



PRIME MINISTER

FOR MEDIA

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STATEMENT ON THE ROYAL COMMISSION
INTO THE AUSTRALIAN MEAT INDUSTRY, HOUSE OF REPRESENTATIVES

I present the Report of the Royal Commission into the Australian meat industry. I seek leave to make a statement. In mid-August 1981, discoveries were made in the United States of horse meat having been substituted for beef by an Australian meat export establishment. Immediate steps were taken both in the USA and Australia to retain meat from the establishment concerned. As a result of these discoveries the Minister for Primary Industry took a number of immediate steps to which I shall later refer in more detail. When this substitution became public knowledge in both countries there was a public outcry, particularly in Australia. Allegations of widespread malpractice were made in this Parliament and in Victoria. Despite the immediate effectiveness of the measures taken at that time the Australian meat industry had been severely tarnished.

It was imperative that Australia's international reputation be cleared. The Government believed that the only means by which this could be achieved to the satisfaction of everyone in the community was through the establishment of a Royal Commission of high standing and repute to examine the matter. Letters patent appointing the Honourable Mr Justice Woodward to conduct the Royal Commission were issued by his Excellency the Governor-General on 12 September 1981.

The Commission was charged with inquiring into:

- "(a) Whether administrative arrangements and procedures for the supervision of the handling of meat for export are adequate to ensure that all meat exported from Australia meets the requirements prescribed by law;
- (b) Whether malpractices are occurring, or have occurred, in the handling of meat for export or the exportation of meat;
- (c) Allegations made, whether in public or to a Minister, Department or Authority of the Commonwealth, of malpractices alleged to have occurred during the past ten years, in the handling of meat for export or in the exportation of meat;

- (d) Whether such allegations were dealt with in a manner that was adequate and effective;
- (e) Whether in response to such allegations, any illegality or corruption occurred."

As allegations had also been made in relation to malpractices in the Victoria Meat Inspection Service, His Excellency the Governor of Victoria issued, on 15 September 1981, a Royal Commission which complemented the Commonwealth Commission but which related to meat for human consumption in Victoria. In November 1981, the Governor-General issued a further Commission in relation to meat for human consumption in the Northern Territory. Because of the considerable degree of overlap between the three commissions, enquiries in relation to all three were conducted jointly and concurrently. The Commissioner has discharged his three separate obligations by presenting a single Report. However, his concluding recommendations relating to the three separate governmental jurisdictions are set out separately..

The Commission's Report was presented to the Governor-General and the Governor of Victoria and forwarded to the Chief Minister of the Northern Territory on 17 September. The Commissioner recommended that Appendix H, which is a separate volume to the Report, not be released until after criminal proceedings against those named or referred to in it have been completed.

At the outset I should say that on a dispassionate reading the findings of the Royal Commission are overwhelmingly positive. The Commission has commended the Department and the Minister in relation to their actions in the wake of the substitution incident. While there was a great deal wrong with the meat inspection system prior to the substitution incident, the Royal Commissioner has found that actions taken since then have been the appropriate ones. He has also endorsed most of the proposals advanced by the Department of Primary Industry for further improving the system. The positive suggestions the Commissioner has made are being and will be followed up vigorously.

Before going into the Royal Commission Report in detail it would be useful for Honourable Members if I recalled the total background against which the Royal Commission enquiry was held. The meat industry is one of Australia's vital rural industries. The estimated value of production last year was \$3.2 billion - more than a quarter of the gross value of rural production. It is a substantial export earner with exports of \$1.3 billion to some 60 overseas markets.

The problem of wasteful dual meat inspection services in the four larger states has bedevilled the industry for many years. Following overseas complaints many years ago, the original Commonwealth Veterinary Service was expanded to an export inspection service in all states. New United States laws in 1963 and 1967 required greater Commonwealth controls. In 1964 some states, concerned at the increased Commonwealth role in meat inspection, sought and obtained agreement that state and Commonwealth inspectors work side by side in export establishments.

Over the years this situation has led to costly duplication and some fragmentation of administrative controls. Between 1972 and 1978 there were no fewer than six major state or Commonwealth enquiries into meat inspection. At all these times the objective of the Commonwealth was to participate in any reasonable arrangements to achieve a single inspection service. However because of the attitude of some states no progress was made in this direction. In November 1978 the then Minister for Primary Industry, in yet another attempt to resolve the issue, established a Committee of Enquiry with terms of reference specifically directed to the solution of problems of meat inspection administration.

I want to address this particular Enquiry in some detail because it was material in relation to an adverse finding by the Royal Commission against the Minister for Primary Industry. The importance of this matter will become clear later in my statement.

The Chairman of this Enquiry, the Hon C R Kelly and the other Committee member, Mr W B Buettel presented their Report to the Minister for Primary Industry on 11 February 1980. The whole thrust of their Report tabled in Parliament on 27 February 1980 was directed to the establishment of a new type of single meat inspection system, an Australian Meat Inspection Service or "AMIS". In the presentation of the Report to the Minister on 11 February 1980 evidence shows that the discussion was centred around the principles and proposed structure of a new AMIS. Mr Kelly also, at this brief meeting, raised the general issue of malpractice in meat inspection as reflected on pages 12, 13 and 66 of his Report.

However, at the time and as indeed evidenced in his Report, these allegations were of a most general nature, and have remained so. Neither in his Report, nor in his meeting with the Minister did Mr Kelly put forward any positive or specific evidence of names of people engaged in serious malpractice. Even at the Royal Commission Mr Kelly was not able to present any specific information and he has not done so since. If he had they would have been passed on to the police for investigation.

Some matters of immediate administrative concern that arose in the Kelly Enquiry were passed on to the Department by Mr Landos, the Departmental executive officer to the Kelly Committee. I have been advised that the Bureau of Animal Health followed up with their field staff, but as later events showed not vigorously enough. The notes taken by Mr Landos during the Enquiry were never referred to Mr Nixon by Mr Landos, or Mr Kelly. Mr Kelly's key recommendation for the establishment of an AMIS was studied but rejected by the states. The Commonwealth was prepared at all times to support AMIS. In further pursuit of an improved system, a Commonwealth/state Committee of the Australian Agricultural Council, set up in 1980 following the Kelly Report, still failed to resolve the issue of a single service.

At a meeting of the Australian Agricultural Council in Hobart in February 1981 the Minister for Primary Industry took yet another initiative to resolve the issue. A high level working group was established to consider further options. Yet again, however, no satisfactory consensus emerged.

It is quite clear that the central pre-occupation and the priorities attached to both the Kelly Report and the Commonwealth consideration of it was the achievement of a single meat inspection service.

This is clear in Mr Kelly's evidence to the Royal Commission and I quote from page 10264 of the transcript:

"We were much more interested in the problems of administration and having inspectors available at the right time and at the right place than we were at that time about the bribery and corruption. That was a secondary matter to us. Getting the machinery to construct it to work well was our first requirement."

It is even more explicit on page 10267 of the transcript where Mr Kelly says,

"I was much more interested in the welfare of AMIS than I was of the comparatively minor skullduggery that I knew about."

It is also explicitly clear on page 66 of the Kelly Report itself:

"Starting a new system would give us the opportunity to turn over a new page."

Mr Kelly goes on to say on page 66 that when the new page is turned, some specific problems in relation to inspectors and industry behaviour should be tackled with firm resolution. The priorities of the Kelly Committee were explicitly clear. Their major concern and the thrust of their deliberations was on a single inspection service.

As I have said, the Commonwealth Government has vigorously pursued the central recommendation of the Kelly Report. That is the issue of a single inspection service. Unfortunately, however, because of jurisdictional problems with some states these efforts met with little success.

Let me now turn to the so-called issues of malpractice. As I will demonstrate in more detail not one specific allegation was put to the Minister by Mr Kelly. I will further demonstrate that the inherent problem of these matters has all along been the fact that specific allegations which could be pursued in an appropriate way were never given to the Minister. In the Royal Commission Report itself to which I shall shortly turn the Commissioner confirms in Paragraphs 2.34 and 2.35 that much of the information supplied initially on malpractices was "little better than rumour". And that it finally took a major joint police task force, including 37 detectives from the Australian Federal Police and the Victorian Police to produce satisfactory evidence.

Let me again emphasise that the Kelly Report was not a confidential document. It was tabled in Parliament shortly after it was received and sent to the states and industry for public discussion. It is easy now to be wise after the event but I think it significant that to the best of my knowledge no question was asked of the Minister in this House on the malpractice allegations in the Kelly Report until the publication of an article by Alan Reid in the Bulletin on 22 September 1981.

I should also point out to the House that the Commissioner himself reports in Paragraph 2.75 that if he had had to report in April of this year, after seven months of investigations with the full powers of the Royal Commission that:

"On the basis of the evidence then available I would have reported that malpractice in the industry was rare and felt compelled to recommend that, in the light of that finding many of the present security measures were unnecessary and that no fundamental change in administrative arrangements was required to prevent or detect malpractices."

In other words, in April 1982, some 26 months after Mr Kelly presented his Report to the Minister for Primary Industry, the Royal Commission after seven months investigation still did not have any substantive evidence of malpractices. It took three more months of the investigations by the Royal Commission, with the full powers that such a Commission has, to satisfactorily uncover the malpractices of sections of the meat industry and of corrupt activities of some members of the Meat Inspection Service and of some members of the police.

In relation to malpractices, I would particularly like to draw attention to what the Commissioner said in Paragraph 7.4 of his Report:

"The malpractice which led directly to the setting up of the Royal Commission, namely species substitution, proved to be the most serious malpractice which the Commission uncovered."

The Commissioner goes on to say in Paragraph 7.6 that:

"So far as the most serious cases of species substitution are concerned there is no evidence that this occurred in the export trade before late 1979."

Significantly therefore, according to the Commission, in relation to the most serious malpractice ever to come to light, species substitution in the export trade, there was little or no evidence to show that it occurred before Mr Kelly brought his Enquiry to an end.

It is worth noting that there is no reference to meat substitution in the Kelly Report and there is absolutely no suggestion whatsoever that Mr Kelly raised this most serious malpractice with the Minister. Let me now turn to the events of August 1981 which led to the establishment of the Royal Commission. Following the first ever confirmed finding on 13 August 1981 of horsemeat in a shipment of Australian boneless beef to the United States the Australian meat industry found itself in a crisis situation with the potential of immense damage to it. The Minister for Primary Industry took immediate action. Establishments were de-registered, spot checks were introduced in all states, security and surveillance were immediately increased.

Further measures were introduced within days. A new system was devised for security seals, a special task force was set up to co-ordinate a nationwide sampling and species testing programme, and police investigations were intensified.

Shortly afterwards the Minister for Primary Industry introduced legislation to substantially increase penalties for illegal export of up to \$100,000 fine or five years imprisonment or both; stringent new security control measures were introduced in cold stores with the sealing of meat transport vehicles and containers; and an outside consultant was appointed to review these measures. The Minister for Primary Industry convened a special meeting of the Australian Agricultural Council on 4 September to review the measures taken and to examine policies and practices for controlling knackeries, denaturing pet meat and identifying game meat for human consumption.

The Minister for Primary Industry is to be commended for his prompt and decisive actions on this matter. As early as 17 August the US Special Trade Representative Ambassador Brock expressed to him satisfaction with the way in which the Australian Government was dealing with this issue. This confidence of the United States administration was reflected in the release to the United States market on 4 September of 24,000 tonnes of Australian beef valued at \$40 million.

The Parliament now has before it the Report of the Royal Commission presided over by the Honourable Mr Justice A E Woodward. I propose to take the terms of reference of the Royal Commission in the form the Royal Commission dealt with them and address myself to the Commissioner's findings in each.

Firstly "the adequacy of administrative arrangements and procedures for the supervision of the handling of meat for export". The Commissioner's findings are that, whilst once seriously deficient, administrative procedures are now adequate for their purposes although still with room for improvement. The Government generally endorses the Commissioner's recommendations and will be pursuing them vigorously. In doing so I point out that many of the recommendations have been or are in the process of implementation.

I would also like to point out that on the central issue of a single inspection service, the Royal Commissioner has not made recommendations that went beyond what the Government is already doing. He has recognised the inherent nature of the problem arising from the need for the Commonwealth to be involved to protect export markets, and the traditional position which the states take in relation to what they regard as their sovereign responsibilities. Nevertheless, that matter will also be pursued with full vigour.

I might point out that in respect of the matters I have already referred to, the Commissioner acknowledges in paragraph 1.19 that

"Returning to the Department of Primary Industry itself, it is only fair to say that, under instructions from its Minister, it acted promptly and effectively when the meat substitution scandal erupted."

The Commissioner goes on in paragraph 1.21 to state that

"Since then, and during the Commission's hearings, the Department has, for the most part, reacted promptly and appropriately to problems that have been brought to light. It has not, as it might have done, sat back to await the Commission's recommendations. Instead it has, while keeping the Commission appropriately informed, continued to carry out its proper functions of administering the service and forward planning. This has culminated in the proposals set out in the Department's final submissions, which reflect the determination of the Minister and the Department to resolve the problems which now stand revealed."

What the Commissioner has said is clearly reflected by the establishment in March 1982 in the Department of Primary Industry of the Export Inspection Service which has been structured under a new legislative framework, the Export Control Act. The new Export Inspection Service was created with characteristics designed to overcome problems and inadequacies disclosed in the Commissioner's investigations. Features of the new inspection service are a strong decentralised management system, a strong compliance program, and an investigations unit capable of pursuing allegations of malpractice in co-operation with Federal Police and the Meat and Livestock Corporation.

Further measures are being pursued to raise the calibre of inspection staff such as new inspection procedures and standards; new award and employment conditions, better aligned to industry requirements, and new training programs. Innovations proposed to increase the general efficiency of the industry include the introduction of Australia wide objective measurement and product descriptions for carcasses and meat, and the electronic transmission of all documentation and monitoring of product. In order that the industry itself should become more involved in the inspection process, and be more conscious of the costs of providing inspection services, the Department of Primary Industry has proposed arrangements to provide services as a tailor made package to each establishment, under contract, on a fee for service basis, and progressively transfer responsibility for the preparation of hygiene, quality control and product description to the companies themselves.

The full implementation of many of the above arrangements still requires the agreement of unions, state governments and the meat industry. The Department of Primary Industry is currently engaging several consultants on key aspects of the revised system.

I now wish to turn to the next of the terms of reference relevant to the Commonwealth "Malpractices in the Australian Meat Industry." In reference to this I would first like to quote paragraph 7.2 of the Commissioner's findings:

"I should say at the outset that I have no doubt that the industry has never been more free of malpractices than it is today. All references, unless otherwise stated, are to the past - most of them applying particularly to the last two or three years."

Further, I quote paragraph 1.22 of the findings:

"I believe that, in consequence of the strong reaction of the Minister and the Department, and the establishment of this Royal Commission, the current level of malpractice in the industry is lower than it has ever been. This desirable situation should be vigorously maintained."

There is not much doubt as evidenced in the Royal Commission hearings that there have been malpractices in this industry. By the very nature of the industry and its widespread geographical locations it may well be difficult to totally eradicate all instances of malpractice.

However, it is to the full credit of the Minister for Primary Industry that the Commissioner considers the measures he has taken to have reduced the incidence of malpractice to an all-time historical low. Moreover, as the Commissioner points out in paragraph 8.15 the matter should be kept in some perspective, and I quote:

"In order to help keep the whole question of export quality in perspective it is worth noting that, against an overall rejection rate in USA of 0.5% in recent years, Australia's rate has been 0.2%. This compares with Canada's experience of 0.8% and New Zealand's 0.3%."

I point out that the measurement in question is over a period of recent years. As the Commissioner says in paragraph 8.17 "the record seems quite reasonable". Nevertheless, the Commissioner does refer to certain areas of malpractice where greater attention needs to be given and recommendations relevant to them will be processed as a matter of urgency.

The Commissioner dealt with the next three terms of reference in one section of his Report and I will follow the same practice. These are "the handling of allegations of malpractices and whether they were dealt with in a manner that was adequate and effective, or, on the other hand, whether any illegality or corruption occurred." Taking the last point first, in paragraph 1.66 the Commissioner concludes that apart from the possibility - and he puts it no higher than that - of corruption relating to certain police officers and of a senior meat inspector and I quote:

"There is no evidence to suggest that there was any illegality or corruption on the part of any Minister of the Crown, or any official, in response to any allegation of malpractice in the meat industry."

On the point of allegations made to departments, the Commissioner has certain criticisms in relation to the Department of Primary Industry and the Federal Police. The deficiencies he points to will, I believe, be overcome by the new organisational procedures that I have referred to.

Let me now turn to the question of ministerial responsibility. At the outset I want to define precisely what the Commissioner has actually said. The Commissioner in paragraph 1.61 says that:

"Generally, such matters as were referred to Commonwealth Ministers were dealt with adequately and effectively."

In paragraph 8.39 the Commissioner says:

"Insofar as allegations were reported by the Department to Mr Nixon, I do not consider any criticism can be levelled at his handling of them."

In paragraph 1.19 the Commissioner says:

"Returning to the Department of Primary Industry itself, it is only fair to say that, under instructions from its Minister, it acted promptly and effectively when the meat substitution scandal erupted."

And in paragraph 1.22:

"I believe that, in consequence of the strong reaction of the Minister and the Department, and the establishment of this Royal Commission, the current level of malpractice in the industry is lower than it has ever been."

As far as the Kelly Report is concerned, although he does so in the context of a passage which is critical of action taken in relation to malpractices, the Commissioner makes the point in paragraph 8.48 that:

"They (the Minister and his senior advisers) seem to have given all their attention to the central issue dealt with by the (Kelly) Committee."

That is, the question of a single meat inspection system. Evidence before the Commission clearly showed the strong and determined efforts made by the Minister to deal with these matters.

It is clear that in respect of all of these matters, the Royal Commissioner has found that Mr Nixon behaved responsibly and effectively. There is only one point which the Commissioner is critical of the Minister and that is his handling of the Kelly Report in relation to malpractices. As the Commissioner says in paragraph 8.39:

"The only possible criticism of his handling of his responsibilities in this area relate to his reaction to the Report of the Kelly Committee of Enquiry in 1980."

I will now examine in detail those areas where the Royal Commissioner has been critical of Mr Nixon. In paragraphs 1.62 to 1.64 the Royal Commissioner says, first, that Mr Nixon paid insufficient attention to the findings of Mr Kelly and Mr Buettel. According to the Royal Commissioner, the Minister, having heard from a responsible source that there had been cases of bribery and abuse of power in his Department, should have taken more adequate and effective steps to deal with the matter.

Let me again state unequivocally that the matters covered in these paragraphs had nothing whatsoever to do with meat substitution. If Mr Kelly had unearthed significant information about meat substitution, I am quite sure that he - himself a farmer - would have jumped up and down more than we ever saw him do in this House in relation to tariffs. He most certainly would have made very strong representations to the Minister, or if not to him then to me. He did not.

In addition, he would not have sat on such information until his Report was completed. He would have known the immense significance of such information, and he would have acted on it immediately. The fact is that Mr Kelly did not draw any such evidence to our attention.

The conclusions drawn by the Royal Commission relate to different matters and the Commission's argument supporting its conclusions is to be found in paragraphs 8.39 to 8.45. This evidence boils down to two points:

1. In relation to certain statements in the Kelly Report itself (pages 12, 13, 66) the Minister did not act adequately and effectively; and
2. That certain statements were made to the Minister in a meeting with Mr Kelly on 11 February 1980 and that these were not adequately followed up.

To examine the Royal Commissioner's conclusions we must turn back to the specific evidence on the statements that were alleged to have been made to the Minister on 11 February 1980 and to the specific information contained in the Kelly Report. I shall deal with the 11 February meeting first. Let us be clear in dealing with this matter, that we are dealing with the issues which the Kelly Committee itself regarded as secondary to the major conclusions of the Report. This is evident from Mr Kelly's own evidence to the Royal Commission. For example on page 10264 of the transcript he says:

"We were much more interested in the problems of administration and having inspectors available at the right time and at the right place than we were at that time about the bribery and corruption. That was a secondary matter to us. Getting the machinery to construct it to work well was our first requirement."

And on page 10267:

"I repeat it was a minor part of our duty that was laid on us when we were doing the Report and I was much more interested in the welfare of AMIS than I was of the comparatively minor skulduggery that I knew about."

In assessing the significance of his meeting with the Minister, it is important to note what Mr Kelly himself said about various aspects of it. In his primary evidence on page 10243, Mr Kelly said:

"The primary purpose of the meeting was to present the Report and any discussions had in relation to areas outside the terms of reference of the Committee would have been general and merely coincidental to the meeting."

Then, in relation to the discussion itself, Mr Kelly referred to a minute prepared by Mr Landos which he said recorded that at the meeting with the Minister, the Committee expressed strong views as to the sordid nature of the meat industry and meat inspection. However, later Mr Kelly was asked:

"Is the position this in reality that you, apart from Mr Landos' minute or document that was referred to have no independent recollection of precisely what was said at the meeting with the Minister on 11 February at all?"

He responded:

"That is right, no precise memory." (Transcript 10259).

When he was then asked whether he was prepared to accept that what was in Mr Landos' document must be accurate he said:

"No. I am not saying it must be accurate. I am prepared to say - I repeat, I was startled and gratified to find that I myself had refreshed my own memory."

As to the specifics discussed with the Minister, the question was put:

"Mr Kelly, you were asked whether or not at the meeting with the Minister you provided the specific names of particular places where malpractices were said to have happened, and my recollection is that you said that you either did not or that you had no recollection of doing so; is that correct?"

Mr Kelly said:

"That is right". (Transcript page 10275)

And when asked why he had not reported his findings to the Commonwealth Police or to the Federal Police, Mr Kelly said:

"Never even thought of it. It has nothing to do with me. My responsibility was to chair my Committee that had to examine this question of dual inspection problems. That was all I was worried about." (Transcript page 10272).

Mr Landos also gave evidence (page 10277A of the transcript) that:

"By far the great majority, if not all, of the allegations received by the Committee were based on rumour or on second-hand evidence. The Committee found a great reluctance to - for any people to pass on first-hand experience."

He also stated (page 10288 of the transcript) that the real purpose of the meeting was

"to present the Report to the Minister and to stress to him the necessity of structural change with regard to the meat inspection arrangements."

Mr Landos, when asked whether any examples of graft or misuse of inspector power were raised at the meeting, replied: (page 10282)

"I do not believe any specific examples were raised with the Minister."

I should mention at this point that in the transcript of the Royal Commission evidence, and in paragraph 8.41 of the Report reference is made to notes prepared by Mr Landos during the Kelly Inquiry and to a minute he wrote sometime after the meeting between Mr Kelly and the Minister. This minute was designed as Mr Landos' final overall impressions of the Kelly Enquiry. It was not a response to the meeting between Mr Kelly and the Minister. It was prepared for internal Departmental use after a discussion with Mr Cleary.

The Royal Commissioner said of the suggestions in this minute:

"They never reached the Minister" (paragraph 8.43)

Similarly, Mr Landos' notes never reached either the Minister or the Secretary of the Department.

The evidence actually given by Mr Landos that no specific examples were raised with the Minister adds emphasis to the fact that the primary purpose of the Kelly Committee was to look into the structural change needed to make meat inspection arrangements effective. The Committee was concerned with the causes of any problems evident in meat inspection and regarded symptoms of malpractice as incidental to the primary purpose.

This is further confirmed by Mr Gee in giving evidence before the Royal Commission. In responding to a question of whether many of his discussions with the Minister were directed to the AMIS recommendation for a single inspection service, he responded:

" yes, that is correct and it is important, I think, to get that completely in context. That was the absolutely overriding public and political issue, to find a solution to the meat inspection administration." (page 10338).

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Notwithstanding the fact that there was no specific information given the Minister the evidence clearly shows that the Minister spoke with Mr Gee and asked if there was anything that could be followed-up.

When Mr Gee was asked whether in fact he followed-up problems of the kind raised by the Kelly Committee, he replied "... I did not follow it up with Mr Kelly. I went to Mr Landos and enquired of him as to what evidence, what data they did have from their hearings and from their conversations and from the submissions they raised and John Landos related to me that there was nothing substantial, that there was nothing of what we would call hard evidence and I said, 'are you sure?' to my recollection, 'are you sure there is nothing that would warrant us investigating further or going to the police?' and he was of the opinion that there was not anything of that nature. On the basis of his advice I did not pursue it directly with Mr Kelly." (p. 10339 of the transcript).

Now I ask you how could the Minister, given no specific information, have taken any further action to deal with these allegations? I submit that on the basis of all the available evidence he could not have. Where is the substance on which a Minister could be blamed and condemned?

There is another matter in the Royal Commission Report which disturbs me.

The Report, on the top of page 259, quotes half of Mr Kelly's diary entry. I have confirmed that with Mr Kelly, whom I contacted on Sunday night, and it is confirmed in the full transcript of the evidence, (page 10244). It is the half that is damaging to Mr Nixon, rather than the half that would offer support for his action.

The quote contained in paragraph 8.40, is as follows:

"I went to Melbourne for the day to present ... meat report to the Minister, Peter Nixon. It was worth it because it gave me the chance to tell him a few of the notes that we could not put in the report, such as the bribery and blackmail which is so prevalent in the meat inspection game. Poor Peter is now to see what can be done."

However, the full entry also contains the following words immediately after the previous sentence:

"We were gratified today to hear that the Victorian Minister of Agriculture has stated bluntly that the present position cannot be allowed to continue. I told Nixon that both of us, Buettel and I would be prepared to help him get something done."

Mr Kelly has advised me on the telephone yesterday that it is almost certain that the statement referred to by the Victorian Minister would have related to problems of dual administration of the Meat Inspection Service - the central thrust of what the Kelly Committee Report was all about.

Clearly, the full diary entry reinforces the priorities of the Committee. They were concerned with the overwhelming complexity of the major problems of fixing up the administration arrangements for meat inspection.

In my view the last reference in Mr Kelly's diary entry to helping get something done, clearly related to the development and implementation of AMIS.

The preoccupation of the Kelly Committee with the AMIS proposals is confirmed by Mr Buetell's account of the meeting. In a telephone discussion with the Secretary of the Department of Primary Industry on 19 September, Mr Buettel confirmed that the bulk of the meeting was concerned with the Committee's recommendations of AMIS. Mr Kelly spoke only in very general terms about "a lot of nonsense around the ridges".

Having regard to the fact that the Minister took broad, vague allegations, indeterminately made, and subsidiary to the main elements of the report .. having regard to the fact that he took these allegations sufficiently seriously to pass them on to Mr Gee, and that Mr Gee consulted Mr Landos who confirmed that there was nothing in the allegations that could be put to the police, I suggest that it is not possible to condemn the Minister on the grounds of failure to act. I suggest it is not possible to condemn him on the evidence about what was said at that meeting. I remind the House of Mr Landos' evidence, stated above, that the great majority of the evidence received by the Committee was based on rumour or second-hand evidence.

I now come to the actual Report itself. As the Royal Commissioner has put it in paragraph 8.46:

"I think it may be that Mr Kelly did not hammer home his concern in any very emphatic way, but he obviously said something about the problems he saw and the Report was there to be read: it was clear enough."

Indeed the Report was there to be read but let us see if it has been properly read and if it was indeed clear enough. Presumably, the Royal Commissioner was referring to those paragraphs of the Report which he himself quoted. His first quotation was taken from the top of page 12 of the Kelly Report. This was as follows:

"Complaints were received of excessive zeal at times stemming from a grievance, real or fancied, on the part of an inspector. It is a fact that production can be slowed by unwarranted stoppage of chains to the annoyance of employees; or condemnations, allegedly unwarranted, to the annoyance of management." (page 12)

If the Report had gone back a sentence or two, it would also have included in this particular quotation:

"The Committee recognises the inspector's task to be a difficult one exposed to friction with both works' management and works' employees." (page 11)

And then the first sentence from the paragraph that the Report quoted is also omitted. This sentence reads:

"Inspection is a matter of individual subjective judgment and opinion."

In my view these two sentences give a quite different perspective to that first paragraph on page 12. Without specific evidence, what can a Minister do in relation to a sentence of that kind?

The Royal Commissioner then quoted from the bottom of page 12 and on to page 13. The quote reads:

"...an inspector, if he wants to be vindictive, can press the stop button on a killing chain. This puts meat inspectors in positions of considerable industrial power. That this power has not been used more often is a tribute to the sense of responsibility of most meat inspectors, but it has been used. The fear that it may be used has encouraged some abattoirs managers to give inspectors gifts of meat, or to sell them meat at ridiculously low prices. It has been alleged that some managers have given inspectors this kind of inducement not only to ensure industrial peace, but to induce inspectors to turn a blind eye to procedures that give considerable financial advantage to management."

I want to draw particular attention to one sentence in that quotation by the Royal Commissioner. It reads:

"That this power has not been used more often is a tribute to the sense of responsibility of most meat inspectors, but it has been used."

Here the Kelly Committee would seem to be saying that problems posed by excessive use of such power were rare, especially against the background that all works strenuously denied that they indulged in such practices as the next paragraph quoted by Commissioner Woodward makes plain.

I do not believe in the light of all the circumstances, in the light of the fact that the priorities in the Kelly Report related to the establishment of AMIS and in the light of community concern at the existence of two meat inspection services rather than one ... I do not believe in the light of these facts that the quotations on pages 12 and 13 amount to sufficient substance to require Mr Nixon to take more action than he did.

This view is significantly reinforced by the treatment given to a certain paragraph taken from page 66 of Mr Kelly's Report.

As quoted by the Royal Commission that paragraph reads:

"... one aspect of the meat industry which should be tackled with firm resolution ... is the problem of some managers trying to buy the co-operation of inspectors by giving them meat at ridiculously low prices, or countenancing excessive overtime claims, or of meat inspectors demanding cheap meat backed by the implied threat of slowing the killing chain or forcing higher offal or other condemnations if management is not compliant. Legislation should include heavy punishments for administrators, VO's, meat inspectors and management. That this kind of practice has been too common in the past we know too well. It must be stopped in the future." (8.42)

I agree fully that if you take the words as quoted in the Royal Commissioner's Report, they seem to be saying in very plain terms that there is a certain matter that should be tackled immediately with firm resolution and that certain malpractices were mentioned. In fact that is not what the Kelly Committee said. That particular quotation does not accurately represent the findings of the Kelly Report.

There were two critical omissions from this quotation. They have the effect of substantially modifying the meaning of that paragraph especially when placed in the context of the paragraph that preceded it. I now quote the paragraph as it was actually written in the Kelly Report, along with the preceding paragraph,

"Starting a new system would give us the opportunity to turn over a new page. We know that the firmly held stances of the past will not be lightly abandoned but at least there is more chance of this happening in a new situation.

There is one aspect of the meat industry which should be tackled with firm resolution when the new page is turned, and that is the problem of some managers trying to buy the co-operation of inspectors by giving them meat at ridiculously low prices, or countenancing excessive overtime claims, or of meat inspectors demanding cheap meat backed by the implied threat of slowing the killing chain or forcing higher offal or other condemnations if management is not compliant. AMIS legislation should include heavy punishments for administrators, VO's, meat inspectors and management who try to extract improper advantages out of the system in this manner. That this kind of practice has been too common in the past we know too well. It must be stopped in the future."

In the first place, the words "when the new page is turned" are omitted. It is worth noting that this significant and particular omission occurred not only in the Royal Commissioner's Report but also in the primary evidence given by Mr Kelly (Page 10249).

Without the omitted words, the injunction from the Kelly Committee would have been that the Minister should move immediately to tackle certain problems with firm resolution. Now with those words, the injunction is consistent with the whole thrust of everything Mr Kelly said in his own report and with much of what he said before the Royal Commission. That was that attention should first be given to creating a new system. Then - and indeed as a part of the new system, attention should be given to those instances of skulduggery, using Mr Kelly's word.

Indeed there was some discussion in the Royal Commission about what these words meant. I refer you to page 10266 of the transcript.

The other omission, which is in no way even indicated in the quotation in the Royal Commissioner's Report, is that the Kelly report said "AMIS legislation should include heavy punishments for administrators, VO's, meat inspectors and management who try to extract improper advantages out of the system in this manner."

The fact that Mr Kelly said such punishment should be included in AMIS legislation again shows plainly that the thrust of the injunction from the Kelly Committee was that the creation of a new system was the first priority.

I think it is reasonable to ask how ^{it happened that} Mr Kelly, in his primary evidence, and how it happened that the Royal Commission report, omitted, in two places, words of such stark and significant importance, especially when the reputation of a Minister was at stake.

If all the omitted words had been included, they would have altered the balance of the evidence substantially in the Minister's favour. The fact that they were not included is a sad and unhappy omission, with a most unfortunate consequence. Mr Speaker, there can be no doubting that the Royal Commissioner acted in good faith in drawing the conclusion that he did. But on the basis of the evidence that I have outlined, I cannot accept that the one adverse finding against the Minister has been substantiated. I unequivocally reject it.

The object of the Royal Commission's criticism of the Minister was that Mr Kelly had said certain things in the meeting of 11 February, or that the Report itself said certain things, that were not adequately followed-up. That, as the Royal Commissioner said, was the only point of criticism.

I believe I have rebutted it adequately and effectively.

In summary, Mr Speaker, the Report of the Royal Commission is a very positive and valuable document. The very conduct of the Commission and the response that it stimulated, has been of great benefit to the meat industry.

Overwhelmingly, the Royal Commissioner's findings have been positive in character. Since the substitution incident, the actions of the Minister and his Department have been found to be appropriate and by and large effective. The Department's recommendations for further improving the service have also been favourably commented upon. The Royal Commissioner has rightly emphasised that there is further room for improvement and he has suggested avenues for the pursuit of this improvement. These avenues will be followed up vigorously.

We are of course, still left with the difficult and complex problem of dual inspection. That matter must be resolved. The Commissioner's comments will be drawn upon heavily in our efforts to resolve that matter with the States.

We are indebted to the Royal Commissioner and his staff for their efforts. Let me stress again that I believe the Commission has been a very productive one, notwithstanding my reservations in relation to one finding.

I turn now to a broader consideration of which meat substitution was one symptom.

Mr Speaker, it makes me very angry indeed to see people who have been treated well in this country, who are largely prosperous, and who are often in control of affluent businesses seeking for no other reason than greed to become even wealthier by means which are unethical and dishonest.

Those people are undermining our whole system.

In the case of those involved in meat substitution, they run the risk of destroying the livelihoods of many honourable people in the meat industry and in the farming and pastoral world, because these practices have the potential of destroying our markets.

The Royal Commissioner has indicated that current penalties for those people are severe. Personally I would not mind if they were very much more severe. The people who have been involved in meat substitution have exhibited the same corrupt attitude towards society as those who have sought to evade paying their taxes. This Government is determined to do everything it can to make these practices unprofitable for the participants. It would want to do whatever it can to eradicate these practices once and for all.

In conclusion, Mr Speaker, there is one general point that I want to make.

We all know quite well that in the last decade or so, there have been significant breakdowns and administrative failures in a number of areas of government administration. The Narcotics Bureau and the Federal Police have been reorganised and the recent issues concerning the Crown Solicitor's Office provide a further example.

These are matters of the gravest concern to all Australians. There have obviously been considerable strains on the Public Service and I want to emphasise that I do not think the Public Service, with its traditional modes and manner of operation, can or should necessarily be blamed for these failures.

Overwhelmingly members of the Public Service do their jobs honourably and with a degree of dedication and commitment. That is not recognised as it should be in the broad community. But I also believe that in recent years the Public Service is having to face new and difficult challenges, and it needs to be equipped to meet the changes that have occurred.

The business ethics of a minority have deteriorated and it is quite clear that unethical people who wish, to cheat on their obligations to others have left Ministers and the Public Service with a massive problem in attempting to catch up with, and overtake, their unethical practices. They have at times, as we have found in this Report, found people who will assist them from within the Public Service, but I should emphasise that Public Servants like that are a small minority who will be condemned by the overall membership of the Public Service.

But because there have been these breakdowns and because there would seem to be elements in the community able to manipulate the increasingly complex and diverse business world, some significant changes may well be needed within the Public Service to put it in a position of being ahead of rather than behind those who seek to despoil that system which is important to all of us.

This is a very broad proposition, but it is a matter which is receiving my own urgent and vigorous attention and I will be saying something more about it shortly.