

The loans affair, 1974–75

A plan to develop Australia's minerals and energy resources

Reginald Francis Xavier ('Rex') Connor, Australia's Minister for Minerals and Energy from 1972 to 1975, saw enormous potential for Australia to develop its considerable minerals and energy resources in a way that retained Australian control over them. With a world energy crisis and a worsening economy, Connor looked to overseas loans through non-traditional sources as the solution. The series of events that occurred as Connor pursued these loans through 1974 and 1975 became known as the 'loans affair'.

In November 1974, through a chain of personalities that included fellow minister Clyde Cameron, Adelaide businessman, Gerry Karidis, and contacts of Karidis in Hong Kong and Amsterdam, Connor was introduced to a London-based commodities trader named Tirath Khemlani. On 13 December 1974 a meeting of the Federal Executive Council gave Connor authorisation to raise loans of US\$4,000 million for what was described as 'temporary purposes' (this allowed the decision to bypass the Loan Council). Governor-General, Sir John Kerr, was not at the meeting, but signed the minute the next day. This authority was revoked in early January, but on 28 January the Council again authorised Connor to seek loans – this time of US\$2,000 million.

Connor's negotiations with Khemlani proved fruitless. No funds were secured, but the secrecy surrounding the dealings was broken by Opposition questions in parliament. The Executive Council revoked Connor's authority on 20 May 1975 and a special one-day parliamentary sitting was held on 9 July. In October, the Melbourne *Herald* published telexes showing that Connor had continued his attempts to secure the loans after his authority had been revoked. He resigned on 14 October 1975.

Several months earlier, Deputy Prime Minister and Treasurer, Jim Cairns, had also lost his front bench position due to loans-raising activities. Cairns had been approached by Melbourne businessman, George Harris, who had offered to secure loan funds for the Australian government. In March 1975, Cairns signed a letter agreeing to a 2.5% commission. Many blamed the disorganised state of Cairns' office for his misleading statement to parliament in June that he had not authorised any such commission. When the contents of the letter became known, Whitlam dismissed Cairns from the ministry.

The loans affair embarrassed the Whitlam government and exposed it to claims of impropriety. The Malcolm Fraser-led Opposition used its numbers in the Senate to block the government's budget legislation in an attempt to force an early general election, citing the loans affair as an example of 'extraordinary and reprehensible' circumstances.

The records

Records held by the National Archives about the loans affair include departmental records and the personal papers of ministers, opposition members and public servants. A selection of these records is listed below. Commonwealth records become available once they enter the [open access period](#).

[Search the collection](#) to identify further records relating to the loans affair. Keyword searches for items using search terms such as 'loans affair', 'overseas loan raising', 'khemlani', and 'connor loans' should identify relevant records.

Selection of departmental records about the loans affair

Department of Prime Minister and Cabinet

Title or description of record	Date range	Series, item number
Overseas loan raisings – Khemlani arrangements (11 files – part 1 to part 11)	1974–75	A1209, 1975/1237, part 1
Papers relating to Mr Connor and Mr Khemlani obtained from the Department of Minerals and Energy on 29 October 1975	1974–75	A1209, 1975/2253
Overseas loan raisings – Khemlani statutory declaration of 3 November 1975 and the accompanying documentation (3 files – parts 1 to 3)	1974–75	A1209, 1975/2400 part 1
Middle East loan offer to Department of Minerals and Energy (8 files – parts 1 to 8)	1974–75	A1209, 1975/2494 part 1
Communications between Mr Connor/ Sir Lenox Hewitt and Mr Khemlani – 14 November 1974 to 6 January 1975 (5 files – 1975/2525 to 1975/2529)	1974–75	A1209, 1975/2525
Overseas loans raising – documentation from Minerals and Energy	1974–75	A8446, 5
Confidential – overseas loans	1975	A8446, 18

Attorney-General's Department

Title or description of record	Date range	Series, item number
Proposed borrowing of \$2000 million through Mr Khemlani (7 files)	1974–75	A432, A1975/484 part 1
Overseas loans affair – Connor file	1974–75	A432, A1975/7850
Overseas loans affair – Sir Lenox Hewitt file	1974–75	A432, A1975/7851

Treasury

Title or description of record	Date range	Series, item number
<u>Middle East loan offer to the Department of Minerals and Energy (10 files)</u>	1974–75	A571, 1975/96 part 1
<u>Overseas loans – transactions – funny money – Senate resolution (2 files)</u>	1975	A571, 1975/3944 part 1

Federal Executive Council

Title or description of record	Date range	Series, item number
<u>Minute papers approved 1974</u>	1974	A1573, 1974/9
<u>Minute papers approved 1975</u>	1975	A1573, 1975/8

Selection of personal records about the loans affair

Clyde Cameron

Title or description of record	Date range	Series, item number
<u>The loans affair – affidavit regarding Khemlani (7 files)</u>	1975	M3865, 167
<u>The loans affair – regarding Cairns and Harris</u>	1975	M3865, 177

Jim Cairns

Title or description of record	Date range	Series, item number
<u>Correspondence between Dr J F Cairns and Mr George Harris concerning Australian government's fund raising overseas</u>	1975	M1567, Box 1/4

Sir Clarence Harders (Secretary, Attorney-General's Dept)

Title or description of record	Date range	Series, item number
<u>Loans affair – advice – borrowing for 'temporary purposes'</u>	1975	M4081, 1/1
<u>Loans affair – Attorney-General's Department – involvement in Khemlani negotiations</u>	1975	M4081, 1/6
<u>Loans affair – documents – request to Department of Minerals and Energy</u>	1974–75	M4081, 1/10
<u>Loans affair – summary of Connor / Khemlani correspondence</u>	1975	M4081, 1/12
<u>Loans affair – investigations – enquiries to Scotland Yard</u>	1975	M4081, 1/15
<u>Loans affair – meetings – proposals to include overseas loan raising on Loans Council agenda</u>	1975	M4081, 1/28
<u>Loans affair – meetings – interdepartmental discussions regarding Khemlani negotiations</u>	1974–75	M4081, 1/29