

The end of the affair

Legendary *Age* editor Graham Perkin elevated an atrophied broadsheet to one the world's top newspapers — and helped sink a government in the process. In the first extract from his biography of Perkin, **Ben Hills** examines the Loans Affair.

PERKIN came to me with a tipoff. He did not tell me his source, and to this day I have no idea where it came from. Phillip Cairns, the son and electoral secretary of the deputy prime minister, Jim Cairns, had got himself mixed up in some sort of shonky property development. Would Insight have a look?

No one at the time could have had any idea that from this unlikely lead would cascade the series of scandals that would give Malcolm Fraser the "reprehensible circumstance" he needed to block supply in the Senate. This, in turn, would trigger Whitlam's sacking, an election which Fraser would win by a landslide, and the end of the Labor government which Perkin had advocated for in 1972 and placed his job on the line for in 1974.

The government had already been unravelling before news of the Loans Affair, as it became known, broke on a public angered by record unemployment and increasing evidence of governmental policy incompetence and economic mismanagement. In June, Whitlam had been forced to sack his treasurer, Jim Cairns, for misleading parliament, after only six months in the job — he did not even last long enough to deliver a budget.

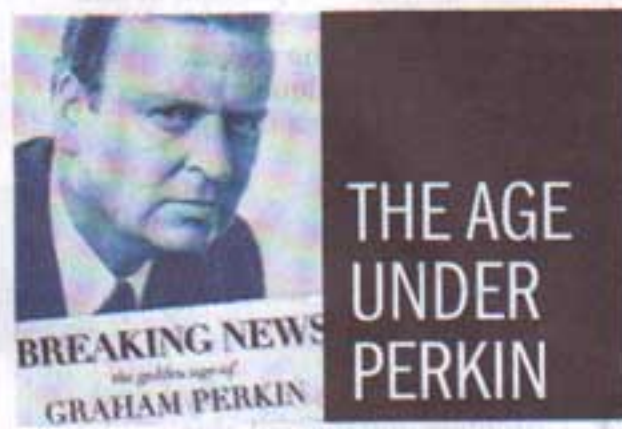
This was a serious blow to the party, as Cairns had been an icon of the left and a leader of the anti-war movement, which had brought crowds of tens of thousands on to the streets. But Cairns had been kept in cabinet as deputy prime minister, and had been given the environment ministry. His son Phillip, an obese, bearded, chain-smoking character, had been installed on the public payroll as his electoral secretary, and it was in this capacity that he had been using his father's name and influence to try and get an enormous — and enormously profitable — housing subdivision off the ground.

It was to be called "Cairnville", according to the paper trail that I uncovered, and it would involve the construction of some 60,000 dwellings on a 1456-hectare tract of land next to the RAAF base at Point Cook, on the western shore of Port Phillip Bay — making it Australia's largest housing subdivision.

The proposal itself was typically grandiose, and Phillip Cairns's use of his father's imprimatur to promote it grossly improper. But it was the method by which the \$200 million needed for financing the project were to be raised that precipitated the downfall of the government. Cairns's actions led into a murky labyrinth populated by dodgy finance brokers, mysterious Arab sheikhs — and an elusive Pakistani commodities broker named Tirath Hassaram Khemlani.

Unable to raise the finance from conventional lenders in Australia, Cairns had turned to a network of uncredentialed fringe financiers, who hoodwinked him into believing that they could tap into the hundreds of billions of dollars in windfall profits which were pouring into the Middle East following the "oil shocks" of the early 1970s. The key figure in this was Khemlani, a tiny man nicknamed "Old Rice and Monkey Nuts", whose diet consisted almost entirely of potato chips, salted peanuts, and cigarettes, and who spent his life jetting around the world with his documents secured in a bag strung around his neck, looking for deals — or so *The Age* gleefully reported at the time.

But Khemlani, it turned out, was not only offering to raise money for Phillip Cairns's housing development. Telexes



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obtained in London showed that he had been secretly commissioned by the Whitlam government to raise not millions but billions of dollars for various pie-in-the-sky national-development projects.

The story of how those telexes finished up on the front page of *The Age* illustrates how relentless Perkin could be in pursuit of a scoop — and how he could put aside a principle in the interests of a story of overwhelming importance.

The principle was that *The Age* did not pay for information. Perkin believed that news was not a commodity to be bought and sold, but an essential service to which people have a right. However, the shady character whom Peter Cole-Adams, the paper's London correspondent, met in an office in Half Moon Street was only interested in one thing — money, and lots of it, in small unmarked bills. In exchange, he offered a stack of purloined telexes which detailed the negotiations that had been going on for months between Khemlani, Cairns, and the forbidding figure of Rex Connor, the thuggish former Wollongong car dealer (he was acquitted of fraud but twice convicted of assault) who was minister for minerals and energy.

Perkin believed that news was not a commodity to be bought and sold.

It soon developed into a bidding war, because the intermediary had also offered the telexes to the News Ltd papers; Perkin was on the phone immediately, urging Cole-Adams to top Rupert Murdoch's bid. Eventually, both parties agreed upon the princely sum of £6000 (\$34,000 in today's dollars).

John Tidey, the paper's London manager at the time, went to the bank to withdraw the money, and ran panting to Half Moon Street with the bundles of banknotes stowed in a plastic Qantas flight bag. "He arrived in a state of shock," recalls Cole-Adams. "[He said] 'You are out of your bloody mind.' He seriously thought Perkin and I had gone off our heads, and he was also feeling slightly vulnerable wandering around the streets of London with quite a lot of money."

Back in Melbourne, Perkin made no attempt to conceal the fact that he had paid for the information — but he did try to cover his costs. He telephoned *The Advertiser* in Adelaide — as it happened, on the first day that its new editor, Don Riddell, took over. "Graham Perkin here, chap. Congratulations," said the voice on the phone. "Now, we've got this story. Thousands of words. Don't understand a word of it, but it will probably topple the government. Cost you thousands. Be in it?" "Er... yes," stuttered Riddell.

The telexes were handed over to Cole-Adams, who said, "I had aged about

20 years in a week, because the real horror was that any of them could have been a forgery, and in the end, on that sort of stuff, all you can do is go on your instinct and your experience." He told Perkin that he believed the telexes to be genuine, and on July 2, *The Age* splashed them across the front page in probably the most devastating indictment of a government ever published by an Australian newspaper.

Under the headline "Guttersnipe Government", Perkin roared that Cairns must be sacked and a judicial inquiry called. "The issue," he editorialised, "is whether the government is to retain any moral authority, or whether it is to stand condemned as a government of guttersnipes."

It emerged over the following days that Connor, a man of limited education but vaulting ambition, was behind it all. He had conceived a grand plan for "buying back the farm" which would involve the greatest government intervention in the economy since Federation, including construction of a petrochemical plant and a gas pipeline across the country, uranium mining and milling, and a massive expansion of coal-export ports.

Almost inconceivably, in addition to being approved in secret by a cabinet cabal, the plan had never been to the Loans Council (which is supposed to regulate government borrowing) and it had never been debated, let alone approved, by Parliament. The down payment was to be \$US4 billion, and Connor and his colleagues had decided to bypass Treasury — an indignant treasury secretary, Frederick Wheeler, telephoned me one night denying any part in the plot — and raise the money not by issuing government bonds, but by putting Australia's financial future in the hands of a man they had met only once or twice, who was unknown in the banking world, and whose previous business making shirts had gone bankrupt.

The plan was to "compound" the interest on the loan over 20 years, with the bill eventually falling due in 1995, when it would have jackpotted to a staggering \$39 billion — one-third of the entire federal budget for that year. Fortunately for the prime minister of the day, Paul Keating, Connor's grand plan eventually came to nothing.

Two days later, another of these shady characters with whom the Australian government had been negotiating offered up the next piece of evidence. Connor had vehemently denied that anyone was to receive a commission from the loan-raising, yet here were six "bearer cheques" — cashable by anyone — each made out for \$15 million or \$20 million, part of a total of \$180 million that had been offered as commission to Khemlani and the others involved in the scheme.

For years, those cheques hung in frames on the wall of Perkin's office. Phillip Cairns, according to an earlier telex, was to receive \$600,000. With the opposition now buying for blood, Whitlam called an extraordinary session of Parliament, in which — rather than commission a full and public inquiry into the extraordinary revelations, as *The Age* and other newspapers were demanding — he attempted to brazen it out.

This is how Perkin viewed proceedings, in an article he wrote for a Methodist publication, *New Spectator*: "We were assaulted and insulted, railed against and threatened. At the emergency sitting of the Australian Parliament a good part of the proceedings were taken up by the Prime Minister and his senior colleagues in a

vitriolic denigration of our motives, performance and morality. We had perpetrated, it is true, an 'uncomfortable' piece of journalism. Without that piece of journalism, it is true, there would not have been an emergency sitting of Parliament. Yet none of that dismayed us in the least ..."

A strange lull then fell over proceedings for three months, a sort of phoney war in which, over the horizon and out of sight, troops manoeuvred, tanks clanked and rattled and the occasional plume of cannot-smoke could be seen rising in the sky. And then, on October 3, came the final nail in the government's coffin — Khemlani surfaced in Sydney with a suitcase full of documents which showed, among other things, that Connor had lied to Parliament when he swore that he had broken off negotiations with Khemlani.

This time it was not *The Age* but the *Melbourne Herald* which had the scoop — a diligent gumshoe named Peter Game had tracked down Old Rice and Monkey Nuts and persuaded him to give up the evidence. To make matters even more galling for Perkin, *The Herald* had paid nothing.

He telephoned Creighton Burns in Canberra. "Get down here, Burns, I need a head to kick," he said. But, even in defeat, he then sent a typically generous telegram

to his counterpart at *The Herald*, John Fitzgerald: "You have done everyone like a dinner STOP congratulations to you and Peter."

Irrespective of who claimed the scalp — it was Game who won a richly deserved Walkley for the story at the following year's awards — the die was cast. Whitlam sacked Connor (who had had the bare-faced cheek to sue *The Herald* for libel, unsuccessfully) and, on October 15, Fraser's restless backbench — which included waverers such as the Victorian senator Alan Missen, a stickler for constitutional propriety — fell into line. Fraser announced that the opposition would refuse supply in the Senate, effectively cutting off the money for running the business of government. An election loomed.

Perkin felt a sense of betrayal that a government which had promised so much had descended into such a "low-grade farce". *The Age's* editorials took on an increasingly shrill tone as the weeks passed with no sign of a resolution of the parliamentary deadlock until, in an editorial headlined "Go Now, Go Decently", Perkin drew on Oliver Cromwell's thunderous denunciation abolishing the Long Parliament in 1653. While he spared his readers such robust invective as "sordid

prostitutes" and "mercenary wretches", it was probably the most powerful editorial he ever wrote; it was also his last: "We will say it straight and clear and at once. The Whitlam government has run its course; it must go now, and preferably by the honourable course of resignation — a course which would dispel all arguments about constitutional proprieties, historic conventions and 'grabs' for power. It must go because it no longer has the degree of public support and acceptance that permits governments to govern effectively."

But Perkin would not live to see the final downfall of the Whitlam government, whose election he had welcomed just three years earlier. The day after that leader was published he would be dead. Two months later, it would be his successor who would write the election-morning editorial condemning the constitutional impropriety of the ousting of the Whitlam government, but nevertheless urging a vote for the Liberals. It was the leader that Perkin would have written had he lived.

This is an edited extract from *Breaking News: The Golden Age of Graham Perkin*, by Ben Hills, published by Scribner at \$59.95.

MONDAY
Part 2: Women enter the lion's den at *The Age*.



The editor of *The Age*, Graham Perkin, (second left) and Peter Cole-Adams, the paper's London correspondent, outside 10 Downing Street in 1972.