the ship would be close to or greater than the income, and that the financing costs would be nil or absorbed by the Government. Mr Vohor indicated

that the profitability of the project would be dependant to a large extent on the revenues to be earned from transporting local produce to New Caledonia. Mr Vohor deceived the Council of Ministers by failing to mention the estimated annual loss of 35 million Vatu and implying that the project was economically viable.

- 4.11 This Council of Ministers' paper also stated, incorrectly, that the purchase price was 560,000 USD, approximately 67.2 million vatu, although the sale agreement of July 1993 (1 month earlier) stated the price as 670,000 USD. At the time of this paper the future MV Prince II was scheduled to arrive at Tanna the same week.
- 4.12 On **20 August 1993** *Prince II* arrived in Tanna and later sailed to Port Vila. On **23 August 1993** a welcome ceremony was held at the wharf in Port Vila to mark the arrival of *Prince II*. (**Appendix I**) The *Prince II* thus began its 13-month stay at the wharf in Port Vila.
- 4.13 On **23 August 1993** the Certificate of Sale for *Prince II* was signed by Mr Gallo and Mr Vohor (**Appendix J**). The Certificate stated that the sale price was 670,000 USD as written in the Sales Agreement of 2 July 1993. This is equivalent to **VT 82 million** not VT 67.2 million as presented to the Council of Ministers.
- 4.14 On **1 September 1993** a project profile was submitted by Mr Maliu from the Ministry of Economic Affairs to National Planning (**Appendix K**). This Profile stated that funding would come from SPIC (67 million), a Development Bank loan, and shareholders contribution. No application had yet been made to the DBV.
- 4.15 On **11 October 1993** SPIC approved VT 67 million to buy the ship *Prince II*, based on the amount that had been approved by the Council of Ministers (**Appendix L**). SPIC advised that the balance be secured elsewhere by the Ministry of Economic Affairs together with the Cooperatives Association.
- 4.16 On **14 October 1993** Mr Gallo and Mr Vohor signed an agreement indicating that Mr Gallo had accepted payment of a first instalment of VT67 million, and would receive the balance (VT15 million) in March 1994 by the Development Bank of Vanuatu (DBV) (**Appendix M**). At this point DBV had not authorised such a commitment; an application for a loan had not even been made! A cheque was made out by Finance Department to Mr Gallo for Vt 67 million (**Appendix N**).
- 4.17 On **5 November 1993** a local company called the Melanesian Shipping Line Limited ("MSL") was incorporated to be responsible for the management and operation of the ship. The directors and secretary of the company were:

Mr Robert Figa	Then Director of Cooperatives Department
Mr Hollingson Issachar	Melanesian Group Consultants
Mr Franklin Kere	Then VCMB General Manager
Mr Hilton Tarileo	Deputy Director Cooperatives Department
Mrs Dalsy Temakon	Board Secretary (VCMB staff)

Messrs Figa and Issachar were the original directors of MSL and were allotted five (5) shares each in the new company. The share held by Mr Figa was on behalf of the Cooperative Federation while Mr Issachar held a share on behalf of Melanesian Group Consultants Limited in which he was personally interested. The actual management of the ship on behalf of MSL was transferred from the Cooperatives Department to VCMB on 23 December 1993.

- 4.18 On **15 December 1993** Mr Maliu, First Secretary to the Ministry of Economic Affairs, wrote to the Development Bank of Vanuatu requesting a loan of VT 30 million: VT 15 million to finalise the purchase of *Prince II* and VT 15 million for working capital (**Appendix O**). Mr Maliu was at the time Vice Chairman of the Board of the Development Bank.(It is to be noted that the letter from Mr Maliu was incorrectly worded).
- 4.19 On **16 December 1993** a loan appraisal was carried out by the management of the Development Bank. They recommended the loan be declined (**Appendix P**). This recommendation was later submitted to the Board of Directors for final consideration. The reasons for this recommendation were:

1. There was no justification of the project viability.
2. The project would not be able to service the loan in an appropriate period acceptable to the Bank.
3. No source of funds for the project, and disbursement would place severe strain on the Bank's cash flow.
4. There was no cash flow projection to justify the financial requirements sought.
5. There was concern about the market and the competition in the local market.
6. The security available would be the vessel, and the ability of the project to service the proposed debt and the lack of available funds before identifying a source was a concern.

4.20 On **16 December 1993** the Executive Committee of the Development Bank approved a loan of VT30 million despite the Development Bank Management recommendation to decline the request. The Board Members present were: **(Appendix Q)**

Messrs	Amos Andeng	-	Chairman
	Alfred Maliu	-	Vice Chairman
	Petre Malsungai	-	Director
	Augustine Garae	-	DBV Managing Director

The reasons for overruling the recommendation of management are not stated. It is clear from previous documents that it was the intention of the Minister of Economic Affairs Mr Vohor and his First Secretary, Mr Alfred Maliu, from May 1993 or earlier, to borrow the balance of the purchase price from the Development Bank. It is also noteworthy that Mr Maliu was First Secretary of the Ministry of Economic Affairs at the same time that he was a member of the Development Bank Board Executive. Mr Maliu participated in the vote, and in fact moved the loan approval.

4.21 In **February 1994** Melanesian Shipping Line (MSL) received VT 17 million from DBV **(Appendix R)**, of which VT 15 million was paid to Mr Gallo to complete the purchase of *Prince II* **(Appendix S)**. At the same time the Development Bank executed a floating charge over the assets of MSL including the *Prince II*. The DBV holds a first mortgage on the ship as security.

Becoming seaworthy

4.22 On **31 March 1994** a survey was carried out on *Prince II* by a marine consultant from New Zealand for insurance purposes only. In his report he recommended extensive repairs to the ship. The major repairs were on the main engine and two auxiliary engines. The main engine was not working. The two auxiliary engines were physically broken and the electrical system was dangerous and needed re-wiring. Because the engines were from Germany and Russia, it was difficult to find spare parts. Included with these major repairs there were a number of deficiencies such as the Auto Pilot and the radio equipment did not comply with international safety regulations. The consultant confirmed to this Office that at the time of his survey the ship was seriously substandard and was not seaworthy. It was not built to standards as normally required by Lloyds or Bureau Veritas.

4.23 Mr Robert Figa was the Director of Cooperatives Department. In April 1993 he was appointed as Registrar of Cooperatives Societies by Prime Minister Maxime Carlot Korman (CAP 152). He was given responsibility for the affairs of the VCF and making investment decisions. He was a director and nominee shareholder of MSL.

Being responsible for VCF he also approved expenses that were incurred by VCF on the repair of *Prince II*. Despite having been made aware of the potential loss the ship would be making as advised by his financial adviser Mr Peter Tomlinson, he went ahead and approved expenses from VCF towards *Prince II*.

4.24 MSL had only VT 2 million (from the first DBV loan payment) as capital. The costs of repairs and office staff prior to the ship's operation were borne by the Vanuatu Commodities Marketing Board (VCMB) and the Vanuatu Cooperatives Federation

(VCF) (**Appendix T**). VCMB holds a second mortgage on *Prince II*, while VCF holds a third mortgage. The following were the major repair costs (total VT **23,882,158**) that were met by these institutions on behalf of MSL:

- May 1994, VT 2,560,935, by VCMB for a new generator
 - May 1994, VT 4,806,203, by VCF for engine and spare parts
 - July 1994, VT 3,815,746, by VCMB for a new generator
 - July 1994, VT 1,842,554, by VCF for equipment and materials
 - August 1994, VT 3,723,874, by VCMB for spare parts
 - August 1994, VT 2,744,307, by VCMB for spare parts
 - August 1994, VT 1,151,539, by VCMB for Air Start compressor
 - August 1994, VT 1,618,500, by VCF for damage caused by ship *Prince II* to the barge Roena on 22 July 1994 at the wharf in Port Vila
 - September 1994, VT 1,618,500, by VCMB for second instalment on damage to Roena
- 4.25 The cost of other parts and repairs met by VCMB during this period amounted to over VT 17.2 million, (**Appendix U**) while wages and salaries of over VT 2.4 million during this period were covered by VCF and VCMB (**Refer Appendix T**). The ship also incurred quay dues of VT 358,858 for the use of the wharf from August 1993 to September 1994 (**Appendix V**). **The total cost of parts, repairs, wages, salaries and quay dues during the non-operational period was well over VT 43 million, making the full cost of a seaworthy *Prince II* over VT 125 million.**
- 4.26 During this period of repairs, some time in **July 1994** the UMP political party used *Prince II* to transport its delegates to Malekula to attend the UMP congress. The total cost of the trip was VT1,755,900, of which only part payment was received. The balance of VT755,900 has not yet been settled (**Appendix W**). There is no further record to show that the debt has been pursued by MSL. However we were informed that the debt was pursued with the political party by letters, telephone calls and in meetings but remains to be settled.
- 4.27 On **1 September 1994** Ports and Marine Department surveyed the *Prince II* and found it to be seaworthy. The Marine Safety Certificate was issued on 3 October 1994, allowing the *Prince II* to sail within Vanuatu waters only (**Appendix X**).

Operations - September 1994 to November 1995

- 4.28 The *Prince II's* maiden voyage from Port Vila was on **27 September 1994**, 13 months after its purchase.
- 4.29 The ship was in operation for approximately fourteen months, from September 1994 to November 1995. During this time a total of 85 days were spent in port on repairs, primarily on the crane and engines. (**Appendix Y**).
- 4.30 Former employee of MSL, Ms Leisau Kenneth, and former Chairman of the MSL Board, Mr Kere advised this Office during our investigation that the ship was not making much money during the time it was operating. Some of the reasons stated were:
1. The ship was too old and often had mechanical problems with the engines and the crane. When this happened the ship had to spend several days in port fixing up the problems.
 2. The ship was too big for local runs and demands. It often ran less than half full, therefore could not make enough money.
 3. The running cost was too high. Despite the fact that it was less than half full, MSL was paying the same costs in terms of fuel, wages and rations for the crews.

4. The ship could not keep to the schedule that was drawn up and sent to the islands via service messages on the radio. This gradually discouraged the customers who turned to other shippers for better services.
- 4.31 During the months it was operating, the *Prince II* shipped a total of approximately 1,060 tonnes of Copra and Cocoa for VCMB (**Appendix Z**). This gives an average monthly shipment of 75.71 tonnes. This is very low when compared to the ship's net tonnage of 170 tonnes, and in fact represents only six full trips by *Prince II* since it arrived in 1993.
- 4.32 MSL's Profit and Loss Statement to 28.2.1995 showed accumulated losses of VT 27,907,577, based on revenues of VT6,845,410 and expenses of VT34,907,577. A Chartered Accounting firm issued its disclaimer on these unaudited accounts in May 1995, and the accounts remain unaudited. Since then no other accounts have been prepared by MSL.
- 4.33 The *Prince II* has not been operational and has been sitting at the wharf in Port Vila from December 1995 to date.

Sale of the ship

- 4.34 On **23 April 1996** the MSL board agreed to sell *Prince II*. The board agreed that any offer must be VT90 million or above, and that the ship must be advertised locally and overseas. In **August 1996** the ship was advertised in *Vanuatu Weekly* and also in the Solomon Islands' newspaper the *Solomon Star*.
- 4.35 Three tenders were submitted, offering VT 9.105.600, VT10.000.000 and VT19.000.000 for the ship.
- 4.36 A committee made up of representatives of the Ministry of Finance, Cooperatives and Rural Business Development, DBV and VCF was to meet to consider the tender applications on **5 September 1996**. They did not meet, and at no time were the tender applications considered. *Prince II* continued to deteriorate at the wharf in Port Vila.
- 4.37 We understand that a proposal has been made to have the ship donated to a proposed Marine Training Center in Luganville for training Ni-Vanuatu mariners.

Outcomes

Melanesian Shipping Line and the Prince II

- 4.38 Financial Services Commissioner Mr Julian Ala informed the Ombudsman in September 1997 that to his knowledge **MSL does not operate any more and is insolvent**. MSL failed to pay its annual company registration fees and file its annual returns. Although Mr Ala had prepared a final notice to strike MSL off the Companies Register, he was advised by the Company Secretary Mr George Vasaris that he could not strike off the company as it has an asset and that there was a major secured creditor in VCMB to be considered. The asset is believed to be *Prince II*. Therefore, rather than striking it off, MSL must be petitioned to be wound up. The Commissioner has taken the view that this asset may be worthless, and it would have been a waste of money, effort and time to petition the court to wind up MSL because it has no assets with which to meet the cost of the petition and liquidation.
- 4.39 The *Prince II* was valued by a marine consultant on **20 April 1998**. He indicated that there is no demand for a vessel of its size, as it is too big for coastal trade and too small for international trade. The marine consultant valued the ship on an "AS IS WHERE IS" basis, at 50,000USD, approximately equivalent to **VT 6 million (Appendix AA)**. The cost of purchasing the ship and making her seaworthy was approximately VT 125 million.

4.40 MSL has the following assets:

- | | |
|--|--------------|
| • <i>Prince II</i> : | VT 6 million |
| • Monies owing: UMP | VT 755,900 |
| Others | VT 337,119 |
| • Cash at Bank(NBV) as at 31 August 1998 | VT 29,115 |

The value of all its assets, is less than the money owed to its creditors. The Company's balance sheet as at **28 February 1995** showed that it had a total net liability of VT 27,907,377. From the total assets, *Prince II* was given a book value of approximately VT 111 million. However, it appears that the value of the assets is now grossly over-valued as in reality the ship is worth only VT 6 million if even that not VT 111 million.

- 4.41 However, it appears from the Lloyds registry that Mr Gallo is still the registered owner of *Prince II*, raising the possibility that MSL is unable to sell the ship even for VT 6 million.

Government of Vanuatu

- 4.42 **The Government of Vanuatu invested and lost VT 67 million** on the purchase of a ship which proved to be virtually worthless and could not meet the goal of facilitating inter-island trade.

Development Bank of Vanuatu

- 4.43 DBV received only one interest payment on the VT 17 million lent to MSL, in the amount of VT 368,761 on 8 May 1995 (**Appendix AB**). As of 26 November 1997 **the total principal and interest outstanding on MSL's loan was VT 24,962,963 (Appendix AC)**. DBV's then General Manager and Manager Credit reminded the General Manager of MSL of the payments owing on a regular basis, but without success.

On **18 July 1995** the General Manager of DBV wrote to the Minister of Finance and reminded him as minister responsible for the DBV that the loan has fallen into heavy arrears. The bank has been doing everything possible to collect the monthly repayment from MSL, but due to the poor cash flow of the company it was impossible to repay the loan. (**Appendix AD**) **He went on to state that the loan was highly political. There was no further action from the minister.**

- 4.44 As DBV has a charge on all of MSL's assets and a first mortgage on the ship, DBV would be the primary beneficiary of liquidation of the company (if the assets yield any funds at all).

Vanuatu Cooperatives Federation

- 4.45 VCF General Manager Mr Orrison Ores confirmed in January 1998 that the VCF had invested VT15 million in MSL. This investment has been made by way of meeting the costs of repairs on the ship and other related costs before services began. The cost of repairs were then to be taken as its share in MSL; this corporate share and the third mortgage on the ship are apparently worthless. On 2 April 1998 Acting Director of Cooperatives Department Mr H Amos instructed Mr Ores to write off the **loss of VT15 million** in the accounts of VCF over a period of four years.

Vanuatu Commodities Marketing Board

- 4.46 On 23 December 1993 Mr Frankin Kere was appointed the new Director of MSL while at the same time he was in the position of General Manager of VCMB following this appointment on 3 November 1993. Following his appointment as the new Director of MSL, the management and operation of the *Prince II* was transferred to VCMB. Mr Kere was now effectively responsible for the management of MSL.

- 4.47 During a MSL Board meeting on 26 May 1995, the board was informed that the Financial Statement of MSL for the period ended 28 February 1995 showed that the company made an operating loss of VT27,907,577. Again on 5 July 1995, the Board was told that MSL was facing financial difficulties. Mr Kere was present in these Board meetings. Despite this, VCMB continued to inject its funds into MSL by way of meeting the cost of staff salaries, insurance and other associated costs. The total of funds incurred after these Board meetings was VT6,269,622 (**Appendix AE**).
- 4.48 The current General Manager of VCMB, Mr Brown Reuben, confirmed in February 1998 that as of 30 September 1996, VCMB had made a series of payments totalling **VT62,741,545** on behalf of MSL. He further stated that VT10 million of this amount was to be converted into share capital representing 10% of the total share capital of MSL. The 10% share in MSL (if realised) and the second mortgage on the ship are apparently worthless.

5. RESPONSES TO THE PRELIMINARY REPORT

- 5.1 The preliminary report in this matter was issued on 12 October 1998 to provide the person or body complained about or affected an opportunity to reply to the preliminary findings made against them.

- 5.2 The preliminary report and sections of the report were issued to the following people:

* Mr Serge Vohor	Former Minister of Economic Affairs
* Mr Franck Gallo	Vendor of Prince II
Mr Brown Reuben	Current VCMB General Manager
Mr Henry Taga	Secretary General of UMP
* Mr Orrison Ores	Current Vanuatu Cooperatives Federation General Manager
* Mr Robert Figa	Former Director of Cooperatives Department
* Mr Peter Tomlinson	Former Cooperatives Department Financial Adviser
Mr Alfred Malu	Former First Secretary in the Ministry of Economic Affairs and former Development Bank Board Vice Chairman
Mr Petre Malsungai	Former Development Bank Board member
Mr Augustine Garae	Former Development Bank General Manager
Mr Amos Andeng	Former Development Bank Board Chairman
* Mr Willie Jimmy	Former Minister of Finance
Ms Leisau Kenneth	Former MSL employee
* Mr Julian Ala	Financial Services Commissioner
Mr Tele Harry	Current Vanuatu Development Bank General Manager
* Mr Franklyn Kere	Former VCMB General Manager and Chairman of MSL Board
Mr Charlot Salwai	Former Secretary Council of Ministers
* Mr Norris Hamish	Director of Ports and Marine Department
Mr Maxime Carlot Korman	Former Prime Minister
* Mr Hollingson Issachar	Former Member of Directors of MSL
* Mr Hilton Tarileo	Former Member of Director of MSL
* Mr George Vasaris	Former MSL Board Secretary
Mr Happy Amos	Former Director of Cooperatives Department
Mr Thompson Kawai	Former UMP Secretary General
Mrs Dalsey Temakon	MSL Board Secretary

- 5.3 Responses were received from only those marked with an asterisk (*). The others have not forwarded any comments to our office including former Minister Serge Vohor and we will have to assume that they agree with the facts and comments set out in my report.

Responses

- 5.4 Mr N. Hamish, Director of Ports and Marine Department, stated that the Safety Certificate that was issued was done only after considerable repairs were done to the ship, and also that, some equipment and machinery were replaced before the ship was issued with the Marine Safety Certificate.
- 5.5 Mr Franklyn Kere, the former Manager of VCMB, stated that various venues were pursued to secure funding for Prince II to go for dry docking, as this would add a further 5 - 10 years to the life of the ship. He considered that after dry docking, the ship could operate and thus VCMB could recoup some of the money spent on MSL. He also considered that after the ship had been on slip, VCMB could get a good price for it if it was sold. Mr Kere went on to state that VCMB did not ask for Prince II to be transferred to VCMB but that VCMB was given the ship to manage and operate.
- 5.6 Mr Robert Figa, Former Director of Cooperatives Department, stated that he had no conflict of interest. He further stated that under the Cooperatives Societies Act he, as the Register of Cooperatives, was responsible for the management of the VCF. He thought that the repairs would be minor but it was later found that the repairs were major. Because of this, VCF spent Vt15 million in repair costs and these are considered as VCF's share in MSL.

Comments

- 5.7 Although Mr Figa was aware of the fact that the ship would be running at a loss as per the advice given by the Cooperatives Financial Adviser, he continued to approve VCF funds to be spent on the ship. As the *Prince II* was purchased primarily for the Cooperatives Department it was his wish to ensure that the ship was up and running. However, since the department had no funds to repair the ship, he used his power to spend VCF funds for the repairs. It now turned out that VCF will lose totally their money on this investment.
- 5.8 Mr Orrison Ores, current General Manager of VCF, in his reply to sections of the report concerning VCF, stated that VCF had invested Vt15 million in MSL by way of meeting the costs of repairs and the crew's wages. This came about only with the prior approval of the Registrar (Mr Figa) who was responsible for the affairs and investment decisions of VCF under the Cooperatives Societies Act. He further stated that if MSL assets are sold, VCF will submit claims for the return of its investment.
- 5.9 F. Gallo, vendor of *Prince II*, stated in his reply that he bought the ship for USD 370,000 and that when the Vanuatu officers (Marine officers) went to inspect the ship, it was laying on its side in the slip for full cleaning and installation of the automatic steering for the voyage. Therefore, it was impossible to start up the ship's engine. He further stated that since the ship was built in 1991 it could not have been in a poor state in June 1993.
- He further stated that the ship was moored at the wharf in Vila for 13 months due to technical ignorance on the part of those responsible for maintaining it, and this in turn led to the deteriorating of its electric generating units and their replacement. He said that the amending of the ship's papers in general and documents relating to the ship, rests with the Vanuatu Government following the agreement as set out in Appendix J.
- He also stated that the cost of the ship did not include the research costs, staff travel expenses (team to and from Singapore) team wages, food, fuel and other consumables.
- 5.10 Augustin Garae, the former General Manager of DBV stated that the shipping project had a strong force behind it from the UMP led government. He said that the bank put up its recommendation to the Board Executive Committee declining the project proposal, however its recommendation was ignored. He further stated that there were a few letters that were sent to different Ministers of Finance about the *Prince II* and the non payment of the loan and that the government was fully informed of the problem.

- 5.11 Hilton Tarileo, the former Deputy Director of Cooperatives Department stated that the shipping project was one of the worst government projects because the decision to purchase the ship was based on political aspirations but not on business viability.

6. FINDINGS

6.1 FINDING NO 1. THE CONDUCT OF THEN MINISTER OF ECONOMIC AFFAIRS MR SERGE VOHOR IN THE SELECTION AND PURCHASE OF THE *PRINCE II* WAS BLATANTLY UNREASONABLE AND UNJUSTIFIED, AND LED TO LOSSES OF VT 172 MILLION.

- 6.1.1 Minister Vohor initiated the purchase of the *Prince II* for VT82 million without following any reasonable procedures. The Finance Regulations came into effect in July 1993. The Minister must have been aware of their passage and should have followed the tender procedures required, or a similar procedure to ensure a fair purchase. Instead, Mr Vohor simply chose a broker and a ship, without ascertaining actual needs and without allowing for competitive bidding. The boat was officially purchased on 14 October 1993.
- 6.1.2 Mr Vohor failed to conduct a feasibility study of the shipping project. Faced with a projected loss prepared by the Financial Adviser to the Cooperatives Department, Mr Vohor ignored this information and pushed on. Mr Vohor obtained ambiguous and negative reports from those who surveyed the ship, yet he did not falter in his determination to purchase this ship.
- 6.1.3 He failed to have an independent expert fully assess the seaworthiness of the ship and its suitability for inter-island transportation. When additional purchase funds became necessary, he signed an agreement purportedly binding the Development Bank to lend the extra funds, and later ensured, with Mr Maliu's assistance, that the Bank did lend these funds. It appears that Mr Vohor's friendship with Mr Gallo was a decisive factor in the purchase of the ship.
- 6.1.4 Minister Vohor's decisions in respect of this ship were completely outside the bounds of reason. His colossal error in purchasing *Prince II* resulted in losses to the people of Vanuatu of at least VT 172 million, that is through losses of:
- VT 67 million by the Government (for the initial purchase)
 - VT 25 million by the Development Bank (principle and interest)
 - VT 15 million by the Vanuatu Cooperatives Federation (share in MSL and associated costs)
 - VT 65 million by the Vanuatu Commodities Marketing Board (share in MSL and associated costs)

6.2 FINDING NO 2. THE CONDUCT OF MR SERGE VOHOR IN DECEIVING THE COUNCIL OF MINISTERS AND SIGNING A CONTRACT PURPORTING TO BIND THE DEVELOPMENT BANK OF VANUATU, PLACES HIS INTEGRITY IN QUESTION AND IS A BREACH OF THE LEADERSHIP CODE.

- 6.2.1 Mr. Vohor did not disclose to the Council of Ministers that the financial adviser had projected an annual loss of VT 35 million on the ship project, even though he had listed the adviser's projected revenues. He misled the Council of Ministers by minimising the costs of the project and stating an incorrect purchase price. Later, faced with a shortfall of funding for the ship's purchase, Mr Vohor signed an agreement with the vendor stating that the balance was to be paid by the Development Bank of Vanuatu. He had no authority to make a commitment on behalf of DBV, and in fact no application had been made for the loan at that time. He furthermore made an application to the Council of Ministers for an amount of 67 million and paid 62 million to his friend Mr Gallo.
- 6.2.2 These actions were dishonest and clearly illustrate a lack of integrity on Mr Vohor's part. Mr Vohor breached Article 66(1)(c) of the Leadership Code set out in the Constitution of Vanuatu.

6.3 FINDING NO 3. THE LOAN APPROVAL BY DEVELOPMENT BANK BOARD MEMBERS AMOS ANDENG, ALFRED MALIU AND PETRE MALSUNGA WAS IMPROPER AND BASED ON IRRELEVANT CONSIDERATIONS.

6.3.1 The approval of this loan was made against the Development Bank management's own assessment report which recommended that the loan be declined. The approval was obviously a political decision which did not adequately consider the possible economic loss to the bank. The members were likely influenced by the prior commitments made by Minister Vohor and Mr Maliu. As a result, the Development Bank will have lost all of VT 25 million in principal and interest on this transaction.

6.3.2 It was obvious from the DBV management assessment that the project was not viable, however, the Board went ahead and approved the loan despite the decision of the Bank.

6.4 FINDING NO 4. MR ALFRED MALIU'S PARTICIPATION IN THE APPROVAL OF THE LOAN TO MSL AS VICE-CHAIRMAN OF DBV BOARD WAS A CONFLICT OF INTEREST AND CONTRARY TO S.15 OF THE DEVELOPMENT BANK ACT AND S.208 OF THE COMPANIES ACT.

6.4.1 Mr Maliu had an indirect interest in the granting of the loan to MSL, through his role as First Secretary to the Minister of Economic Affairs Mr Vohor and the commitment to fund the purchase of the ship. There is no indication that Mr Maliu formally disclosed this interest to the other Board members as required by s.208 of the Companies Act and by s. 15 of the Development Bank Act. Furthermore, Mr Maliu moved the approval of the loan and so violated s. 15 of the Development Bank Act, which required him to "not take part in the discussion of any such matter nor vote thereon".

6.5 FINDING NO 5. MR ROBERT FIGA'S APPROVAL OF VCF INVESTING IN A PROJECT WHICH HAD ALREADY BEEN ASSESSED AS NON-VIABLE WAS BLATANTLY UNREASONABLE.

6.5.1 As Director of Cooperatives Department, Mr Figa had information that the ship would be loss making through the advice he was given by Mr Tomlinson. Despite this he went ahead and invested VCF money under his responsibility on a shipping project which turned out to be a total failure. As a result, VCF on whose behalf he had a duty to make sound investment decisions, has lost Vt15 million in this investment.

6.6 FINDING NO 6. THE INJECTION OF VCMB FUNDS UNDER THE MANAGEMENT OF MR FRANKLIN KERE TO MSL AFTER HAVING BEEN MADE AWARE OF ITS FINANCIAL SITUATION WAS BLATANTLY UNREASONABLE.

6.6.1 Although Mr Kere, as Manager of VCMB, was aware in the early part of 1995 that MSL had made a loss of over VT 27 million, he did nothing to stop VCMB putting its funds into a company that made a huge loss in its operation, and was facing financial difficulties. As a result VCMB, under his management, is in a position to lose a substantial amount of its funds in this investment: VT 65 million.

7. RECOMMENDATIONS

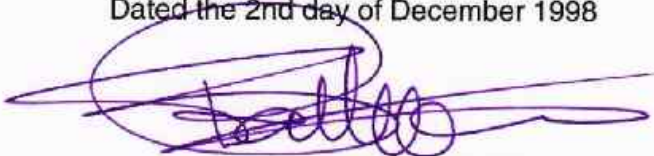
Recommendation No.1: Mr Serge Vohor never to be appointed to any ministerial post in the Government

- Recommendation No.2:** Messrs Alfred Maliu, Petre Malsungai and Amos Andeng, former member of Development Bank Board not be appointed to any statutory board and that they compensate DBV for its losses due to their negligence (either voluntarily or through court proceedings undertaken by the Attorney General).
- Recommendation No.3:** Mr Robert Figa and Mr Franklin Kere not be appointed to any position where investment decisions are to be made.
- Recommendation No.4:** That the Director General of Finance and the Director General of Trade and Commerce co-ordinate efforts to liquidate MSL's assets and decide upon the future use of *Prince II*.
- Recommendation No.5:** That the Director General of Finance ensure that every incoming Council of Ministers is informed of the Finance Regulations, particularly Chapter 22, to prevent any unintentional approvals and purchases or sales which are contrary to law.

8. CONCLUSION

- 8.1 To comply with Article 63(2) of the Constitution and Sections 22 and 23 of the Ombudsman Act, the Ombudsman requests the President, the Prime Minister and his Director General, the Leader of the Opposition, the Minister of Economic Affairs and his Director General to consider these recommendations and to put them into effect.
- 8.2 The Office of the Ombudsman must be notified of the decision and proposed steps to implement these recommendations within thirty (30) days of the date of this report

Dated the 2nd day of December 1998



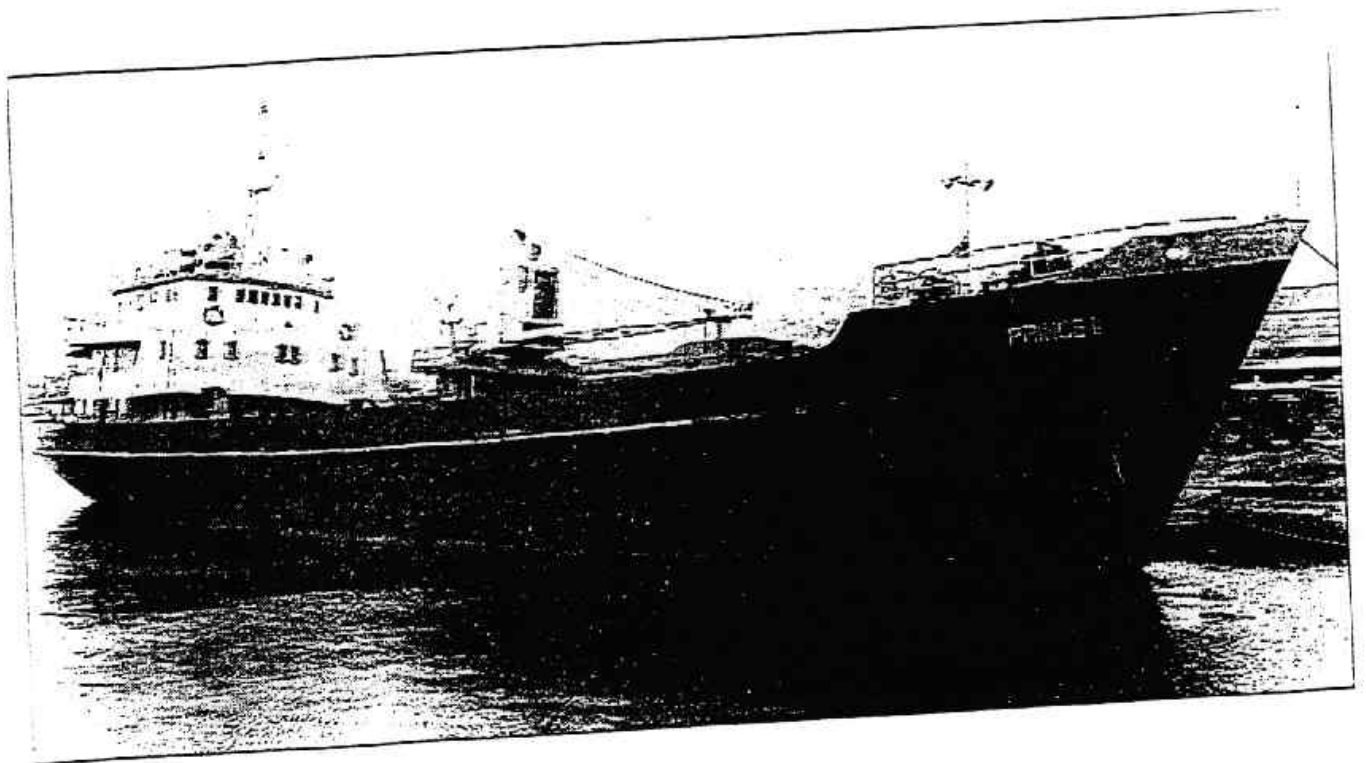
Marie-Noëlle FERRIEUX PATTERSON
OMBUDSMAN OF THE REPUBLIC OF VANUATU

9. **INDEX OF APPENDICES**

A	Photograph of MV Prince II
B	Council of Minister's Decision
C	Tomlinson's advice on a Feasibility Study
D	Figa's reply that it's a political decision
E	Maliu's request for financial statement
F	Tomlinson's advice that ship would be loss making
G	Bureau Veritas Survey Certificate
H	Serge Vohor's paper to Council of Ministers meeting
I	Welcome ceremony at main wharf, Port Vila
J	Agreed ship's price
K	Application to National Planning Office
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M	Franck Gallo acceptance of VT 67 million
N	Payment of VT 67 million to F. Gallo
O	Request for VT 30 million loan from Development Bank
P	Development Bank declined the VT 30 million loan request
Q	Development Bank Executive Committee minute approving the loan
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S	Payment of VT 15 million to F. Gallo
T	Wages + Salaries met by VCMB and VCF prior to ships operation
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X	Marine Safety Certificate
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Z	Total number of tonnes of shipped copra and cocoa during operation
AA	Ship's present value
AB	First loan repayment
AC	DBV outstanding loan
AD	Letter from Manager of DBV to Minister of Finance
AE	VCMB funds injected into MSL after 26 May 1995 and 5 July 1995 MSL Board Meetings

Appendix A

MV Prince II



A xibnoggA

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1771



LE SECRÉTAIRE GÉNÉRAL

APPENDIX B

RECEIVED
23 APR 1993

SECRETARY-GENERAL

CM/DC/13/71/CS/ab/93

22nd April 1993

Hon. Serge Vohor
Minister of Economic
Affairs,
Vanuatu Government,
Port Vila.

Dear Minister,


Re : Decision No. 71 of Council of Ministers' meeting
No. 13/22/04/93

- Request for Guarantee of Loan from the Vanuatu Development Bank

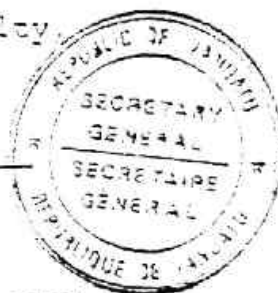
The Council of Ministers' meeting No. 13 of April 22nd 1993, approved the need for a ship in principle but subject to the followings :

- 1) To indentify the borrower
- 2) To request more informations from the Ministry on the terms of the purchase and a detail informations on the Economic viability of the project
- 3) And approval shall be subject to the Survey report of the Ports and Marine Department

Yours faithfully,


Charles SALWAI

Secretary General, Prime Minister's Office



cc : Hon. Prime Minister
Hon. Deputy Prime Minister
Hon. Minister of Finance
Attorney General's Chambers

62243

SERVICE DES COOPÉRATIVES,
ET DU
DÉVELOPPEMENT DU COMMERCE RURAL
SAC POSTAL RÉSERVÉ 032
PORT VILA



Appendix C

MEMORANDUM

DEPARTMENT OF COOPERATIVE
&
RURAL BUSINESS DEVELOPMENT
PRIVATE MAIL BAG 032
PORT VILA

From : TCO Financial Adviser
Iko long : Direkta blong Koapratif
mo Rurol Bisnis Developmen
Det : 22 Epril 1993

Ref: CSS/6

Patisipesen blong Koapratif Federesen long sip projek

Afta we yumi ol senia ofisa mo advaesa blong dipatmen ibin tokabaot sip projek ya long Mande 19 Epril 1993, mi wandem mekem advaes blong me hemi klia:


1. Hemi tru se problem blong sipin hemi mekem ihad blong ol bisnis idivelop gud long ol rurol eria.
2. Hemi tru tu se maet hemi posibel blong ranem wan sip bisnis blong ol koapratif mo winim mane long hem be hemia idipen tumas long kaen sip, praes blong sip, interest ret we hemi stap pem long lon blong pem sip, manejmen blong sip, weples sip iprovaedem sevis mo fulap nara samting. Blong winim mane sip imas operate long ol eria we koapertif istrong olsem Malekula, Ambrym mo Tanna.
3. Bifo eni koapratif ipem wan sip hemi shud gat wan fisibiliti stadi festaem. Fisibiliti stadi ya isave help tu blong identifiaem wanem kaen sip hemi best wan blong mekem wok we koapratif ipem from. Dipatmen isave aplai long Forum Secretariat tru long Dipatmen blong Foren Afea blong finansem wan fisibiliti stadi olsem.
4. Bifo Federesen o eni nara koapratif hemi invest insaed long wan sipin projek oli shud gat wan ripot long wan independen expert long saed blong kondisen blong sip mo blong kivim konfimesen se sip ya hemi stret wetem ol nids we fisibiliti stadi ibin identifiaem.
5. Federesen hemi no wan pablik bodi, hemi wan privaet kompani we hemi blong ol koapratif we oli gat sea insaed. Hemi tru se Federesen istap anda long supervisen blong kavman tru long Dipatmen blong Koapratif, be hemia hemi from tu risen nomo. Fes risen hemi blong Federesen ipemaot ol kaon blong hem wetem VCMB. Sakon risen hemi from Federesen istap risivim ol komisen inkam we kavman ibin apruvum mo blong mekem sua se komisen inkam ya Federesen iyusum long ol stret samting.

A Appendix D

Federesen igat wan loya we hemi Mista George Vasaris we hemi save kivim advaes long yu olsem Direkta blong Koapratif long saed blong yus blong mane blong Federesen.

- a
6. Sipos yu disaed blong Federesen ikohed wetem wan sipin projek, mi advaesem yu se projek ya ishud stap long wan difren kampani mo Federesen ishud jas putum sea blong hem insaed nomo. Hemia imoa beta blong protektem Federesen sipos kampani ya ilusum mane.
 7. Mi andastand se igat wan lon apliksen blong 60 million vatu we Ministri iputum iko long Developmen Bank blong pem sip mo maet kavman imekem karanti long lon ya. Normal interest reit blong Developmen Bank hemi 16% we hemi hae tumas, be wetem wan karanti blong kavman Divelpomen Bank isave daonem interest reit. Samting ya hemi blong negotiatem wetem VDB nomo.
 7. Long lukluk blong mi olsem Finansel Advaes, Dipatmen ino gat inaf infomesen yet blong save evaluaetem projek ya mo hemi nogat inaf infomesen long saed long ol proposal blong manejem sip ya.

Mi hop se profesenel advaes blong mi isave asistim yu Direkta disaed hao blong kohed wetem sip projek ya.


Peter Tomlinson
TCO Financial Adviser

CC. Deputy Directors



REPUBLIC DE VANUATU

SERVICE DES COOPÉRATIVES,
ET DU
DÉVELOPPEMENT DU COMMERCE RURAL
SAC POSTAL RÉSERVÉ 032
PORT VILA



REPUBLIC OF VANUATU

DEPARTMENT OF COOPERATIVE
&
RURAL BUSINESS DEVELOPMENT
PRIVATE MAIL BAG 032
PORT VILA

Appendix D

MEMORANDUM

Ref: CSS/6

Date: 03 ^{May} April 1993

From: Director,
Cooperatives & RBD.

To: TCO Financial Adviser.

Subject:-

SHIP PROJECT

Tank yu long leta blong 22 Avril 1992, and mi tekem note long em. But olsem mi bin talem finish emi rili poli-tic decision blong helpem ol pipol blong rural area.

Plis, mi askem long yu mo evri Dipatmen units blong Cooperative mo Rural Business Developments blong assistem government long wanem emi askem blong mekem.

Wetem leta ya, memo from First Secretary blong Minis-try det 03 May 93 sam informations blong provaedem.

Letes information ship bambae emi ko long slip long Singapour long 11 May 93. Maet Minister Serge Vohor mo wan experte blong marine bambae tufala igo luk.


R. FIGA
Director

cc: DD N.D.
" DD S.D.
" PCRBDO TRAINING
" RCBDO CD1



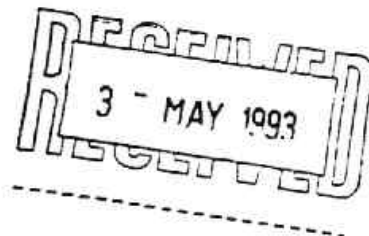


Appendix E



Appendix E

REPUBLIQUE DE VANUATU
REPUBLIC OF VANUATU



MEMORANDUM

Your Ref.

Our Ref: 229/MAET/93/AM/JM.

Date: 03 May 1993

From/Du: First Secretary, Ministry of Economic Affairs.

To/s: Director, Department of Cooperatives and Rural Business Development.

Re: Repayment of Funds for the Department of Cooperative Ship.

To facilitate complete processing of the loan for the purchase of the Department of Cooperatives ship the Ministry of Economic Affairs require urgently from the Department the following financial statements:

- 1-working capital requirements,
- 2-cashflow statements,
- 3-loan repayment schedule, and
- 4-any other financial statement that would assist the Development Bank in the preparation of the loan.

Thank you.



Alfred Malibu

First Secretary, Ministry of Economic Affairs and Tourism.

Appendix F

COOPERATIVE SHIP PROJECT

ANNUAL PROFIT AND LOSS ESTIMATE

INCOME

VATU

1. FREIGHT OF CARGO TO COOPERATIVE STORES	6,000,000
2. FREIGHT OF COOPERATIVE PRODUCE TO SANTO	6,000,000
3. FREIGHT INCOME FROM NON-COOPERATIVES	6,000,000
4. PASSENGERS	800,000
5. WHOLESALE SHOP ABOARD (20% x 6,000,000)	1,200,000
6. TOTAL INCOME	20,000,000

EXPENDITURE

7. SALARIES AND WAGES	CREW BASIC WAGE	5,114,000 ✓
	CREW OVERTIME +50%	2,537,000 ✓
	STATUTORY BENEFITS	426,000
	RATIONS (265 DAYS)	1,753,000
	SUB-TOTAL	9,850,000
8. RUNNING EXPENSES	FUEL, OIL, ETC..	15,000,000 ✓
	BUSINESS LICENCE	385,000
	COASTAL TRADING LIC	54,000
	INSURANCE 5%	3,000,000
	SAFETY CERTIFICATE	50,000
	ADMINISTRATION	400,000
	BREAKAGES & LOSSES	1,200,000
	SMALL REPAIRS	1,200,000
	SUB-TOTAL	21,289,000
9. ANNUAL DRY DOCK MAINTENANCE	DRY DOCK FEES	1,020,333
	REPAIRS	5,000,000
	SUB-TOTAL	6,020,333
10. TOTAL EXPENSES BEFORE LOAN CHARGES		37,159,333
11. OPERATING LOSS		(17,159,333)
12. LOAN FINANCE CHARGES		18,000,000
13. NET LOSS		(35,159,333)

Abbsnqix

REPUBLIC OF VANUATU
COOPÉRATIVES,
DU
COMMERCE RURAL
RÉSERVÉ CSI
VILA



REPUBLIC OF VANUATU
DEPARTMENT OF COOPERATIVE
&
RURAL BUSINESS DEVELOPMENT
PRIVATE MAIL BAG 032
PORT VILA

Appendix F

MEMORANDUM

TO : TCO Financial Adviser
Director of Cooperatives
and Rural Business Development

DATE : 18 May 1993

Ref: CSS/6

Department of Cooperatives Ship Project

1. Thank you for your memo of 13 May 1993.
2. I attach an annual profit and loss account estimate for operations of the ships, together with a note explaining the assumptions made in preparing this estimate.
3. As mentioned before, I am not an expert in shipping studies, hence my advice that the Ministry and yourself seek the services of a consultant through the Forum Secretariat. However, I have been able to use information from the ADB Vanuatu Inter-island Shipping Study and also a financial study into the operation of the Fatukai.
4. I am certain that the ship proposed will be loss making and that it will require government subsidy. There are several reasons for this:
 - a. Inter-island shipping in Vanuatu is a hard business because there are few wharves, small volumes of low value cargo and many ports to visit. This makes running a ship very time consuming and expensive whereas revenue is low.
 - b. There is lack of competition in the shipping business and over-capacity in the number of ships. There is not enough cargo to make a big ship's operations viable.
 - c. The ship proposed is a big one (170 tonnes dead weight, 335 tonnes gross) - compare this with other ships on the attached list - and it has high operating costs. It may not be the best type of ship for the purpose of inter-island trading in Vanuatu.
 - d. The price of the ship is high (\$3 million Vatu) and would have to be financed through a loan with a high interest rate. This results in high loan repayments.

- e. It appears from the attached list of ship operators that Chinese traders such as Richard Io in Santo prefer to operate small wooden hull vessels. Presumably, this kind of ship is more profitable than a steel hull vessel.

5. Depending on the rate of interest on the loan, I estimate the annual loss to be in the order of 35 million vatu. If the ship project is to proceed, then government approval for this level of subsidy should be obtained.

6. Please be aware that the projected revenue of 20 million vatu will only be achieved at the expense of other shipping services. The owners of these competing shipping services may consider a government subsidized cooperative shipping service to be unfair competition.

7. I estimate working capital requirements at about 5 million vatu. The Federation's proposed 5 million vatu in the project would cover this.

8. In conclusion, this project is not feasible without government subsidy.



Peter Tomlinson
TCO Team Leader/Financial Adviser

CC. Deputy Directors
Manager, Vanuatu Cooperative Federation

Page 7

CONFIDENTIAL

Appendix H

COUNCIL OF MINISTERS PAPER

Presented by: Minister for Economic Affairs and Tourism

Background

The project involves the provision of a transportation network to the more remote outer islands of the country by way of a seagoing vessel. This vessel will facilitate the transport of agricultural produce to markets and will enable finished goods to be made available to the population on those islands through a wholesale operation which will be run from the vessel.

In addition, the vessel will operate regular routes from Vanuatu to New Caledonia for the transport of agricultural produce, mostly root crops. General cargo will be backloaded from New Caledonia to Vanuatu.

The Vessel

The vessel MV Kalenda Gold has been identified by the Ministry for the project. This vessel is a steel-hull dry cargo (general cargo) type vessel of 48.5 metres in length, DWT 400 tonnes, draft 3.20 metres. It is a large vessel with two hatches and 1 x 1 ton crane for on- and off-loading cargo. It was built in Vietnam by a local shipyard, however it is not clear when the vessel was constructed.

A survey was conducted on the vessel when it was in dry dock in Singapore by two representatives of the Licensing Section of Ports and Marine. These surveys are attached as appendices to this paper. At the time the vessel was inspected, there was no power to the vessel, all machinery was shut down and there was no captain or crew to answer the questions of the survey team. Thus none of the equipment or electrical machinery or instrumentation was tested. Generally, the vessel appeared to have no serious structural defects.

Numerous items are listed as missing in the survey, however the survey team was informed that all missing equipment, including safety equipment, would be in place before the vessel left the dry dock. This has not been confirmed.

The Kalenda Gold has been purchased by a ship broker from New Caledonia, Enterprise Franck Gallo. The broker is to be reimbursed by the Government of Vanuatu in the amount of USD 560,000 (approximately Vt 67.2 million). The Special Project Implementation Committee is aware of this situation.

The vessel arrives in Vanuatu (Tanna) this week.

Ownership of the Vessel

It is proposed that ownership of the vessel will be vested in a newly registered, limited liability company, which will be owned by the following entities as shareholders:

- Co-operative Federation
- Local Government Council of Malekula
- Local Government Council of Tafea
- Vanuatu National Provident Fund
- Vanuatu Commodities Marketing Board
- Niscol

In addition there is a proposal that some New Caledonia equity participation may be in order. The relative shareholdings of the above entities in the newly registered limited company has not yet been determined.

Revenues and Expenses of the Project

The sole study of the revenues and expenses of the project to date has determined that the likely revenues are as follows:

Freight of cargo to Cooperative stores	6,000,000
Freight of Cooperative produce to market	6,000,000
Freight income from non-Cooperatives	6,000,000
Passenger transport	800,000
Wholesale shop on board	1,200,000
Total income	20,000,000

These figures do not include the revenue which will accrue from transport of produce from Vanuatu to markets in New Caledonia and of general cargo from New Caledonia to Vanuatu. These revenues require further study to determine their exact nature and amount.

Expenses for vessel operations are difficult to determine because of the fact that no operating records have been reviewed. However, it is estimated that in the initial period the operating expenses of the vessel will be close to or ~~greater~~ than the income projected above. This excludes dry dock and ongoing maintenance costs. It is assumed that the financing costs of the vessel will either be nil or will be absorbed by the Government.

The profitability of the project will therefore depend to a large extent on the revenues derived from the Vanuatu - New Caledonia routes and on the cost of ongoing maintenance.

Appendix J

CERTIFICAT DE VENTE

Numéro officiel : L-0324457

Nom du navire : "PRINCE II"

Port d'immatriculation : SAN LORENZO (HONDURAS)

Type de navire : CARGO A MOTEUR

Puissance : 408 CV

Jauge brute : 385 TONNES

Jauge nette : 170 TONNES

Longueur hors-tout : 43,6 METRES

Largeur : 8,12 METRES

Tirant d'eau : 4,08 METRES

Nous, MONSIEUR JEAN-FRANCK GALLO, demeurant au 34, RUE AUER, DUCOS, NOUMEA (NOUVELLE-CALEDONIE), certifions vendre le navire décrit ci-dessus à la REPUBLIQUE DE VANUATU représentée par son MINISTERE DES AFFAIRES ECONOMIQUES ayant ses bureaux à PORT VILA (VANUATU) pour la somme de 670000 DOLLARS US payable au comptant ce jour comme prévu dans le protocole de vente du 2 juillet 1993.

Il est rappelé que la REPUBLIQUE DE VANUATU fait son affaire personnelle de la modification de tous les titres du navire et, d'une façon générale, de tous les documents administratifs afférents au navire remis ce jour, étant entendu que le navire sera libre de tous privilèges et hypothèques maritimes et de toutes autres dettes quelles qu'elles soient.

Fait à Port Vila, le 23 août 1993



Monsieur Jean-Franck GALLO



MINISTRE DES AFFAIRES ECONOMIQUES
de la REPUBLIQUE DE VANUATU

Appendix J

BILL OF SALE

Official NO.	L-0324457
Name of ship	"PRINCE II"
Port of Registry	SAN LORENZO (HONDURAS)
Type of vessel	CARGO M.V.
Power	408 CV
Tonnage gross	385 Tons
Tonnage net	170 Tons
Overall Length	43,6 metres
Width	8,12 metres
Draught	4,08 metres

I, Mr Jean-Franck GALLO, domiciled at 34, rue AVER, DUCOS, NOUMEA (NEW CALEDONIA), do certify that I hereby sell the ship as above described to the REPUBLIC OF VANUATU, represented by its Ministry of Economic Affairs with Head Office in PORT VILA (VANUATU) for an amount of US DOLLARS 670 000, to be remitted in cash on this day as agreed under the sales agreement dated July 2nd, 1993.

As already agreed, the REPUBLIC OF VANUATU undertakes to personally take care of amending all the ships papers and, in general, all administrative documents related to the ship being delivered this day, with the understanding that the ship has been cleared of any maritime encumbrances and mortgages, as well as of any other debt of whatever kind.

Done in Port Vila
on 23 August 1993

Mr Jean-Franck GALLO

MINISTRE DES AFFAIRES ECONOMIQUES
de la REPUBLIQUE DE VANUATU

Appendix K

REPUBLIC OF VANUATU

PROJECT PROFILE

Dept Ref: NPSO File: NDC No: NPSO Proj. No:

Project Name: Department of Cooperative

Ministry: Economic Affairs and Tourism

Sponsor Name: Department of Cooperative and Rural Business Development (CRBD)

TOTAL PROJECT COST: US\$ 670,000 vt

Development Fund Costs: US\$ 670,000 vt.

Donor

Government US\$ 670,000

Recurrent Budget Costs: 21,289,000 vt.

Existing

New 21,289,000

Other Costs: 6.000,000 vt.

Location: All Regions of Vanuatu

Number of People Directly Affected: 150,000

Purpose:

1. To connect productive but remote regions with the main market centres.
2. To provide all commercial services to remote areas.

Benefits:

- I. Provision of commercial services to rural areas.
- II. Enhancement of Government and rural population incomes.
- III. Provision of transport services to rural areas particularly remote regions such as Banks/Torres and Tafea Regions.

Brief Description:

The project involves the purchase of a commercial ship. The ship will provide commercial services as well as transport services to all regions in Vanuatu. In addition the ship will operate a regular commercial exchange between New-Caledonia, Fiji, Solomon and Papua New-Guinea.

The ship management will be provided by a board of Directors. The Government will be represented in the board by the Department of Cooperative. The Ministry of Economic Affairs and Tourism will have the overall responsibility of the ship operation.

How it fits into the present programme of the Department:

The CRBD provides business advice to cooperatives and other rural business organisation. The ship will provide transport and commercial services to these business groups in addition to providing similar services to remote areas.

Other Background Information:

The ship will be operated strictly on a commercial basis. All avenues of ensuring that the projects is viable will be explored.

Project Duration: Approximately 20 years.

Project Funding: S.P.I.C, Vanuatu Development Bank loan and shareholders contribution.

Proposed Government funds contribution: VT 67,000,000

Future Maintenance or operating funds requirements: VT 21,284,000

Number of People to be employed from Donor funds: Not applicable

Number, title, timing of additional people to be paid from recurrent budget:

Maximum 20 people (officers and crews inclusive)

Name of Departmental Contact Officer: Director, Department of Cooperatives

and ~~Co~~ Business Development.

Signature First Secretary.

(Date) 18/09/93

PLANNING OFFICER CERTIFICATION: I certify that I have checked the project profile, budget and technical advice sheets and any other documents required for screening this project. I am satisfied that this project proposal is ready for presentation to the National Development Commission as a Category A/B Project.

Name,

Signature,

Date

NPSO PRIORITY:

044/19 10/32

Appendix L

SPIC.10/OP.93

=====

MINUTES OF THE SPECIAL PROJECTS IMPLEMENTATION COMMITTEE
MEETING (SPIC.10/OP.93), HELD AT THE PRIME MINISTER'S CONFERENCE ROOM
ON MONDAY 11 OCTOBER 1993, AT 2.20pm.

Members Present:

- Hon. Willie Jimmy, Minister of Finance, Ex-Officio President and Chairman
- Fr. Gerard Leymang, First Secretary, Office of the Prime Minister (Chairman)
- Mr Kalkot Matas Kelekele, First Secretary, Deputy Prime Minister's Office and Ministry of Justice, Culture, Women's and Religious Affairs.
- Mr Jean Bijon, Economic Advisor, Office of the Prime Minister.
- Mr David Lewis, Director General of Department of Finance,
- Mr Benoit Saint-Omer, Director of Public Works,
- Mr Jean-Pierre Nirua, Director, National Planning Office, and Secretary.

Attendance:

- Mr Johnson Wabaiat, Principal Aid Administrator, NPO (Minutes).

The Chairman opened the meeting at 2.20pm and welcomed all members to the tenth meeting of Special Projects Implementation Committee (SPIC).

ITEM 1: Adoption of Agenda.

The proposed agenda of the meeting was adopted with additional item "Tender Procedures" included under other business.

ITEM 2: Minutes of SPIC.09/OP.93

The Committee approved the minutes as true records of the ninth SPIC meeting held on 14 September 1993.

GOUVERNEMENT
DE LA
REPUBLIQUE DE VANUATU

MINISTÈRE DES
AFFAIRES ÉCONOMIQUES
ET TOURISME



GOVERNMENT
OF THE
REPUBLIC OF VANUATU

MINISTRY OF
ECONOMIC AFFAIRS
AND TOURISM

ENTRE : Monsieur Jean Franck GALLO.
Entrepreneur : Vendeur.

D'UNE PART

ET : Monsieur Sarge VOHOR
Ministre des Affaires Economiques
et du Tourisme : Acheteur

D'AUTRE PART

IL A ETE CONVENUE COMME SUIV

Valeur du Navire " MV PRINCE II " Six Cent Soixante Dix Mille Dollars US (670.000 M) mentionnée sur la convention du 02 Juillet 1993 Signée entre Monsieur Jean-Franck GALLO, le Vendeur et Monsieur le Ministre Sarge VOHOR, l'Acheteur.

Sur le montant indiqué ci-dessus, Monsieur Jean-Franck GALLO accepte un Premier Versement de Soixante Sept Million (67 m) le complément sera effectué en mois de mars 1994 par la Banque de Développement de Vanuatu.

Fait à Port-Vila, le 14 Octobre 1993.

CAP QUEIROS
RESOURCES LTD
P.O. BOX 307 PORT-VILA
VANUATU

.....
Le Vendeur



.....
L'Acheteur

Appendix M

Between : Mr Jean-Franck Gallo
Business man : Seller

ON THE FIRST PART

And: Mr Serge Vohor
Minister of Economic Affairs
and Tourism : Buyer

ON THE SECOND PART

It has been agreed as follows:

Value of ship "MV PRINCE II" Six hundred and seventy thousand US Dollars (670 000) as mentioned on agreement of 02 July 1993 as was signed by Jean-Franck GALLO, the Seller, and the Hon. Minister Serge VOHOR, as the purchaser.

On the abovementioned amount, Mr Jean-Franck GALLO is accepting a First Instalment of Sixty Seven million (67 m), the balance to be paid in the month of March 1994 by the Development Bank of Vanuatu.

Made in Port Vila on 14 October 1993.

CAP QUEIROS
RESOURCES LTD
PO BOX 301 PORT VILA
VANUATU

MINISTER OF ECONOMIC AFFAIRS

THE VENDOR

THE PURCHASER

VANUATU GOVERNMENT GENERAL PAYMENT VOUCHER

DUPLICATE : TO TREASURY FOR SEQUENTIAL FILE

Appendix N

NAME J. F. GALLO
ADDRESS WESPAK BANK VILA
of DO CIV. CR. 88 01
PAYEE

COMPUTER INPUT DETAILS

ENTRY
TYPE

1

VOUCHER
NUMBER

TREASURY USE
ONLY

214202

13 OCT 1993

DEPT. DOCUMENT REFERENCE

DETAILS OF PAYMENT

J. F. GALLO PYT. OF PRINCE II

Rehat du Prince (NAV. PRINCE II)
Carnant Certificat de Vente

2000 1. 252457, 15.08.93

~~670.000~~ 67,000,000 Vatu

Payable au Compte J. F. GALLO

à la WESPAK BANK DO CIV. CR. 88.01

Sum payable reduced to 67 million Vatu on instructions
of JMC Commission and Hon. Minister of Finance
DCCour

ACCOUNT NUMBER	JOB NUMBER
428 11945	

GROSS AMOUNT VT
67 000 000

LESS DEDUCTIONS VT

NET AMOUNT VT

NUMBER OF PERIODS

PAYMENT ENTERED IN VOTE BOOK

Vote Book Page N° 21 Line N° 1

Signature : [Signature]

CERTIFICATION BY HEAD OF DEPT. OR AUTHORISED OFFICER

I certify that the above particulars are correct : that the prices charged are fair and reasonable and are in accordance with quotation or contract : that the expenditure committed has been properly incurred against the budget head or project indicated by the account number(s) shown and is in accordance with government regulations and project specifications : that funds are available to meet this payment under the Account Number(s) quoted.

Signature of Head of Department.
Official Stamp.

Print Name : ROBERT Egan

Date : 15.09.1993

DEDUCTIONS - CREDITS			
ACCOUNT NUMBER	JOB NUMBER	CREDIT AMOUNT VT	N° PERIODS
MULTIPLE ALLOCATIONS - DEBITS			
ACCOUNT NUMBER	JOB NUMBER	DEBIT AMOUNT VT	N° PERIODS

ACCOUNTANT GENERAL DEPARTMENT USE

Checked	Approved	Cheque Number	Cheque Date
	<u>[Signature]</u>	5033776	14/10/94

Received from the Government the sum of VT : _____

Signed : _____

Print Name : _____ Date : _____

11 xibnaga

Appendix O

Ministry of Economic Affairs
and Tourism
Private Mail Bag 056
Port Vila
Vanuatu.

Ref: 654/MAET/93/AM/ja

15 December 1993

Mr Augustin Garae
General Manager
Development Bank of Vanuatu
Port Vila

Dear Sir,

The Melanesian Shipping Line is pleased to grant you a loan of thirty million vatu (30,000,000VT) to be divided as follows:

- fifteen million vatu (15,000,000 VT) to complete the payment of Prince II.
- fifteen million vatu (15,000,000 VT) to be used as "Working Capital"

The Ministry proposes an initial payment of twenty million vatu (20,000,000 VT) out of which fifteen million vatu (15,000,000 VT) is to be used for purchasing the vessel and five million vatu (5,000,000VT) for "working capital".

The other ten million vatu (10,000,000 VT) will be paid in five million vatu instalments only after the five million vatu (5,000,000 VT) paid in the first two instalments have been justified.

Yours faithfully,

(Sgd)

Mr. Alfred Maiu
First Secretary, Ministry of Economic Affairs and Tourism

Réf: 554/MAET/93/AM/ja



Appendix O

15 Décembre, 1993.

Mr Augustin GARAE
Directeur
de la Banque de Développement
Port-Vila

Monsieur le Directeur,

La Compagnie Melanesian Shipping Line a l'honneur de vous octroyer un prêt de trente millions de Vatu (30.000.000 VT) répartis comme suit :

- Quinze Millions de Vatu (15.000.000 VT) pour compléter l'achat du bateau Prince II.
- Quinze Millions de Vatu (15.000.000 VT) comme "Working Capital".

Le Ministère propose un versement de vingh millions de Vatu (20.000.000 VT) dans un premier temps, dont quinze millions de Vatu (15.000.000 VT) pour l'achat du bateau et cinq millions de Vatu (5.000.000 VT) comme "Working Capital".

Les dix autres millions de Vatu (10.000.000 VT) seront versés par tranche de cinq millions de Vatu (5.000.000 VT) seulement après justification des cinq millions de Vatu (5.000.000 VT) versés en première et deuxième tranches.

Veuillez agréer, Monsieur le Directeur, l'expression de mes respects sincères.



Mr Alfred MALIU
Directeur de Cabinet, Ministère des Affaires Économiques et du
Tourisme.

Appendix P

DBV LOAN
APPRAISAL TO
BOARD EXEC. OF
16/14/93

LOAN PROPOSAL : 16 DECEMBER 1993

ADDRESS : PORT VILA - EFATE

PROJECT : INTER-ISLAND SHIPPING (Purchase of "MV Prince II")

TOTAL PROJECT COST : VATU 100 MILLION

LOAN AMOUNT : VATU 30 MILLION

The Development Bank of Vanuatu had been requested by the Ministry of Economic Affairs and Tourism to consider a loan proposal to Melanesian Shipping Line Ltd for the purpose of working capital.

Background

Melanesian Shipping Line Limited (MSL) was incorporated in November 1993 under the provisions of Section 20, subsection (1) of the Companies Act (CAP. 191) as a private, local company (Company No. 5010) limited by shares. The registered office of the company will be in Port Vila. The Government of Vanuatu, acting through the department of Co-operative, Trade & Rural Business Development, was the driving force behind the establishment of the company.

The objects for which the company is established are unrestricted by its memorandum of association. However, the Government of Vanuatu wants the company to operate one or more vessels for local and international transport of passengers and of cargo. At present, there is one vessel that MSL intends to operate. This vessel, called "MV Prince II" was recently purchased by the Government of Vanuatu to enhance shipping services in the country.

5. Recommendation

The present proposal is recommended for decline for the following reasons :

1. There is no justification of the project viability
2. The project will not be able to service the proposed debt in an appropriate period acceptable to the Bank.
3. There is no source of funds for the project, and disbursement will place severe strain on the Bank's cashflow.
4. There are no cashflow projection to justify the financial requirement sought.
5. There is some concern of the market and the competition in the Local Market.
6. Last but not the least, the security available would be the vessel and the ability of the project to service the debt proposed and the lack of available funds before identifying a source is a concern.

DEVELOPMENT BANK OF VANUATU

EXECUTIVE COMMITTEE MEETING OF THE BOARD OF DIRECTORS
HELD ON 16 DECEMBER 1993

EXECUTIVE COMMITTEE MEETING OF THE BOARD OF DIRECTORS
HELD ON 16 DECEMBER 1993

HELD ON 16 DECEMBER 1993

MINUTES

Members present at this meeting were :

Messrs : Amos Andeng : Chairman
Alfred Maliu : Vice Chairman
Petre Malsungai : Director
Augustine Garae : Managing Director

The Staff in attendance included :

Kalbeo Kalpat : Deputy Managing Director and Secretary to the Board.

The meeting was called to order by the Chairman at 2.00 pm.

AGENDA 1: ADOPTION OF AGENDA

The proposed agenda was approved.

AGENDA 2: LOAN APPLICATIONS

iv. MELANESIAN SHIPPING LINE LIMITED

A loan proposal for vatu 30 million was presented for consideration. The 30 million was for working capital to be made available to Melanesian Shipping Line Limited.

The project proposal as submitted was recommended by Management to be declined.

After discussing the proposal, the Executive Committee decided to approve a loan of VT. 30 million under certain conditions to be determined by Management. This was moved by Alfred Maliu and seconded by Petre Malsungai respectively.



Amos Andeng
Chairman

Appendix R

LOAN CHARGE

1. DESCRIPTION OF THE EXPENSES... PURCHASE OF SHIP 2. LOAN NO.
3. BORROWER'S NAME... MELANESIAN SHIPPING LINE 4. MODE OF PAYMENT CHEQUE/CASH 5. BRANCH FOR PAYMENT... H/O
6. PAY TO MELANESIAN SHIPPING LINE 7. INVOICE NUMBER/S 8. AMOUNT VT... 17,000,000
9. PREPARED BY [Signature] FIN: DIV. 10. DATE 8-2-94
11. AUTHORISED FOR PAYMENT [Signature] AND [Signature]
12. CHEQUE NUMBER 119366 AMOUNT VT 17,000,000 RECEIVED BY [Signature] DATE 8/2/94

[illegible]

ENTERED BY.....

DATE

Appendix R

ATTIVÉE N° DBV 4698

29.03.94

DMD

For MSL

loan file please

MELANESIAN SHIPPING LINE LIMITED

MD

29-3-94

C/- V.C.M.B.
P.O. Box 81
PORT VILA

28th March, 1994

TO: Managing Director, DBV

FROM: Chairman, Melanesian Shipping Line Limited

Re: MSL Ltd Spending of VT17,000,000

The above referred amount VT17,000,000 (Vatu Seventeen Million) was release by the Development Bank of Vanuatu (DBV) early February, 1994 to the Melanesian Shipping Line Limited (MSL Ltd); this was part of a VT30,000,000 Loan.

Of the aforesaid amount released, VT15,000,000 (Vatu fifteen million) was paid to Mr. Frank Gallo of Gallo Enterprises to complete the purchase price of the vessel M.V. Prince II. In addition 42 200 litre drums were purchased to offload fuel from the vessel's ballasting tanks into them, payment of Melanesian Group Consultant's fee and some needed equipments purchase from Cape de Pin when she ceased operation such as a) one set drum clipper plus rope for loading and off loading 200 ltr drums, one aluminium boat, 1 net for loading and unloading copra, cocoa, kava and other cargoes, one copra scale, etc. Balance at bank (National Bank) is around VT1,000,000 (Vatu one million).



Franklyn KERE

Appendix S

MELANESIAN SHIPPING LINE LIMITED


9th February 1993⁴

Mr. Jean Frank Gallo
c/- Ministry of Economic Affairs & Tourism
PORT VILA


Dear Sir,

We attach herewith our Cheque No. 191501 in the amount of VT15,000,000 (Fifteen Million Vatu) being last payment for the ship MV Prince II.

Please countersign the attached copy for our record.

However, we would appreciate it if you would kindly forward your receipt.

Yours faithfully


Dalsy TEMAKON (Mrs)
Board Secretary
Melanesian Shipping Line Limited

.....
Jean Frank GALLO

112 XibvsaA
MELANESIAN SHIPPING LINE LIMITED

Appendix S

Rec mfr
9th February 1994 *H. H. H.*

Mr. Jean Frank Gallo
c/- Ministry of Economic Affairs & Tourism
PORT VILA

Dear Sir,

We attach herewith our Cheque No. 191301 in the amount of VT15,000,000 (Fifteen Million Vatu) being last payment for the ship MT Prince II.

Please countersign the attached copy for our record.

We would appreciate it if you would kindly forward your receipt.

Yours faithfully

H. H. H.
Daisy TEMBOY (Mrs)
Board Secretary
Melanesian Shipping Line Limited

9/1/94
JEAN FRANK GALLO

APPENDIX T

Wages & Salaries met by VCMB & VCF prior to Ship's Operation

<u>VCMB</u> <u>Cheque</u>	<u>Date</u>	<u>Details</u>	<u>Amount</u>
669396	18.03.94	Mid March 1994 Salaries	38.400
669398	21.03.94	" " " "	16.662
611871	31.03.94	End March 1994 Salaries	55.518
611897	20.04.94	Mid April 1994 Salaries	43.650
751176	29.04.94	End April 1994 Salaries	39.576
751188	16.05.94	Advance Salaries	20.000
751190	16.05.94	Salaries	15.502
751229	31.05.94	Salaries	42.195
751256	15.06.94	Salaries Mid June 1994	41.436
751286	29.06.94	End June Salary 1994	23.772
751342	14.07.94	Mid July 1994	60.632
751343	14.07.94	Mid July 1994	36.675
751366	21.07.94	VNPF Contributions June	930
751404	27.07.94	End July 1994 Salary	40.360
751405	27.07.94	End July 1994 Salary	36.375
751408	28.07.94	End July 1994 Salary	97.407
751409	28.07.94	End July 1994	7.275
751414	02.08.94	Overtime	53.400
751415	02.08.94	Overtime	46.644
751417	02.08.94	Advance August Salary	7.500
751419	03.08.94	" " "	7.000
751421	03.08.94	" " "	30.000
751436	05.08.94	" " "	40.000
751445	10.08.94	Mid August Salary	180.675
751474	23.08.94	Advance August Salary	5.000
751478	24.08.94	" " "	15.000
751503	31.08.94	End of August Salary	152.130
751517	02.09.94	Advance September Salary	8.500
751545	09.09.94	" " "	7.000
751382	22.09.94	" " "	9.000
751583	22.09.94	" " "	3.000
751606	27.09.94	End September 1994 Salary	183.213
751617	28.09.94	Overtime for September 1994	5.645
751616	28.09.94	VNPF Contribution for August 1994	9.990
544514	13.10.94	Mid October Salaries	153.455
544502	03.10.94	Overtime	4.480
751597	26.09.94	Overtime	7.437
751575	20.09.94	Salary advances for September '94	12.000
751569	19.09.94	Overtime	5.645
751550	12.09.94	Overtime	6.541
751534	05.09.94	Overtime	8.960
757488	29.08.94	Overtime	7.616

1.585.596

<u>VCF</u>			
366343	27.06.94	VNPF Contributions from Aug '93 - Feb '94	31.174
828896	11.04.94	VNPF Contributions Sept - Nov '93 Jan - Feb '94	14.418
819922	25.02.94	Salary February '94	8.700
819906	?	Salary 1 - 15.02.94	6.600
819905	?	Salary 1 - 15.02.94	8.200
819903	?	Salary 1 - 15.02.94	7.200
819904	?	Salary 1 - 15.02.94	9.200
819902	?	Salary 1 - 15.02.94	25.600
796978	07.01.94	Salary 1 - 15.01.94	3.600
805822	?	Salary 17 - 31.01.94	8.864
805818	?	Salary 17 - 31.01.94	26.124
805821	?	Salary 17 - 31.01.94	6.768

805820	?	Salary 17 - 31.01.94	9.768
805819	?	Salary 17 - 31.01.94	11.768
796995	?	Salary 3 - 15.01.94	6.600
796996	?	Salary 3 - 15.01.94	8.600
796994	?	Salary 3 - 15.01.94	6.600
796993	?	Salary 3 - 15.01.94	24.600
796972	?	Salary 16 - 31.12.94	5.500
796971	30.12.93	Salary 16 - 31.12.93	21.600
796970	30.12.93	Salary 16 - 31.12.93	2.900
796969	30.12.93	Salary 16 - 31.12.93	6.000
796968	30.12.93	Salary 16 - 31.12.93	6.700
796967	30.12.93	Salary 16 - 31.12.93	5.700
796963	23.12.93	Salary 23 - 30.12.93	18.000
796959	15.12.93	Salary 1 - 15.12.93	24.600
796957	15.12.93	Salary 1 - 15.12.93	7.600
796958	15.12.93	Salary 1 - 15.12.93	8.100
796955	15.12.93	Salary 1 - 15.12.93	5.100
796956	15.12.93	Salary 1 - 15.12.93	7.600
796953	15.12.93	Salary 1 - 15.12.93	3.900
796954	15.12.93	Salary 1 - 15.12.93	5.100
796952	15.12.93	Salary 1 - 15.12.93	3.900
786567	1.12.93	Salary 30.11.93	2.400
786561	1.12.93	Salary 30.11.93	5.400
786560	1.12.93	Salary 30.11.93	2.400
786559	1.12.93	Salary 30.11.93	5.400
786558	1.12.93	Salary 30.11.93	7.000
786557	1.12.93	Salary 30.11.93	6.000
786556	1.12.93	Salary 30.11.93	7.300
786555	1.12.93	Salary 30.11.93	8.100
786554	1.12.93	Salary 30.11.93	24.600
786553	1.12.93	Salary 30.11.93	1.800
778980	15.11.93	Salary 1 - 15.11.93	5.400
778978	15.11.93	Salary 1 - 15.11.93	7.200
778979	15.11.93	Salary 1 - 15.11.93	7.200
778977	15.11.93	Salary 1 - 15.11.93	7.200
778976	15.11.93	Salary 1 - 15.11.93	7.200
778974	11.11.93	Salary 1 - 15.11.93	8.200
778975	15.11.93	Salary 1 - 15.11.93	7.200
778973	15.11.93	Salary 1 - 15.11.93	8.200
778972	15.11.93	Salary 1 - 15.11.93	8.400
778971	15.11.93	Salary 1 - 15.11.93	24.000
742199	1.11.93	Salary 30.10.93	1.200
742198	1.11.93	Salary 31.10.93	8.500
742197	1.11.93	Salary 31.10.93	6.900
742196	1.11.93	Salary 31.10.93	8.050
742195	1.11.93	Salary 31.10.93	24.600
742194	1.11.93	Salary 31.10.93	3.600
742193	1.11.93	Salary 31.10.93	6.900
742192	1.11.93	Salary 31.10.93	7.750
742191	31.10.93	Salary 31.10.93	7.200
742190	1.11.93	Salary 31.10.93	8.000
742189	1.11.93	Salary 31.10.93	6.900
742170	15.10.93	Salary 1 - 15.10.93	24.600
742169	15.10.93	Salary 1 - 15.10.93	7.900
742168	15.10.93	Salary 1 - 15.10.93	6.900
742167	15.10.93	Salary 1 - 15.10.93	5.400
742166	15.10.93	Salary 1 - 15.10.93	5.400
742165	15.10.93	Salary 1 - 15.10.93	5.400
742164	15.10.93	Salary 1 - 15.10.93	5.400
742163	15.10.93	Salary 1 - 15.10.93	5.400
742162	15.10.93	Salary 1 - 15.10.93	3.900
742161	15.09.93	Salary 6 - 15.10.93	3.800
705341	30.09.93	Salary 16 - 30.09.93	6.600
705340	30.09.93	Salary 16 - 30.09.93	6.000
705338	30.09.93	Salary 16 - 30.09.93	2.000
705337	30.09.93	Salary 16 - 30.09.93	24.600
705336	30.09.93	Salary 16 - 30.09.93	8.000

805820	?	Salary 17 - 31.01.94	9.768
805819	?	Salary 17 - 31.01.94	11.768
796995	?	Salary 3 - 15.01.94	6.600
796996	?	Salary 3 - 15.01.94	8.600
796994	?	Salary 3 - 15.01.94	6.600
796993	?	Salary 3 - 15.01.94	24.600
796972	?	Salary 16 - 31.12.94	5.500
796971	30.12.93	Salary 16 - 31.12.93	21.600
796970	30.12.93	Salary 16 - 31.12.93	2.900
796969	30.12.93	Salary 16 - 31.12.93	6.000
796968	30.12.93	Salary 16 - 31.12.93	6.700
796967	30.12.93	Salary 16 - 31.12.93	5.700
796963	23.12.93	Salary 23 - 30.12.93	18.000
796959	15.12.93	Salary 1 - 15.12.93	24.600
796957	15.12.93	Salary 1 - 15.12.93	7.600
796958	15.12.93	Salary 1 - 15.12.93	8.100
796955	15.12.93	Salary 1 - 15.12.93	5.100
796956	15.12.93	Salary 1 - 15.12.93	7.600
796953	15.12.93	Salary 1 - 15.12.93	3.900
796954	15.12.93	Salary 1 - 15.12.93	5.100
796952	15.12.93	Salary 1 - 15.12.93	3.900
786567	1.12.93	Salary 30.11.93	2.400
786561	1.12.93	Salary 30.11.93	5.400
786560	1.12.93	Salary 30.11.93	2.400
786559	1.12.93	Salary 30.11.93	5.400
786558	1.12.93	Salary 30.11.93	7.000
786557	1.12.93	Salary 30.11.93	6.000
786556	1.12.93	Salary 30.11.93	7.300
786555	1.12.93	Salary 30.11.93	8.100
786554	1.12.93	Salary 30.11.93	24.600
786553	1.12.93	Salary 30.11.93	1.800
778980	15.11.93	Salary 1 - 15.11.93	5.400
778978	15.11.93	Salary 1 - 15.11.93	7.200
778979	15.11.93	Salary 1 - 15.11.93	7.200
778977	15.11.93	Salary 1 - 15.11.93	7.200
778976	15.11.93	Salary 1 - 15.11.93	7.200
778974	11.11.93	Salary 1 - 15.11.93	8.200
778975	15.11.93	Salary 1 - 15.11.93	7.200
778973	15.11.93	Salary 1 - 15.11.93	8.200
778972	15.11.93	Salary 1 - 15.11.93	8.400
778971	15.11.93	Salary 1 - 15.11.93	24.000
742199	1.11.93	Salary 30.10.93	1.200
742198	1.11.93	Salary 31.10.93	8.500
742197	1.11.93	Salary 31.10.93	6.900
742196	1.11.93	Salary 31.10.93	8.050
742195	1.11.93	Salary 31.10.93	24.600
742194	1.11.93	Salary 31.10.93	3.600
742193	1.11.93	Salary 31.10.93	6.900
742192	1.11.93	Salary 31.10.93	7.750
742191	31.10.93	Salary 31.10.93	7.200
742190	1.11.93	Salary 31.10.93	8.000
742189	1.11.93	Salary 31.10.93	6.900
742170	15.10.93	Salary 1 - 15.10.93	24.600
742169	15.10.93	Salary 1 - 15.10.93	7.900
742168	15.10.93	Salary 1 - 15.10.93	6.900
742167	15.10.93	Salary 1 - 15.10.93	5.400
742166	15.10.93	Salary 1 - 15.10.93	5.400
742165	15.10.93	Salary 1 - 15.10.93	5.400
742164	15.10.93	Salary 1 - 15.10.93	5.400
742163	15.10.93	Salary 1 - 15.10.93	5.400
742162	15.10.93	Salary 1 - 15.10.93	3.900
742161	15.09.93	Salary 6 - 15.10.93	3.800
705341	30.09.93	Salary 16 - 30.09.93	6.600
705340	30.09.93	Salary 16 - 30.09.93	6.000
705338	30.09.93	Salary 16 - 30.09.93	2.000
705337	30.09.93	Salary 16 - 30.09.93	24.600
705336	30.09.93	Salary 16 - 30.09.93	8.000

APPENDIX U

VCMB EXPENSES ON ENGINE PARTS AND GENERAL REPAIRS

<u>Date of Payment</u>	<u>Cheque No.</u>	<u>Amount</u>	<u>Details</u>
25.05.94	TT	2.560.935	Generator sets associated items
02.06.94	751235	14.151	Spare parts
02.06.94	751236	9.280	Spare parts
23.06.94	751274	117.870	Supply & Installation of bulbs
24.06.94	751280	337.323	Spare parts freight cost
07.07.94	TT	3.815.746	Generator set
14.07.94	751336	58.200	Pipes
14.07.94	751340	8.905	Pipes
15.07.94	751345	16.650	Plywood
20.07.94	751.363	34.450	Engine Caskets
27.07.94	751382	65.430	Connecting power cable
02.08.94	TT	3.723.874	Parts ordered
03.08.94	751422	27.500	Repairing steering wheel
04.08.94	251424	182.933	Engine Parts
05.08.94	751430	62.485	Pipes
05.08.94	751433	13.346	Piston rings
11.08.94	751448	15.300	Fitting plywood
16.08.94	751464	153.672	Paints
17.08.94	TT	2.744.307	Spare parts
25.08.94	TT	1.151.539	Air start compressor
29.08.94	751487	91.175	Paints
29.08.94	751496	2.012	Instal electricity meter
01.09.94	751511	2.484	Spare parts
02.09.94	751521	8.000	Repair injector
02.09.94	751525	46.110	Repair steering
02.09.94	751528	92.000	Battery charges
05.09.94	751538	58.824	General repair - Ben Toka
07.09.94	TT	146.295	Spare parts engine
07.09.94	TT	233.211	Spare parts
09.09.94	751547	61.500	Work done on Prince II, painting doors, tanker replacement - Ben Toka
12.09.94	751549	119.890	Electrical repair
12.09.94	751551	42.102	Repair doors, paint fit doors
16.09.94	751562	6.582	Spare parts
19.09.94	751571	20.700	Pillows & mattresses
21.09.94	TT	180.530	Spare parts
26.09.94	751601	64.307	Chairs & shelves for store - Ben Toka

<u>Date of Payment</u>	<u>Cheque No.</u>	<u>Amount</u>	<u>Details</u>
28.09.94	751611	342.650	Work done on ship -
			TY engineering
28.09.94	751614	78.200	Welding & repair - G
			Faerua
28.09.94	TT	119.968	Spare parts wire
			supply & install. new
			power paints
2			
30.09.94	751644	4.280	Paints
10.10.94	544506	130.892	Rewiring and materials
01.11.94	544560	152.900	Repairs to radar &
			Echo sound
21.11.94	TT	60.239	Engine spare parts
15.09.94	508090	72.250	Welding & repair - G
			Faerua

705335	30.09.93	Salary 16 - 30.09.93	7.500
705333	30.09.93	Salary 16 - 30.09.93	6.600
705332	30.09.93	Salary 16 - 30.09.93	6.600
705313	15.09.93	Salary 1 - 15.09.93	30.000
705312	15.09.93	Salary 1 - 15.09.93	5.400
705311	15.09.93	Salary 1 - 15.09.93	7.500
705310	15.09.93	Salary 1 - 15.09.93	6.000
705309	15.09.93	Salary 1 - 15.09.93	6.000
705308	15.09.93	Salary 1 - 15.09.93	5.200
705307	15.09.93	Salary 1 - 15.09.93	8.000
705306	15.09.93	Salary 1 - 15.09.93	40.000
710238	3.09.93	Salary 1 - 15.09.93	9.549

Total VT866.533

APPENDIX V

Wharfage Fees Charged by Ifira Shipping Agency prior to Prince II Operation

<u>Cheque No.</u>	<u>Date</u>	<u>Details</u>	<u>Amount</u>
828674	24.03.94	Use of Star Wharf for period Oct - Dec '93	91.000
786585	10.12.93	Period 27.8.93 - 30.9.93	35.000
751158	25.04.94	January & February '94	58.000
751159	18.05.94	?	31.000
751331	14.07.94	April & May '94	62.000
751626	22.09.94	Quay dues for June & July '94	50.000
544555	01.11.94	Quay dues for August '94	31.850
			<u>358.850</u>



Melanesian Shipping Line Limited
Ligne Maritime Mélanésienne S.A.R.L

P.O.Box 81, Port Vila, Vanuatu Tel.: (678) 23123 Fax: (678) 23993

OUR REF:

Appendix W

27 October 1995

Mr Thompson KAWAE
Vice President
Union Of Moderate Party
PO Box 1270
PORT VILA

Dear Sir

RE: UMP DEBT VT1,755,900

Thankyou for the part payment of above debt. Please find enclosed a receipt No.5538742 dated 27 October 1995.

Be reminded that the remain of 755,900VT is still urgently needed by this company we badly need this money to meet our outstanding debts.

Your earliest settlement of above is very much appreciated and thanking you in advance.

Yours faithfully
MELANESIAN SHIPPING LINE LIMITED

Leisau KENNETH
Accounts Clerk

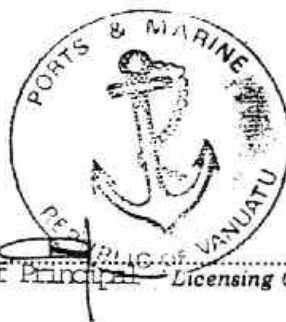
Appendix X

Certificate

I, the undersigned certify:

- (1) That the vessel described above has been surveyed in accordance with the provisions of the Shipping Regulations.
- (2) That the survey took place on 1st September, 1994
at MAIN WHARF, PORT VILA
- (3) That to the best of my knowledge and belief the vessel complies with all the requirements for a vessel of her class.
- (4) That in pursuance of the Shipping Regulation this Safety Certificate is now granted and shall remain in force until 1/09/95 unless previously invalidated, revoked or suspended.

Issued on 3-10-94
At PORT VILA



Signature of Principal Licensing Officer

Certificate No S/250

Survey Fee VATU 49,500

Paid on T.R. No. 41126057 of 30/09/94

NOTE: This Certificate shall be issued in quadruplicate.
Original to be retained by the Owner.
Duplicate to be posted in the wheelhouse or other accessible place on board the vessel.
Triplicate to be retained by the Licensing Officer, Vila.
Quadruplicate to be retained by the Licensing Officer, Santo.

Abbey 1.

APPENDIX Y

Period Prince II spent in Port Fixing Problems in 1994 and 1995

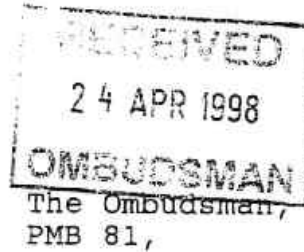
<u>Date</u>	<u>Problem</u>	<u>No. of Days</u>
22.12.94 - 07.01.95	No explanation	17
22.05.95 - 28.05.95	Repairing crane and impeller problem, Port Vila	7
08.06.95 - 10.06.95	Repairing crane and radar, Port Vila	3
16.06.95 - 18.06.95	Repair crane, Santo	3
23.07.95 - 31.07.95	Fixing marine engine and crane, Port Vila	9
01.08.95 - 21.08.95	Fixing main engine and crane, Port Vila	21
14.09.95 - 24.09.95	Fixing crane and outboard motor problems, Port Vila	11
26.10.95 - 08.11.95	Fixing main engine, Port Vila	14

APPENDIX Z

Monthly Shipment of Copra and Cocoa by Prince II from other islands to Santo as from December 1994 to November 1995

<u>Month</u>	<u>Commodity</u>	<u>Total Weight (Tonnes)</u>
December 1995/1994	-	-
January	Cocoa	4.170
February	Copra Cocoa	163.806 3.675
March	Cocoa	0.36
April	Copra	506.418
May	Copra	85.391
June		Nil
July	Copra	72.61
August	Copra	47.66
September	Copra and Cocoa	60.83
October	Copra Cocoa	62.692 28.960
November	Cocoa	<u>24.722</u>
		<u>1,060.097</u>

Appendix AA



PORT VILA

Dear Madam,

Port Vila 20.04.98

RE: MV PRINCE II - VALUATION

I have been requested by your office to make a valuation of the motor vessel **PRINCE II**.

As you must be aware of, the value of a vessel is, like in any other business, depending on supply and demand. In this area, there is no demand for a vessel of **MV PRINCE II** size. She is too big for coastal trade and too small for international trade. The vessel is also not equipped with modern cargo gear.

I have therefore based my valuation on prices of similar vessels for sale in other places of the world.

The going rate for a vessel of **MV PRINCE II** size **IN CLASS** is about USD 300 000 - 350 000.

MV PRINCE II is NOT IN CLASS.

The cost for getting **MV PRINCE II** into class will be a minimum of USD 500 000, more likely much more.

This means you have to spend a minimum of USD 500 000 in order to get a ship which you can sell for maximum USD 350 000.

Based on above, I value the vessels "**AS IS WHERE IS**" VALUE TO USD **50 000 (FIFTYTHOUSENDUNITEDSTATESDOLLARS)**.

Suggest the Government use the vessel as a training vessel at the Seamen School in Santo.

Port Vila 20.04.98

Appendix B

1. The first part of the appendix is a list of the names of the persons who have been named in the various reports of the Commission on the Causes and Consequences of the March 1968 Riots in Chicago. The names are listed in alphabetical order of the last name.

REMY PRINCE D. WALLATON

1. The first part of the appendix is a list of the names of the persons who have been named in the various reports of the Commission on the Causes and Consequences of the March 1968 Riots in Chicago. The names are listed in alphabetical order of the last name.

2. The second part of the appendix is a list of the names of the persons who have been named in the various reports of the Commission on the Causes and Consequences of the March 1968 Riots in Chicago. The names are listed in alphabetical order of the last name.

3. The third part of the appendix is a list of the names of the persons who have been named in the various reports of the Commission on the Causes and Consequences of the March 1968 Riots in Chicago. The names are listed in alphabetical order of the last name.

4. The fourth part of the appendix is a list of the names of the persons who have been named in the various reports of the Commission on the Causes and Consequences of the March 1968 Riots in Chicago. The names are listed in alphabetical order of the last name.

5. The fifth part of the appendix is a list of the names of the persons who have been named in the various reports of the Commission on the Causes and Consequences of the March 1968 Riots in Chicago. The names are listed in alphabetical order of the last name.

6. The sixth part of the appendix is a list of the names of the persons who have been named in the various reports of the Commission on the Causes and Consequences of the March 1968 Riots in Chicago. The names are listed in alphabetical order of the last name.

7. The seventh part of the appendix is a list of the names of the persons who have been named in the various reports of the Commission on the Causes and Consequences of the March 1968 Riots in Chicago. The names are listed in alphabetical order of the last name.

8. The eighth part of the appendix is a list of the names of the persons who have been named in the various reports of the Commission on the Causes and Consequences of the March 1968 Riots in Chicago. The names are listed in alphabetical order of the last name.

9. The ninth part of the appendix is a list of the names of the persons who have been named in the various reports of the Commission on the Causes and Consequences of the March 1968 Riots in Chicago. The names are listed in alphabetical order of the last name.

10. The tenth part of the appendix is a list of the names of the persons who have been named in the various reports of the Commission on the Causes and Consequences of the March 1968 Riots in Chicago. The names are listed in alphabetical order of the last name.



Appendix AB

Melanesian Shipping Line Limited
Ligne Maritime Mélanésienne S.A.R.L
P.O.Box 81, Port Vila, Vanuatu Tel.: (678) 23123 Fax: (678) 23993

OUR REF:

5th May. 1995

The Managing Director
Development Bank of Vanuatu
P.O. Box 241
PORT VILA

Dear Sir,

RE: LOAN REPAYMENTS

We refer to your letter dated March 20, 1995 and appologies for the belated reply.

We enclose herewith cheque in your favour for VT368,761 being payment for the April month 1995. Due to present cash flow situation Melanesian Shipping Line Limited (MSL) is not in a position to meet the present outstanding arrears with yourselves. As soon as the other Shareholders pay their shares or if its request for Government assistance is positively met then its cash flow position will greatly improve which mean MSL can pay off its current arrears and perhaps the loan.

In the meantime MSL would appreciate it if its current outstanding arrears be capitalised with the principal and request the Bank not to recall the loan.

We would appreciate your kind assistance.

Yours faithfully
MELANESIAN SHIPPING LINE LIMITED

Franklyn KERE
Chairman

Appendix AB

MELANESIAN SHIPPING LINE LTD
M.V. PRINCE OF WALES

PAYMENT VOUCHER

PAYEE: DEVELOPMENT BANK OF VANUATU

CHEQUE N°: 19566

DATE: 3/5/95

AMOUNT: 363,761

DESCRIPTION	VATU
LOAN INSTALLMENT FEE FOR THE MONTH OF APRIL 1995	363,761
ACCOUNT CHARGED :	363,761

REQUESTED: *[Signature]*

AUTHORISED: *[Signature]*

DEVELOPMEN BANK BLONG VANUATU

Appendix AC

MELANESIAN SHIPPING LINE,
P.O. BOX 81 C/- VCMB OFFICE
PORT VILA

Stetmen Blong Akaon wetem:

DEVELOPMEN BANK BLONG VANUATU
P.O. BOX 241, PORT VILA
REPABLIK BLONG VANUATU

Stat long 01/01/1994 kasem 31/12/1997

Namba blong Akaon 1-2516- 1

Deit: 27/01/1998 Pej: 1

Balens long Stat: VT 0

Deit	Diskripsen	Debit	Credit	Balens
31/12/1994	Dispesmen	2,437,495		2,437,495
31/12/1994	Dispesmen	17,000,000		19,437,495
31/01/1995	Interes	264,137		19,701,632
28/02/1995	Interes	241,817		19,943,449
31/03/1995	Interes	271,012		20,214,461
30/04/1995	Interes	265,834		20,480,295
08/05/1995	Ripeimen		368,761	20,111,534
31/05/1995	Interes	274,589		20,386,123
30/06/1995	Interes	268,091		20,654,214
31/07/1995	Interes	280,671		20,934,885
31/08/1995	Interes	311,155		21,246,040
30/09/1995	Interes	305,594		21,551,634
31/10/1995	Interes	320,322		21,871,956
30/11/1995	Interes	314,597		22,186,553
31/12/1995	Interes	329,759		22,516,312
31/01/1996	Interes	334,660		22,850,972
29/02/1996	Interes	317,722		23,168,694
31/03/1996	Interes	344,357		23,513,051
30/04/1996	Interes	338,201		23,851,252
31/05/1996	Interes	354,501		24,205,753
30/06/1996	Interes	348,165		24,553,918
31/07/1996	Interes	364,945		24,918,863
26/11/1997	Dispesmen	44,100		24,962,963

Instolmen Amaon	Amaon we yu mas pem nao(Arrears)	Balense Naoia
VT 716,364	16,107,611	VT 24,962,963 DR

Ca⁺⁺ xiaosha

-7



RUE DE PARIS
P.O. BOX 241,
PORT VILA,
REPUBLIC OF VANUATU

Date : 18 July 1995

Our Ref : AG/jb/700/2/4/1

Honourable Willie Jimmy
Minister of Finance
Government of the Republic of Vanuatu
PORT VILA

Appendix AD

Dear Honourable Minister,

Subject : Melanesian Shipping Line Ltd - M.V. Prince II

On 16 December 1993 the Board of Directors of the Development Bank of Vanuatu approved a loan of Vt 30 million as working capital to operate the vessel M.V. Prince II. Out of the total amount approved (i.e Vt 30 million), the Bank has to-date disbursed Vt 19,437,495. The loan was approved against the recommendation of the Bank's Management to the Board which was to decline the loan on the basis that the ship would be making a loss.

Sir, I am writing to inform you as Minister responsible for the Bank that the loan has now fallen into heavy arrears of Vt 6,794,879 as you will note from the attached loan statement dated 17 July 1995. The monthly repayments of Vt 716,364 have never been complied with since the loan was disbursed. With interest accruing the loan balance now stands at Vt 20,654,214. I am so concerned if the Bank will ever recover its loan money. The Bank has been doing everything possible to collect the monthly repayments from the Company (MSL Ltd) but the poor cash-flow of the company has made it impossible for any repayments to be made. Currently the Bank holds first mortgage on the boat as security.

As you know the loan was highly political and I think an urgent meeting should be held between Government and the Bank to decide on the best possible course of action necessary to resolve the payment of the outstanding arrears. I also propose to bring the matter up to the Board at its next meeting late this month.

I understand the Vanuatu Commodities Marketing Board (VCMB) has also injected money into the Company.

Yours sincerely,

Augustine GARAE
Managing Director

Copy : Honourable Serge Vohor, Minister of Economic Affairs

APPENDIX A E

VCMB Funds Injected into MSL after 26 May 1995 & 5 July 1995 MSL Board Meetings

<u>Date</u>	<u>Cheque No.</u>	<u>Amount Paid</u>
14.08.95	625427	212,708
29.09.95	D/T	1,203,892
29.09.95	625491	190,849
15.05.96	750459	63,535
30.05.96	750490	873,356
30.05.96	750500	56,156
14.06.96	750530	63,535
28.06.96	750570	63,535
04.07.96	750577	8,877
29.07.96	750624	63,535
01.08.98	750627	8,500
02.08.96	750631	855,232
14.08.96	750654	63,535
30.08.96	750695	63,535
06.09.96	750700	3,150
24.09.96	750731	837,732
26.09.96	D/T	8,551
03.10.96	750756	5,303
18.11.96	750814	8,500
03.12.96	750834	10,575
12.12.96	750854	837,732
16.12.96	750864	44,135
24.12.96	750883	39,135
31.12.96	750891	3,000
31.12.96	750896	11,000
31.12.96	750908	26,160
20.01.97	750943	39,135
31.01.97	894915	39,135
14.02.97	000009	39,135
17.03.97	000051	39,135
27.03.97	000062	39,135
07.04.97	000077	39,135
07.04.97	000087	91,000
15.04.97	000104	39,135
22.04.97	000113	3,750
30.04.97	000125	39,135
20.05.97	000169	2,600
26.06.97	000278	101,334
14.07.97	000317	2,600
18.07.97	000337	15,680
29.07.97	000157	15,520
07.08.97	000368	940
13.08.97	000382	9,020
14.08.97	000386	15,680
17.09.97	000473	13,090
30.09.97	000510	15,520
24.10.97	000576	10,620
31.10.97	000592	15,520
28.11.97	000657	15,520
12.12.97	000698	7,740
23.12.97	000735	15,520
09.01.98	000750	5,200
		<u>6,269,622</u>