FOOD AMENDMENT BILL

AS REPORTED FROM THE GOVERNMENT ADMINISTRATION COMMITTEE

COMMENTARY

Recommendation

The Government Administration Committee has examined the Food Amendment Bill. We are unable to reach agreement by majority that the bill proceed. In considering the bill we are unable to recommend that any clause be amended or stand part of the bill by majority, and as a result all the clauses and the Title are recommended to be struck out.

Conduct of the examination

The Food Amendment Bill is a Government bill and makes various amendments to the Food Act 1981. The committee called for submissions on the bill and set a closing date of 9 April 1999. We received two written submissions on the bill. In addition, we requested and received comment from the Public Service Association on the bill's transitional employment provisions. We met on 4 March, 22 and 29 April, 6, 20 and 27 May and 3 June 1999 to consider the bill and spent 6 hours and 25 minutes considering it. Advice was received from the Ministry of Health and the Ministry of Agriculture and Forestry.

Background

Food administration in New Zealand has been under scrutiny for at least ten years. Because the issues surrounding food administration are complex, progress has been incremental. In September 1997, the Government directed the Ministry of Agriculture, now the Ministry of Agriculture and Forestry (MAF), and the Ministry of Health to undertake, in consultation with the Treasury, State Services Commission and the Ministry of Commerce, a review as to whether the administration of food regulation should be integrated. For example, undertaken by a single agency combining the resources of MAF and the Ministry of Health. A discussion paper flowing from the review was produced, Assuring Food Safety: An integrated approach to regulating the food sector in New Zealand. The review,

subsequent consultation process, and other related work by the Government led to the proposed legislation before us now.

Purpose

The purpose of the bill is to make amendments to the Food Act 1981 (the principal Act) in two respects. Firstly, Part 1 of the bill enables the transfer of the administration of the principal Act and export certification of wine under the Wine Makers Act 1981 from the Ministry of Health to MAF. This would allow the establishment within MAF of a single food agency, the Food Assurance Authority (FAA), and would allow those working for or contracted to the agency to undertake the various functions under the Food Act and the Wine Makers Act. The FAA will provide assurance by managing food safety and related risks for New Zealand and its industries. The legislation would come into force on 1 July 1999.

Secondly, Part 2 of the bill makes amendments that clarify action taken regarding ceramic and enamel containers and vessels used for cooking, preparation, serving or storage of food which may contaminate that food. It has been realised recently that the principal Act does not contain sufficient powers to allow the present surveillance and testing programme, or to have authorised the 1991 amendments to the Food Regulations 1984. The bill would clarify the situation and retrospectively validate certain actions taken in the past.

The changes to legislation proposed by this bill are essentially administrative in nature. However, given the proposed bill's effect on the way food administration is exercised in New Zealand and its importance to the future health and well-being of all New Zealanders, it is worth discussing some of the wider issues surrounding the bill, issues that have contributed to the select committee being unable to reach agreement on the bill.

Definitions of terms used in this commentary

"Food administration" is the sum of all government interventions in food and related industries, including establishment of legislation, regulations, institutions, standards-setting and enforcement powers. "Food safety" is basically the assurance that food will not cause harm to the consumer when it is prepared and/or eaten according to its intended use. "Food regulation" can mean food safety regulation, the regulation of composition and labelling for domestic and export food and beverages, compliance, advice to consumers and information flows between agencies.

Food administration and food safety issues

Issues of food administration and safety are central to the proposed legislation. A previous Minister of Agriculture said that "the focus of food regulation must be to ensure consumers in New Zealand and our overseas markets are presented with safe wholesome food truthfully labelled". The establishment of a single food agency, responsible for food administration and the prevention of food-borne illness in products and premises in New Zealand, is a significant step in the move to efficient and effective delivery of safe food for New Zealanders and for international consumers of New Zealand food products.

Reasons for reform

There are many reasons why food administration requires reform. Firstly, there are inconsistencies in the relevant major pieces of legislation, the standards for export and domestic food and their enforcement, the level of surveillance and enforcement of standards for imported food compared with standards for

domestic food, and the quality of administration. Secondly, fragmented responsibilities exist in Government leaving confusion among consumers and industry, and a perceived lack of co-ordination between various agencies. Thirdly, there is general concern that food administration is underresourced by the Government, there is also inadequate consumer and Māori representation in decision-making, the current health infrastructure is not strong, there is a lack of co-operation between ministries, and restructuring has impacted on the health service.

Key objectives for food administration

According to the Government the key objectives of the food administration system in New Zealand are to protect and promote public, animal and plant health and safety in relation to food products and by-products, and to facilitate access to markets for food products and by-products. These objectives are best achieved through an integrated self-regulatory system.

Advantages of a self-regulatory model

The self-regulatory or optimal regulatory model is based on the principle that food operators must demonstrate the safety of products using independently audited food safety programmes. It encourages individual food operators to accept responsibility and have in place systems to ensure food meets regulatory standards, rather than Government being required to prove compliance and non-compliance. We note there is still a great deal of debate about the advantages and disadvantages of the self-regulatory model.

One disadvantage may be an increase in compliance costs for some businesses. While the self-regulatory model may involve less costs for large food operators, small food operators may find the requirements to develop risk management plans and undergo food audits expensive. Officials from MAF were unable to tell the committee what the costs might be. In addition, in some cases application of the self-regulatory model may prove impossible. We have concerns about the potential inability of the new model to cater for all food operations.

Five options considered

The Government considered five options for the administration of food regulation. Option one involved the creation of a new department of State incorporating policy, regulation and service delivery in one stand-alone organisation. All regulatory enforcement would be transferred to the new department. Option two involved the creation of a new Ministry of Food within a parent ministry, either MAF or the Ministry of Health.

The third option proposed the creation of a discrete food regulatory agency within a single ministry, either MAF or the Ministry of Health. Policy, regulation and some service delivery would be provided by the agency and its 'parent' ministry. Most service delivery would be provided through current arrangements with territorial authorities, food regulatory officers working in public health services and MAF regulatory officials.

Option four involved the creation of an independent stand-alone food regulatory agency as a Crown entity with responsibility for operational policy and some service delivery. It could integrate strategic policy advice from MAF and the Ministry of Health to produce regulatory systems. The agency would be governed by an independent board. The fifth option involved minor improvements to the current administrative arrangements. However, no discrete food regulatory agency would be established.

Stand-alone agency

The creation of an independent stand-alone agency is a very attractive option. It represents significant advantages over the status quo according to the review by MAF and the Ministry of Health. Advantages include a clearer focus of resources and effort on the administrative processes, the removal of duplication of regulatory systems, and the more efficient deployment of scarce human resources. We note the creation of an independent stand-alone food agency was supported by many involved in the consultation process. Half of the committee favour the establishment of a stand-alone food agency.

Food agency within MAF preferred by the Government

The Government and half of the committee support the creation of a discrete food regulatory agency within MAF. The review said that full independence does not confer significant economic or operational advantages over a single administrative agency within MAF. According to the review the creation of an agency within MAF is preferable to the other options considered because it:

- achieves most of the objectives of the integration of food administration
- maintains the ability to meet the criteria for good food regulation
- keeps responsibility close to the Crown while not expanding government
- has lower establishment costs than some of the other options
- minimises organisational disruption to MAF, the Ministry of Health and regulatory services.

The Government decided against establishing a stand-alone agency because it would not provide all the benefits listed above. Significantly, a stand-alone agency would involve substantial set-up costs. The Government considered these costs would not be offset by increased benefits. Officials estimated the cost of establishing a new department would be in the order of \$5 million to \$10 million. We note the establishment of the Ministry of Fisheries in 1995 cost approximately \$8 million. The cost of setting up an agency within MAF has been budgeted at less then \$0.7 million.

We note that no detailed costings whatsoever for the creation of a stand-alone agency were carried out by the Government before making its decision to pursue the agency within a ministry model. We find this most surprising given the stated advantages of a stand-alone agency. We consider the information on which the decision was made was insufficient and inadequate. The decision-making process was therefore ultimately flawed. As a bare minimum accurate and robust costings for all the options should have been produced before Cabinet made a final decision on which option to choose.

It is hard to give credence to the very general figures given for the stand-alone agency option. For example, the Government said recently that "the cost of establishing the Department of Child, Youth and Whanau Services, including the names changes, will be met from existing baselines over the next three years" and involve no additional capital costs.

Reasons for an agency within MAF

Many reasons have been given why the new food agency should be located within MAF. MAF already administers some food legislation like the Meat Act 1981, the Dairy Industry Act 1952 and a large number of regulations. MAF is responsible for policy, regulation, inspection and quality assurance audit of meat, game and dairy products. MAF is the lead agency for biosecurity, currently providing over 90 percent of outputs relating to biosecurity. MAF has an international reputation for excellence and quality. Foreign countries prefer to deal with a government

department of standing and may be hesitant about a new department, or a Crown entity with less direct links with the Government.

The establishment of a stand-alone food agency could significantly impact on MAF. If a new agency was to contain both the food and biosecurity functions there would be little left of the current MAF. Finally, MAF told us "the potential for conflicting advice to come from MAF and the Crown entity (and Health) can be expected to increase over time". With respect to this last point, we are very surprised that conflicting advice should be seen as negative. Surely the Government should consider as many points of view as practicable before making a decision.

Concerns about the role of MAF

Notwithstanding the last point above, we have some concerns about the new food agency being located within MAF. These concerns centre on the relationship between MAF and the food producers it regulates. Its mission statement says that MAF exists to create opportunity for and manage risks to New Zealand and the food, fibre, forestry and associated industries. This statement indicates an emphasis on industry. Food safety on the other hand is concerned with protecting the health of consumers. An example of the emphasis given to producers can be seen in the consultation process undertaken in November 1997. Fourteen industry groups were consulted compared to three consumer groups.

We consider the debate over feeding chicken to chickens provides an example of the approach MAF currently takes to food safety issues and highlights the cultural differences between MAF and the Ministry of Health. MAF took a rather technical view of the issue. It said there is no legislation that controls the composition of the feeding regime for poultry. While MAF does not specifically approve the practice of feeding rendered poultry material, it has no reason to prevent it. On the other hand at the same time the Ministry of Health was quoted as calling on the poultry industry to ban the practice. Others asked for the practice to stop until a thorough risk assessment is completed.

Stand-alone agency still an option

The option of a stand-alone agency could still become a reality in the future. The bill is worded in a way that will allow for the creation of an agency either within MAF or any other department of State which could include a newly created "dedicated" government department. At the committee Mr Mark Peck moved amendments that would have established a Ministry of Food Assurance. The amendments were defeated at the committee as the result of a tied vote. The option of a stand-alone agency has been ruled out by the Government on various grounds including cost.

We believe there should have been more work done weighing up the benefits of a stand-alone agency against the disadvantages of the agency within a ministry model. We are not satisfied with the work done by the Government to date and the advice presented to the select committee. There should have been more detailed costings of all the options produced. We had to ask officials ourselves to do this work, work the Government should have commissioned well before the introduction of this legislation. The costings they produced are informative but as estimates provide a rough guide only. More specific service and financial information on each option should have been available before Parliament was asked to make a decision.

Ministry of Health to play a continuing role

Currently policy and regulation for food products sold in New Zealand, including imported beef, has been carried out by the Ministry of Health. Food administration and the control of food-borne illness is an essential part of protecting public health. A close working relationship will need to be established between any food assurance agency or department and the Ministry of Health. It is envisaged that this will be achieved by a Memorandum of Understanding between the Ministry of Health and any food assurance agency or parent ministry or separate department, and a joint key result area between the Ministry of Health and any food assurance department or parent ministry of a food assurance agency.

One member is concerned that the new food agency is not to be located within the Ministry of Health. Food safety is an important public health matter. Over the years the Ministry of Health has fostered the development of strong relationships between central and local government in the area of food administration. Half of us are concerned about the ability of MAF to take over this role and its familiarity with the many types of food operators in the community. We are also concerned about MAF's knowledge and competency in the areas of public health, building and resource management legislation. In addition, the transfer of food administration to MAF may create confusion in the minds of the public given the automatic association of food safety with public health.

We note that in the United Kingdom the new food agency there will report to the Minister of Health. We consider it is vital that the Ministry of Health play a continuing role in food administration in New Zealand.

Delivery of regulatory services

A key interface in food regulation is service delivery which involves the regulatory officers who deal with the public and businesses on a daily basis. This interface would not change at 1 July 1999. Current contracts with public health service providers for food administration activity would be rolled-over by MAF through an agreement with the Ministry of Health for the 1999/2000 financial year. Other officers in territorial authorities, the MAF Verification Agency, Asure New Zealand and AgriQuality New Zealand would continue their functions under existing legislation.

Food administration in foreign jurisdictions

Food administration structures are under review in a number of countries. The United Kingdom (UK) is undertaking its biggest review of food administration since World War II. Reform has been driven partly by the perceived conflict between public health and trade facilitation, for example, the Bovine Spongiform Encephalopathy (BSE) crisis. The UK is establishing an independent agency governed by a chairperson and a Commission.

Canada has a food inspection agency with responsibility for all federally mandated food inspection programmes and animal and plant health activities, reporting to a Minister of Agriculture and Agri-Food. Health Canada retains responsibility for establishing policy and food standards for safety. The United States has enlarged an office of Public Health and Science within the Department of Agriculture as part of an inter-agency food safety initiative.

The Australian Government announced a comprehensive review of food regulation in March 1997. This review is nearing completion. The New Zealand Government is committed to the growing integration of the New Zealand and Australian markets and increased co-operation between the two countries in food

administration and regulation. The Australia New Zealand Food Authority is the most visible example of this co-operation.

The Minister of Food, Fibre, Biosecurity and Border Control suggested that Denmark, of the countries looked at by the review, has the most in common with New Zealand. The economies of both nations rely heavily on the export of agricultural and other foodstuffs. In Denmark the Government has established a new Ministry of Food, Agriculture and Fisheries (MFAF). Its food regulatory agency is located within MFAF.

Conclusion

Food safety is crucial to the health and well-being of New Zealand and New Zealanders. Our health depends on the safety of the food we consume and the well-being of our economy rests on the quality of the foodstuffs we export. Any action that threatens the safety of food consumed, produced, exported or imported by New Zealand could prove disastrous for society and the economy. This is why the House must proceed with extreme caution when considering our report and the issues surrounding it. We acknowledge the admirable and highly regarded work of MAF in safeguarding our food supply. While the purpose of the bill itself is relatively simple, transferring responsibility for food administration from the Ministry of Health to an agency within another department of State, the wider implications of the proposed bill are extremely important and complex.

One of the great issues of the 21st century will be the relationship between biotechnology and our food supply. We are already witnessing the beginnings of this issue with the current debate over the production and labelling of genetically modified foods. The BSE or "Mad Cow" crisis in the UK has shown us how terribly wrong things can go if food administration and safety is not addressed effectively. Lives can be lost, reputations destroyed and industries ruined. In New Zealand we cannot afford to make the same mistakes. We urge the Minister and the House to concentrate hard on our report and the future of food administration and safety in New Zealand. We have an opportunity here to debate the issues fully and ensure the right legislation is put in place to safeguard the nation's food supply. While half of us are confident the Government is on the right track, the other half of us would have preferred legislation creating a standalone food assurance agency.

KEY TO SYMBOLS USED IN REPRINTED BILL

As Reported from a Select Committee

Struck Out (Majority)

Subject to this Act,

Text struck out by a majority

Hon Wyatt Creech

FOOD AMENDMENT

ANALYSIS

Title

1. Short Title and commencement

PART 1

ADMINISTRATION OF PRINCIPAL ACT

Amendments Relating to Administration of

Principal Act

2. Interpretation

Transitional Matters

- 3. Definitions
- 4. Application of employment contracts
- 5. Employment to be continuous
- Transfer not sufficient to entitle employee to redundancy or severance payment
- 7. Continuation of existing proceedings

8. References to functions being transferred to Ministry of Agriculture and Forestry

PART 2

SAFETY OF CERTAIN APPLIANCES

- 9. Interpretation
- 10. Regulations
- 11. Validations

SCHEDULE

Consequential Amendments to Principal Act

A BILL INTITULED

Struck Out (Majority)

An Act to amend the Food Act 1981

BE IT ENACTED by the Parliament of New Zealand as follows:

- 5 1. Short Title and commencement—(1) This Act may be cited as the Food Amendment Act 1998, and is part of the Food Act 1981* ("the principal Act").
 - (2) Part 1 comes into force on 1 July 1999.
- (3) The rest of this Act comes into force on the day after the day on which it receives the Royal assent.

*1981, No. 45 Amendments: 1985, No. 18; 1996, Nos. 41, 97

PART 1

ADMINISTRATION OF PRINCIPAL ACT

Amendments Relating to Administration of Principal Act

2. Interpretation—(1) Section 2 of the principal Act is amended by repealing the definitions of the terms "Director-General", "Minister", and "Officer", and inserting, in their appropriate alphabetical order, the following definitions:

"'Designated officer', in any provision of this Act, means an officer for the time being designated by the Director-General for the purposes of that provision, or any provision or provisions of which it forms part; and includes the Director:

"'Director-General' means the chief executive of the Ministry:

"'Minister' means the Minister of the Crown who, under the authority of a warrant or with the authority of the Prime Minister, is responsible for the administration of this Act:

"'Ministry' means the department of State that, with the authority of the Prime Minister, is responsible for the administration of this Act:

"'Officer' means a person who-

"(a) Is a Medical Officer of Health; or

"(b) Is a Health Protection Officer within the 25 meaning of the Health Act 1956; or

"(c) Is for the time being appointed under section 7 to be an officer:".

(2) The provisions of the principal Act specified in the Schedule are amended in the manner indicated in that schedule.

(3) Section 25 (5) of the Wine Makers Act 1981 is amended by repealing the definition of the term "Director", and substituting the following definition:

"'Director' has the meaning given to it by section 2 of the Food Act 1981:".

Transitional Matters

3. **Definitions**—In sections 4 to 6, unless the context otherwise requires,—

"Old contract", in relation to a transferred employee, means the employment contract applying to the 5

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employee when the employee transfers to the Ministry of Agriculture and Forestry:

"Transferred employee" means any employee of the Ministry of Health who transfers (in circumstances to which section 61A of the State Sector Act 1988 applies) to the Ministry of Agriculture and Forestry.

4. Application of employment contracts—(1) Unless a transferred employee's old contract provides otherwise, it continues to apply to the employee, on and from the date the employee transfers to the Ministry of Agriculture and Forestry, on the same terms and conditions (including its period)—

(a) As if it were a contract that had been made in respect of the Ministry of Agriculture and Forestry; and

(b) As if it were binding on both the employee and on the Director-General of Agriculture and Forestry, and on any other party to that contract.

(2) If there is a change to a transferred employee's duties or location arising out of the employee's transfer to the Ministry of Agriculture and Forestry,—

(a) The employee's conditions of employment may be varied by agreement for the purpose of reflecting that change; but

(b) The conditions of employment as varied must be no less favourable than those the employee was entitled to under the old contract.

(3) Subsection (2) overrides subsection (1).

(4) Subsections (2) and (3) cease to apply to a transferred employee and the employee's conditions of employment when—

- (a) Any of the conditions of employment under the old contract are varied (otherwise than for the purpose referred to in subsection (2) (a)); or
- (b) The employee receives a new appointment in the
 Ministry of Agriculture and Forestry or some other
 department of State; or

(c) The employee ceases to be employed under the State Sector Act 1988.

(5) On and from the date of any variation referred to in subsection (4) (a), the conditions of employment of a transferred employee must be determined in accordance with the

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employment contract applying to that employee in the Ministry of Agriculture and Forestry.

- **5. Employment to be continuous**—For the purposes of any provisions of a transferred employee's old contract relating to continuity of service, the employee's transfer from the Ministry of Health to the Ministry of Agriculture and Forestry is insufficient by itself to break the employee's employment.
- 6. Transfer not sufficient to entitle employee to redundancy or severance payment—No transferred employee is entitled to receive any compensation for any redundancy or severance payment merely because—

(a) The position the employee held in the Ministry of Health has ceased to exist; or

- (b) The employee has ceased by virtue of the employee's 15 transfer to be an employee of the Ministry of Health.
- 7. Continuation of existing proceedings—(1) Any proceedings that, before the commencement of this Act, the Minister of Health has initiated or become a party to in the employee's capacity as the Minister responsible for the administration of the principal Act may be continued, completed, and enforced by or against the Minister of the Crown who, under the authority of a warrant or with the authority of the Prime Minister, is for the time being responsible for the administration of the principal Act.

(2) Any proceedings in relation to the administration of the principal Act or the Wine Makers Act 1981 that the Director-General of Health has initiated or become a party to before the commencement of this Act may be continued, completed, and enforced by or against the chief executive of the department of State that, with the authority of the Prime Minister, is for the time being responsible for the administration of the principal Act.

8. References to functions being transferred to Ministry of Agriculture and Forestry—Unless the context otherwise requires, every reference to the Director-General of Health (or the chief executive of the Ministry of Health), in any regulation, agreement, rule, order, deed, instrument,

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application, notice, direction, contract, lease, or other document in force at the commencement of this Act, when used in relation to the employee's functions, duties, or powers under the principal Act or the Wine Makers Act 1981, is a reference to the chief executive of the department of State that, with the authority of the Prime Minister, is for the time being responsible for the administration of the principal Act.

PART 2

SAFETY OF CERTAIN APPLIANCES

9. Interpretation—The definition in section 2 of the principal Act of the term "appliance" is amended by inserting, after the word "utensil", the words ", container, vessel,".

10. Regulations—(1) Section 42 (1) of the principal Act is amended—

(a) By adding to paragraphs (d), (f), and (g) the words "or appliance"; and

(b) By inserting in paragraph (e), after the word "food", the words "or appliance"; and

(c) By omitting from paragraph (j) the words ", containers, or instruments" and ", container, or instrument"; and

(d) By inserting in paragraph (q), after the word "food", the words "or appliances".

(2) Section 42 (1) of the principal Act is amended by repealing paragraph (u), and substituting the following paragraph:

"(u) Prohibiting, restricting, or regulating the sale or supply of appliances intended for use in carrying, delivering, manufacturing, packing, preparing, processing, selling, or storing, food that are—

"(i) Made of any material containing any substance capable of imparting any poisonous or injurious property to any food that might be cooked, prepared, served, or stored in those appliances, or prepared with those appliances; or

"(ii) Reasonably suspected by any Medical Officer of Health of being made of any such material:".

11. Validations—(1) All regulations made under the principal Act before the commencement of this section are as

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valid and effectual as if the amendments effected by sections 9 and 10 had come into force on 14 October 1981.

(2) All actions undertaken, or purportedly undertaken, by any person before the commencement of this section under the principal Act or any regulations made under the principal Act are as valid and effectual as if the amendments effected by sections 9 and 10 had come into force on 14 October 1981.

(3) Any issue arising in proceedings relating to the principal Act or any regulations made under it commenced before 17 December 1998 must be determined as if subsections (2) and (3) had not been enacted.

SCHEDULE

Section 2 (2)

CONSEQUENTIAL AMENDMENTS TO PRINCIPAL ACT

Provision	Amendment
Section 7A	By omitting the section, and substituting the following section: "7A. The Director-General must from time to time designate an employee as Director for the purposes of this Act."
Section 8	By repealing subsection (1), and substituting the following subsections: "(1) The Director, and every officer employed by the Director-General, must exercise the powers and functions conferred by this Act under the direction and control of— "(a) The Director-General; and "(b) Every other employee of the Director-General to whom the Director or officer is subordinate. "(1AA) Every Medical Officer of Health must exercise the powers and functions conferred by this Act under the direction and control of— "(a) The chief executive of the Ministry of Health; and "(b) Every other employee of that chief executive to whom the Medical Officer of Health is
Section 8D (2)	subordinate." By inserting, after the words "a Medical Officer of Health", the words "or designated officer."
Section 8zs (2) (a) Section 8zzr (2) (a) Section 13	nated officer". By omitting the words "of Health". By omitting the words "of Health". By repealing subsection (3), and substituting the following subsection: "(3) Every local authority— "(a) Must give the Medical Officer of Health all reports on the exercise in its district of the powers under this section of local authority inspectors that the Medical Officer of Health asks for; and

SCHEDULE—continued CONSEQUENTIAL AMENDMENTS TO PRINCIPAL ACT—continued

Provision	Amendment
Section 13—continued	"(b) Must give the Director all reports on the exercise in its district of the powers under this section of local authority inspectors that any designated officer asks for."
Section 14 (4) (a)	By omitting the words "officer of the Ministry of Health", and substituting the words "employee of the Ministry".
Section 17 (1)	By inserting, after the words "Medical Officer of Health", the words "or the Director".
Section 17 (2)	By inserting, after the words "Medical Officer of Health", the words "or the Director".