

Targeted stakeholder consultation on the implementation of an EU system for traceability and security features pursuant to Articles 15 and 16 of the Tobacco Products Directive 2014/40/EU

Fields marked with * are mandatory.

This is a targeted stakeholder consultation. The purpose of this consultation is to seek comments from stakeholders:

- directly affected by the upcoming implementation of an EU system for traceability and security features pursuant to Articles 15 and 16 of the new Tobacco Products Directive (Directive 2014/40/EU), or
- considering to have special expertise in the relevant areas.

In the Commission's assessment, the following stakeholders, including their respective associations, are expected to be directly affected:

1. manufacturers of finished tobacco products,
2. wholesalers and distributors of finished tobacco products,
3. providers of solutions for operating traceability and security features systems,
4. governmental and non-governmental organisations active in the area of tobacco control and fight against illicit trade.

Not directly affected are retailers and upstream suppliers of tobacco manufacturers (except the solution providers mentioned in point 3 above).

The basis for the consultation is the Final Report to the European Commission's Consumers, Health and Food Executive Agency (CHAFFEA) in response to tender n° EAHC/2013/Health/11 concerning the provision of an analysis and feasibility assessment regarding EU systems for tracking and tracing of tobacco products and for security features (hereafter the Feasibility Study). The Feasibility Study was published on 7 May 2015 and is available at http://ec.europa.eu/health/tobacco/docs/2015_tpd_tracking_tracing_frep_en.pdf. The interested stakeholders are advised to review the Feasibility Study before responding to this consultation.

The comments received in the course of this consultation will be an input to the further implementation work on a future EU system for traceability and security features. In particular, the comments will be taken into account in a follow-up study.

Stakeholders are invited to submit their comments on this consultation at the following web-address <https://ec.europa.eu/eusurvey/runner/trace> until 31 July 2015. The web-based survey consists of closed and open questions. For open questions stakeholders will be asked to provide comments up to the limit of characters indicated in the question or to upload (a) separate document(s) in PDF format up to the limit of total number of standard A4 pages (an average of 400 words per page) indicated in the question. Submissions should be - where possible - in English. For a corporate group one single reply should be prepared. For responses from governmental organisations, which are not representing a national position, it should be explained why the responding body is directly affected by the envisaged measures.

The information received will be treated in accordance with Regulation 45/2001 on the protection of individuals with regard to the processing of personal data by the Community (please consult the [privacy statement](#)). Participants in the consultation are asked not to upload personal data of individuals.

The replies to the consultation will be published on the Commission's website. In this light no confidential information should be provided. If there is a need to provide certain information on a confidential basis, contact should be made with the Commission at the following email address: SANTE-D4-SOHO-and-TOBACCO-CONTROL@ec.europa.eu with a reference in the email title: "Confidential information concerning targeted stakeholder consultation on the implementation of an EU system for traceability and security features". A meaningful non-confidential version of the confidential information should be submitted at the web-address.

Answers that do not comply with the specifications cannot be considered.

A. Respondent details

*A.1. Stakeholder's main activity:

- a) Manufacturer of tobacco products destined for consumers (finished tobacco products)
- b) Operator involved in the supply chain of finished tobacco products (excluding retail)
- c) Provider of solutions
- d) Governmental organisation
- e) NGO
- f) Other

*A.1.e. Please specify:

- i) NGO active in the area of fight against illicit trade of tobacco products
- ii) Other

- *A.2. Contact details (organisation's name, address, email, telephone number, if applicable name of the ultimate parent company or organisation) - if possible, please do not include personal data

Text of 1 to 800 characters will be accepted

Alliance contre le tabac - ACT (French Alliance for Tobacco Control)
13 rue d'Uzès - 75002 Paris
France
tel: +33 1 43 37 91 51
Email: accueil.act@alliancecontreletabac.org

- *A.3. Please indicate if your organisation is registered in the Transparency Register of the European Commission (unless 1d):

Yes No

- *A.4. Extract from the trade or other relevant registry confirming the activity listed under 1 and where necessary an English translation thereof.

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B. Options proposed in the Feasibility Study

B.1. Please rate the appropriateness of each option for tracking and tracing system set out in the Feasibility Study in terms of the criteria listed in the tables below

B.1.1. Option 1: an industry-operated solution, with direct marking on the production lines carried out by tobacco manufacturers (for further details on this option, please consult section 8.2 of the Feasibility Study)

	Appropriate	Somewhat appropriate	Neutral	Somewhat inappropriate	Inappropriate	No opinion
*Technical feasibility	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
*Interoperability	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
*Ease of operation for users	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
*System integrity (e.g. low risk of manipulation)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
*Potential of reducing illicit trade	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
*Administrative/financial burden for economic operators	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
*Administrative/financial burden for public authorities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

B.1.2. Option 2: a third party operated solution, with direct marking on the production lines carried out by a solution or service provider (for further details on this option, please consult section 8.3 of the Feasibility Study)

	Appropriate	Somewhat appropriate	Neutral	Somewhat inappropriate	Inappropriate	No opinion
*Technical feasibility	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*Interoperability	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*Ease of operation for users	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*System integrity (e.g. low risk of manipulation)	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*Potential of reducing illicit trade	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* Administrative/financial burden for economic operators	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* Administrative/financial burden for public authorities	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

B.1.3. Option 3: each Member State decides between Option 1 and 2 as to an entity responsible for direct marking (manufacture or third party) (for further details on this option, please consult section 8.4 of the Feasibility Study)

	Appropriate	Somewhat appropriate	Neutral	Somewhat inappropriate	Inappropriate	No opinion
*Technical feasibility	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
*Interoperability	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
*Ease of operation for users	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*System integrity (e.g. low risk of manipulation)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
*Potential of reducing illicit trade	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*Administrative/financial burden for economic operators	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
*Administrative/financial burden for public authorities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

B.1.4. Option 4: a unique identifier is integrated into the security feature and affixed in the same production process (for further details on this option, please consult section 8.5 of the Feasibility Study)

	Appropriate	Somewhat appropriate	Neutral	Somewhat inappropriate	Inappropriate	No opinion
*Technical feasibility	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*Interoperability	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*Ease of operation for users	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*System integrity (e.g. low risk of manipulation)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
*Potential of reducing illicit trade	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*Administrative/financial burden for economic operators	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*Administrative/financial burden for public authorities	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

B.1.5. Please upload any additional comments on the options referred to in question B.1 (max. 5 pages)

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B.2. Please rate the appropriateness of each option for security features set out in the Feasibility Study in terms of the criteria listed in the tables below

B.2.1. Option 1: a security feature using authentication technologies similar to a modern tax stamp
 (for further details on this option, please consult section 9.2 of the Feasibility Study)

	Appropriate	Somewhat appropriate	Neutral	Somewhat inappropriate	Inappropriate	No opinion
*Technical feasibility	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*Interoperability	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*Ease of operation for users	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*System integrity (e.g. low risk of manipulation)	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*Potential of reducing illicit trade	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*Administrative/financial burden for economic operators	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
*Administrative/financial burden for public authorities	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

B.2.2. Option 2: reduced semi-covert elements as compared to Option 1 (for further details on this option, please consult section 9.3 of the Feasibility Study)

	Appropriate	Somewhat appropriate	Neutral	Somewhat inappropriate	Inappropriate	No opinion
*Technical feasibility	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
*Interoperability	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
*Ease of operation for users	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
*System integrity (e.g. low risk of manipulation)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
*Potential of reducing illicit trade	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
* Administrative/financial burden for economic operators	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
* Administrative/financial burden for public authorities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

B.2.3. Option 3: the fingerprinting technology is used for the semi-covert and covert levels of protection (for further details on this option, please consult section 9.4 of the Feasibility Study)

	Appropriate	Somewhat appropriate	Neutral	Somewhat inappropriate	Inappropriate	No opinion
*Technical feasibility	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
*Interoperability	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
*Ease of operation for users	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
*System integrity (e.g. low risk of manipulation)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
*Potential of reducing illicit trade	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
* Administrative/financial burden for economic operators	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
* Administrative/financial burden for public authorities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

B.2.4. Option 4: security feature is integrated with unique identifier (see Option 4 for traceability)
 (for further details on this option, please consult section 9.5 of the Feasibility Study)

	Appropriate	Somewhat appropriate	Neutral	Somewhat inappropriate	Inappropriate	No opinion
*Technical feasibility	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
*Interoperability	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
*Ease of operation for users	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
*System integrity (e.g. low risk of manipulation)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
*Potential of reducing illicit trade	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
* Administrative/financial burden for economic operators	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
* Administrative/financial burden for public authorities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

B.2.5. Please upload any additional comments on the options referred to in question B.2 (max. 5 pages)

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C. Cost-benefit analysis

C.1. Do you agree with?

	Agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Disagree	No opinion
*The benefit analysis presented in section 11.3.1 of the Feasibility Study	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
*The cost analysis presented in section 11.3.2 of the Feasibility Study	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

D. Additional questions

The questions in this section relate to different possible building blocks and modalities of the envisaged system (questions D.1, D.3, D.4, D.6, D.8, D.10, D.12, D.14 and D.16). When replying please take into account the overall appropriateness of individual solutions in terms of the criteria of technical feasibility, interoperability, ease of operation, system integrity, potential of reducing illicit trade, administrative/financial burden for economic stakeholders and administrative/financial burden for public authorities.

*D.1. Regarding the generation of a serialized unique identifier (for definition of a unique identifier, see Glossary in the Feasibility Study), which of the following solutions do you consider as appropriate (multiple answers possible)?

- a) A single standard provided by a relevant standardization body
- b) A public accreditation or similar system based on the minimum technical and interoperability requirements that allow for the parallel use of several standards;
- c) Another solution
- d) No opinion

*D.1.a. Please indicate your preferred standardization body

Text of 1 to 400 characters will be accepted

The French Alliance Coalition has no definite view on which standardization body should be used for this purpose. As far as we know, there are no international standards for the development of unique serial codes. However, we believe that the standardization body should also be independent of the tobacco industry.

D.2. Please upload any additional comments relating to the rules for generation of a serialized unique identifier referred to in question D.1. above (max. 2 pages)

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*D.3. Regarding (a) data carrier(s) for a serialized unique identifier, which of the following solutions do you consider as appropriate (multiple answers possible)?

- a) Solution based on a single data carrier (e.g. 1D or 2D data carriers)
- b) Solution based on the minimum technical requirements that allow for the use of multiple data carriers;
- c) Another solution;
- d) No opinion

***D.3.a. Please indicate your preferred data carrier and explain why**

Text of 1 to 400 characters will be accepted

The preferred data carrier would be a 2D barcodes (also known as QR codes or data matrix codes). Other solutions should not totally be ruled out:

According to the Framework Convention Alliance (FCA), new digital tax stamps, using invisible ink and featuring a unique covert (hidden) code with data for each cigarette pack, make it harder for criminals to manufacture fakes.

***D.4. Regarding (a) data carrier(s) for a serialized unique identifier, which of the following solutions do you consider as appropriate (multiple answers possible)?**

- a) System only operating with machine readable codes;
- b) System operating both with machine and human readable codes;
- c) No opinion

D.5. Please upload any additional comments relating to the options for (a) data carrier(s) for a serialized unique identifier referred to in questions D.3 and D.4 above (max. 2 pages)

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***D.6. Regarding the physical placement of a serialized unique identifier, when should it happen (multiple answers possible)?**

- a) Before a pack/tin/pouch/item is folded/assembled and filled with products;
- b) After a pack/tin/pouch/item is folded/assembled and filled with products;
- c) No opinion

D.7. Please upload any additional comments relating to the placement of a serialized unique identifier referred to in question D.6. above (max. 2 pages)

D.8. Which entity should be responsible for?

	Economic operator involved in the tobacco trade without specific supervision	Economic operator involved in the tobacco trade supervised by the third party auditor	Economic operator involved in the tobacco trade supervised by the authorities	Independent third party	No opinion
*Generating serialized unique identifiers	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
*Marking products with serialized unique identifiers on the production line	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
*Verifying if products are properly marked on the production line	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
*Scanning products upon dispatch from manufacturer's/importer's warehouse	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
*Scanning products upon receipt at distributor's/wholesaler's premises	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

*Scanning products upon dispatch from distributor's/wholesaler's premises	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
*Aggregation of products	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

D.9. In relation to question D.8. above, please specify any other measures that your organisation considers relevant

Text of 1 to 1200 characters will be accepted

The chosen system should not leave open the possibility for the tobacco industry to repeat the use of valid unique identifiers or use of some valid unique identifiers for products known to be intended for diversion into illicit channels, for example through deliberate over supply to stated destination markets. We therefore consider that an independent party should generate the unique identifiers.

*D.10. Regarding the method of putting the security feature on the pack/tin/pouch/item, which of the following solutions do you consider as appropriate (multiple answers possible)?

- a) A security feature is affixed;
- b) A security feature is affixed and integrated with the tax stamps or national identification marks;
- c) A security feature is printed;
- d) A security feature is put on the pack/tin/pouch/item through a different method;
- e) No opinion

D.11. Please upload any additional comments relating to the method of putting the security feature on the pack referred to in question D.10 above (max. 2 pages)

*D.12. Regarding the independent data storage as envisaged in Article 15(8) of the TPD, which of the following solutions do you consider as appropriate (multiple answers possible)?

- a) A single centralised storage for all operators;
- b) An accreditation or similar system for multiple interoperable storages (e.g. organised per manufacturer or territory);
- c) Another solution
- d) No opinion

D.13. Please upload any additional comments relating to the independent data storage referred to in question D.12. above (max. 2 pages)

*D.14. In your opinion which entity(ies) is/are well placed to develop reporting and query tools (multiple answers possible)?

- a) Provider of solutions to collect the data from the manufacturing and distribution chain;
- b) Provider of data storage services;
- c) Another entity
- d) No opinion

D.15. Please upload any additional comments relating to the development of reporting and query tools referred to in question D.14. above (max. 2 pages)

*D.16. Do you consider that the overall integrity of a system for tracking and tracing would be improved if individual consumers were empowered to decode and verify a serialized unique identifier with mobile devices (e.g. smartphones)?

- a) Yes
- b) No
- c) No opinion

D.16.a. If yes, please explain your considerations

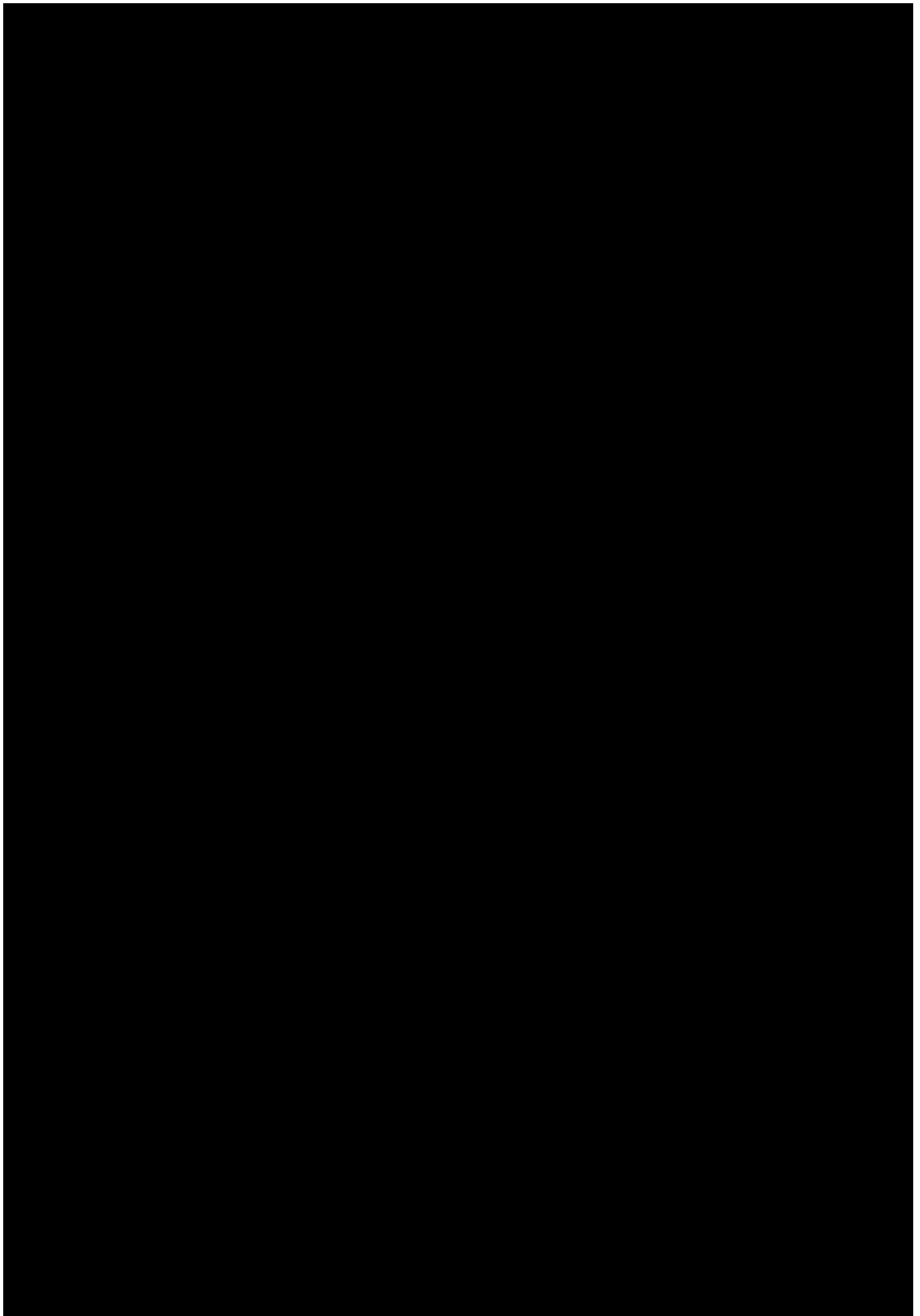
Text of 1 to 800 characters will be accepted

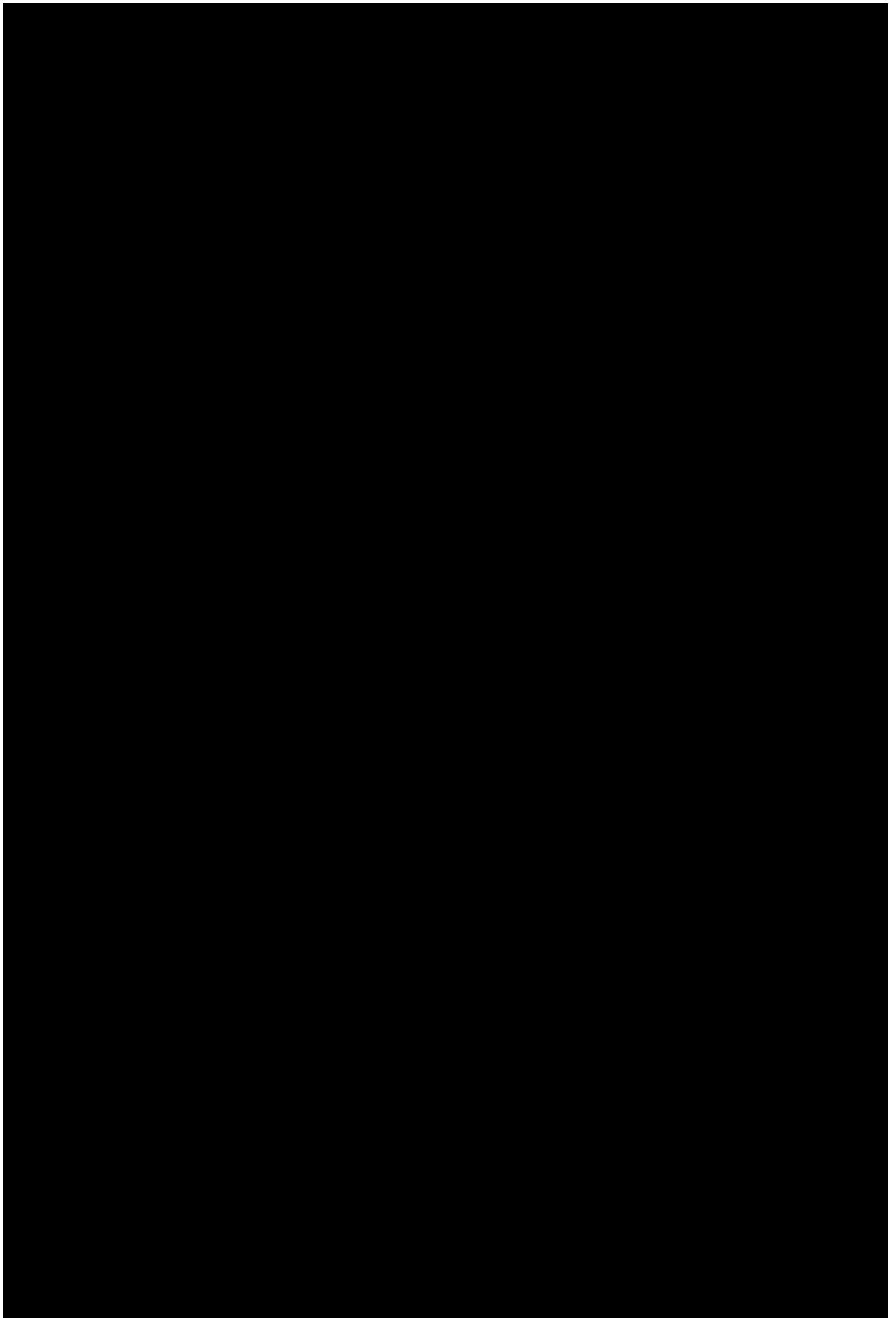
QR code-scanning apps have successfully been used for consumers to immediately check the authenticity of tobacco products or luxury goods. This opportunity puts the counterfeit detection capability directly in the hands of consumers and give them the ability to curtail the spread of illicit cigarettes. (réf : Boon, R. Local firm creates mobile app to detect fake goods. April 2015 - <http://business.asiaone.com/sme-central/ebiz-hub/local-firm-creates-mobile-app-detect-fake-goods>)

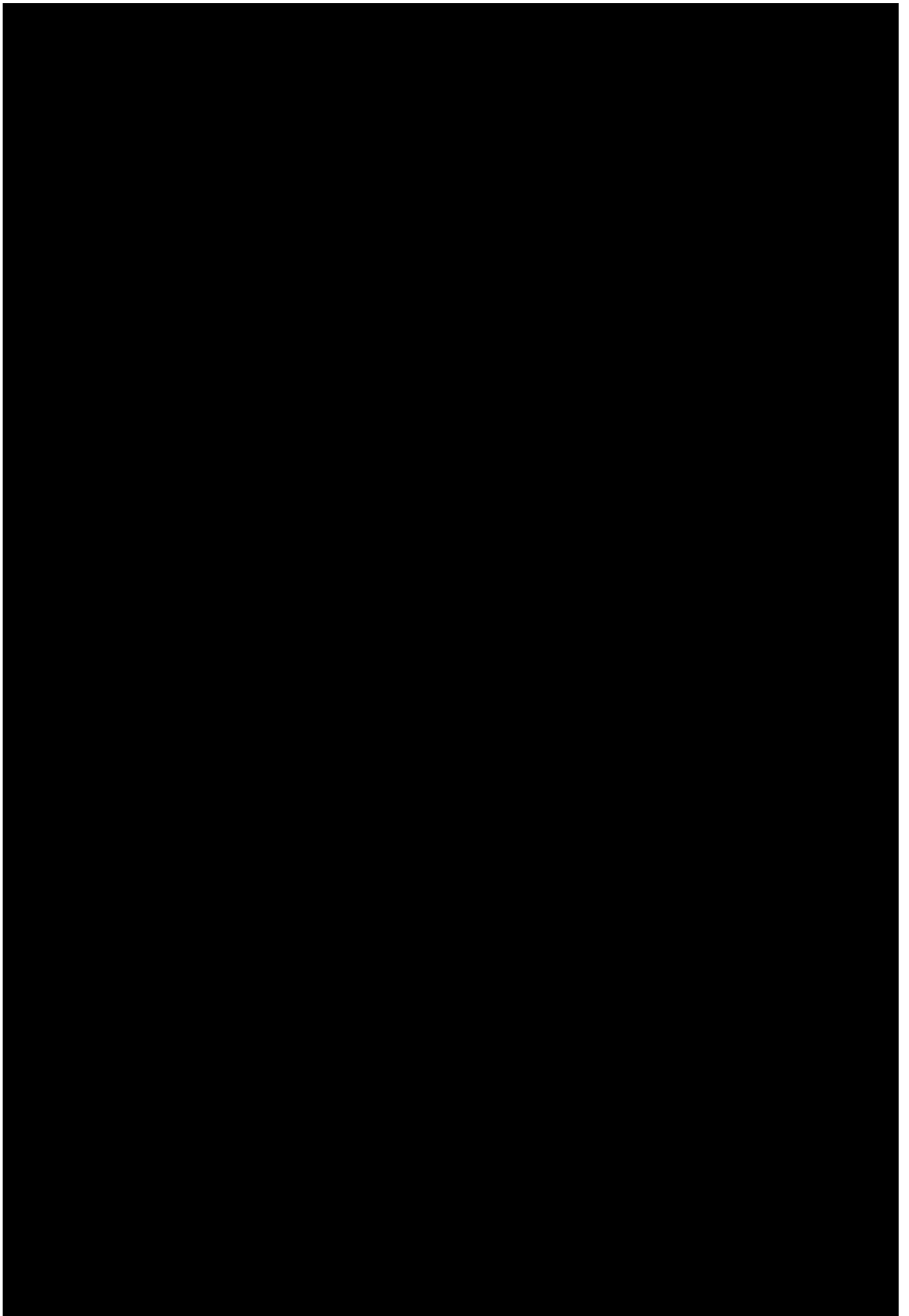
D.17. Please upload any additional comments on the subject of this consultation (max. 10 pages)

Contact

✉ SANTE-D4-SOHO-and-TOBACCO-CONTROL@ec.europa.eu







B.1.5. Please upload any additional comments on the options referred to in question B.1 (max. 5 pages)

Option 1: an industry operated solution,

Option 2: a third party operated solution,

Option 3: each Member State decides between option 1 and option 2,

Option 4: a unique identifier that is integrated into the security feature and affixed in the same production process

Before we respond to question B1, the French Alliance would like to stress the importance of the Protocol to Eliminate Illicit Trade in Tobacco Products (ITP) which was developed by the Parties to the WHO FCTC. The French Alliance believes that it is essential that the introduction of a tracking and tracing system should **meet the requirements of Article 8 of the Illicit Trade Protocol**. It should be noted that the Protocol requires that the obligations of the tracking and tracing system **shall not be delegated to the tobacco industry**. In particular, Article 8.2 states that the tracking and tracing system is “controlled by the Party”. Also, Article 8.12 states that obligations assigned to a Party shall not be performed by or delegated to the tobacco industry and Article 8.13 states that each Party shall ensure that its competent authorities, in participating in the tracking and tracing regime, interact with the tobacco industry and those representing the interests of the tobacco industry only to the extent strictly necessary in the implementation of this Article.

□ **Only Option 2 and Option 4 are in line with Article 8 of the Illicit Trade Protocol and are thus our preferred options.**

□ **Our analysis of the feasibility study shows that Option 1 and Option 3 (as both options would permit an industry-operated system) are not in line with Article 8 of the Illicit Trade Protocol and should be rejected on this basis alone.**

The French Alliance's preferred options are explained below:

Option 1 should be excluded, because it is in contradiction with Art. 8 the Illicit Trade Protocol.

Article 8 of the WHO FCTC – Protocol to Eliminate Illicit Trade in Tobacco Products specifically notes that Parties should not delegate tracking and tracing obligations to the tobacco industry:

“Article 8.12. Obligations assigned to a Party shall not be performed by or delegated to the tobacco industry.

Article 8.13. Each Party shall ensure that its competent authorities, in participating in the tracking and tracing regime, interact with the tobacco industry and those representing the interests of the tobacco industry only to the extent strictly necessary in the implementation of this Article.”¹

The first option is the Codentify system and should be excluded because it is controlled by the industry and in conflict with the FCTC Protocol. The Codentify system is not a transparent or open source system and has been developed by PMI. In fact, Codentify is not a tracking and tracing system, but is a code generator system installed at the production line that generates unique codes on packs.

“Codentify”, a code generator system rather than a tracing and tracking system, developed by Philip Morris, and now used by all four tobacco manufacturers, has been promoted by the industry as an effective system that provides “full traceability” and “product verification”. However, concerns around traceability have been raised regarding the printing of the codes, which only feature on packs and cartons but not onto master cases or pallets. This would defeat the purpose of monitoring the complete tobacco trade.

Also, the risk with an industry system is that access to information will certainly be limited and selective. Potential issues in terms of data storage, access and confidentiality may arise as the data is generated, recorded and stored by tobacco manufacturers.²

¹ http://apps.who.int/iris/bitstream/10665/80873/1/9789241505246_eng.pdf?ua=1

Codentify uses elements of production related information (such as production line and time of production) to generate with a secret “key” an unpredictable and unique encrypted 12-character combination of letters and numbers to identify and authenticate a pack of cigarettes. The number, linked with a digital signature, can be read by a human or by a computer. Since its creation in 2010, Codentify has been licensed for use by the three other multinational companies, BAT, JTI and Imperial Tobacco. These four companies have now formed the “Digital Coding and Tracking Association”, based in Zurich, to promote the system to governments and independent agencies. Codentify serves tobacco industry interest, is managed and controlled by the tobacco industry and is protected by a tobacco industry patent³. We cannot favour a system which is controlled by the industry because the tobacco industry has a long record of complicity in illicit trade. According to the World Health Organization, “The tobacco industry covertly and overtly supports the illegal trade, from providing products to the market, to working to block tobacco control by trying to convince governments that measures like health warnings or tax increases will lead to more illicit trade.”⁴

Furthermore, there is evidence that tobacco industry complicity in illicit trade has continued in recent years⁵. The tobacco industry has also used the threat of illicit trade to try to deter governments in the European Union and around the world from pursuing public health policies to reduce tobacco use, including tax rises. The tobacco industry has also tried to use the issue of illicit trade to build relationships with governments, local authorities and enforcement agencies, often in breach of Article 5.3 of the FCTC and its accompanying guidelines. For example, in 2011 INTERPOL accepted a \$23.5 million donation from Philip Morris International, and has announced that it will be working with the industry’s Digital Coding and Tracking Association to use the industry’s “Codentify” system through the INTERPOL Global Register. The tobacco industry’s secretive behaviour means that there has been no full independent assessment of the security of the Codentify system. Without such an assessment, governments could be opting for a “black box” system, with features and possible weaknesses that only the tobacco industry is aware of⁶. According to the FCTC Secretariat, the Codentify system would be in conflict with the FCTC Protocol and does not meet the requirement of ITP Article 8.2 that the tracking and tracing system has to be “controlled by the Party”⁷. **Furthermore, it may require Member States who ratify the protocol to implement a second tobacco tracking and tracing process in parallel with an industry-operated one in order to meet their WHO FCTC obligations.**

Options 2 is, under certain conditions, our preferred option, because an EU system would simplify the operations and facilitate the exchange of information within the EU: The second option is an EU system operated by an external provider(s). The system could be a good option, if it meets certain criteria. The advantage of this option is that there will be only one system in the 28 EU countries and as such operational between EU countries. In addition, it complies with both the EU Directive and the FCTC Protocol. The risk is that the EU would be too dependent on one or more external providers. **For this reason, a system in option 2 should be chosen that could be supplied by several providers and not lead to a monopoly.**

² Joossens L, Gillmore A. The transnational tobacco companies’ strategy to promote Codentify, their inadequate tracking and tracing standard. March 2013 (<http://tobaccocontrol.bmj.com/content/early/2013/04/26/tobaccocontrol-2012-050796.full>)

³ 1 Joossens L, Gillmore AB. The transnational tobacco companies’ strategy to promote Codentify, their inadequate tracking and tracing standard. *Tob Control* 2013;:tobaccocontrol – 2012–050796. doi:10.1136/tobaccocontrol-2012-050796

⁴ <http://www.who.int/mediacentre/factsheets/fs339/en/>

⁵ Crackdown seizes more than 2.5 million illegal cigarettes: Chartered Trading Standards Institute 28/1/2015

⁶ <http://www.ftc.org/media-and-publications/fact-sheets/1319-illicit-trade-in-tobacco-beware-industry-solutions>

⁷ FCTC. 6th Conference of the Parties to the WHO Framework Convention. Secretariat study of the basic requirements of the tracking and tracing regime to be established in accordance with Article 8 of the Protocol to Eliminate Illicit Trade in Tobacco Products. Executive Summary, White Paper. Moscow: 2014.

Option 3 operated by the tobacco industry should be excluded and option 3 operated by external providers is more complicated than option 2 - The third option is a set of national systems operated by external providers or the tobacco industry. This option might complicate the exchange of data within the EU and is not an option, if it is operated by the tobacco industry (see comments option 1)

Background on the Tobacco Industry's involvement in the illicit trade

*Tobacco Industry has had a significant track record in generating, boosting and sustaining the European illicit trade, as they are the primary beneficiary from all tobacco sales, whether they are legit or not.*⁸

*Internal documents from the tobacco industry have revealed the acknowledgement and active participation by manufacturers in sustaining the illicit trade, ensuring that markets are supplied with products qualified as "duty not paid", "general trade" and "transit". They also ensure that national markets are swamped with quantities of products that far exceed domestic demands. Those products then end up in parallel markets.*⁹

*The tobacco multinationals have been convicted of smuggling tobacco products onto national markets to evade taxes. In 2000, they were fined for "an on-going global scheme to smuggle cigarettes, launder the proceeds of narcotics trafficking, obstruct government oversight of the tobacco industry, fix prices, bribe foreign public officials, and conduct illegal trade with terrorist groups and state sponsors of terrorism". In 2008 and 2010, five tobacco companies pleaded guilty and admitted "aiding persons to sell or be in possession of tobacco products manufactured in Canada that were not packaged and were not stamped in conformity with the Excise Act".*¹⁰

*In 2003, ten EU countries joined forces in a lawsuit against tobacco manufacturers for their contribution in contraband on a global scale. In order to have the lawsuit dropped, the 4 manufacturers signed an agreement with the EU, which would force them to pay penalties in case of seizures over 50.000 cigarettes. However, as authorities depend on tobacco manufacturers to confirm whether seized products are genuine or counterfeit, the amount "recognised genuine" only come to 0.5% of the 3.8 billion cigarettes seized in 2012. Therefore, the fines **paid by the tobacco companies have been negligible and the signed agreement failed to tackle contraband.***¹¹

Option 4 could be a possibility, but is less preferable than Option 2, because it remains a combination of national systems: Option 4 combines the traceability solution with security features. In most countries, Option 4 would mean that tax stamps would incorporate unique digital identifiers and security features. Additional requirements for markings are needed for exported products and bigger, secondary packaging (cartons, master cases etc.) that carry no tax stamps. As in Option 1, markings operated by the tobacco industry are not an option for those additional requirements.

⁸ ASH Fact Sheet on Illicit Trade, April 2015 (http://ash.org.uk/files/documents/ASH_122.pdf)

⁹ All Party Parliamentary Group on Smoking and Health, Inquiry into the illicit trade in tobacco products, March 2013 (<http://www.ash.org.uk/APPGillicit2013>)

¹⁰ Joosens, L. Smuggling The Tobacco Industry and Plain Packs, November 2012 (http://www.cancerresearchuk.org/prod_consump/groups/cr_common/@nre/@pol/documents/generalcontent/smuggling_fullreport.pdf)

¹¹ Smoke Free Partnership, Factsheet about the Agreement between the EU and Philip Morris International, May 2015 (http://smokefreepartnership.eu/sites/sfp.ttp.eu/files/EN_Factsheet%20on%20the%20PMI%20Agreement.pdf)

Attachment B.2.5

B.2.5. Please upload any additional comments on the options referred to in question B.2 (max. 5 pages)

The French Alliance has no preferences regarding the security features, but believes that a combination of overt, covert and forensic features should be recommended.

Attachment D.2

D.2. Please upload any additional comments relating to the rules for generation of a serialized unique identifier referred to in question D.1. above (max. 2 pages)

The main objective of a tracking and tracing regime for tobacco products is to facilitate investigations into tobacco smuggling by providing analysis of smuggling trends and export practices and identification of the point of diversion to the illicit market, whenever an audit or a seizure is made. We would like to reiterate that the introduction of a tracking and tracing system should meet the requirements of Article 8 of the Illicit Trade Protocol. As a reminder, the Protocol requires that the obligations of the tracking and tracing system shall not be delegated to the tobacco industry. The unique identifier suitable for use in tracking and tracing of tobacco products should encompass the following elements:

- A marking for each package of tobacco products that should be unique and non-predictable. For instance, in your passport you have a combination of letters and figures that is unique for each person. The attribution of this combination identifies each person and is not predictable, unlike figures in a row 12345 for example. Digital Mass Encryption is a prevalent method to make codes less predictable. Valid codes can only be generated if mathematic formula (algorithms) and secret keys are known that are used for their creation.
- A data carrier that contains the unique identifier and other information available at the time of manufacturing such as place and time of production. This data carrier should be suitable for high speed production and storing and reading of data, and ideally, should follow a prevalent international standard in order to be readable by commercially available equipment tools. Two dimensional bar codes, for instance, are machine readable and widely used on many consumer products in an international environment.
- A link and parent-child relationships (called aggregation) between different packaging units that allow, for instance, traceability of pallets without scanning all master cases, cartons and packs that are inside the pallet.
- Recording of any shipping and receiving events along the supply chain, for instance the recording of the departure of the pallet at the manufacturing site and the arrival of the consignment at trader x in country y.
- Internationally accepted standards to describe the main characteristics of the products (such as country of manufacture, product description, date of manufacture), to encode the data in the data carrier, and to record events along the supply chain among the supply chain partners.
- The storage of the data and events along the supply chain in an independent database, by preference a single database across the EU, controlled by competent government authorities. At global level, we expect a multitude of national and/or regional databases that should be interconnected to facilitate international inquiries by competent authorities. Similarly, the access to and retrieval of this data should also be independent of the parties being controlled.

Attachment D.5

D.5. Please upload any additional comments relating to the options for (a) data carrier(s) for a serialized unique identifier referred to in questions D.3 and D.4 above (max. 2 pages)

For the data carrier, we have a clear preference for the two-dimensional bar codes:

- ▣ 2D bar codes have already been used on many consumer products, such as food, alcohol, pharmaceuticals and tobacco products.
- ▣ 2D bar codes are machine readable and can be implemented at high speed production lines
- ▣ 2D bar codes can be read by inexpensive readers (including smart phones) along the supply and distribution chain
- ▣ 2D bar codes can be supplied by multiple suppliers
- ▣ 2D bar codes are a cost effective solution

Other solutions should not be excluded in the near future, but under the conditions, 2D bar codes are our preferred option for the data carrier.