

Lausanne,  
21<sup>st</sup> of July 2011

Committee Secretary  
Standing Committee on Health and Ageing  
House of Representatives  
PO Box 6021  
Parliament House  
CANBERRA ACT 2600  
AUSTRALIA

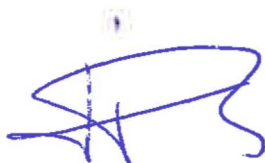
<p><b>Submission No. 40</b> (Plain Packaging Bill) A.O.C. Date: 26/07/2011</p>
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*Dear Committee Secretary,*

*Please find attached our submission to the House of Representatives Standing Committee on Health and Ageing in relation to its inquiry into Tobacco Plain Packaging. I would be grateful if you could confirm receipt of this submission.*

*As outlined in our submission, we would very much welcome the opportunity to present to the Committee during the public hearing sessions. We would be grateful for your advice on when they might be held so that we can facilitate our attendance.*

*Yours sincerely,*



*Jean-Paul Robbe*  
Business Development Director



# SUBMISSION TO THE HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON HEALTH AND AGEING INQUIRY INTO TOBACCO PLAIN PACKAGING

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## PURPOSE OF THIS PAPER

SICPA welcomes the opportunity to make a submission to the House of Representatives Standing Committee on Health and Ageing in relation to its inquiry into Tobacco Plain Packaging.

On the 6<sup>th</sup> July 2011, the Minister for Health, Hon Nicola Roxon MP, introduced to the Parliament the *Tobacco Plain Packaging Bill 2011* as part of a comprehensive policy to reduce smoking in Australia to 10% of the population by 2018, and consequently reduce the prevalence of smoking and the attractiveness of cigarette packs, mainly within targeted audiences such as youth and women. In taking action to implement plain packaging, Australia is also enforcing its obligations under the World Health Organisation *Framework Convention on Tobacco Control* (WHO FCTC).

It is SICPA's view that the government objective to reduce the prevalence of smoking first, by increasing excise tax, and secondly, by implementing plain packaging could be undermined by the availability of cheap illicit tobacco.

SICPA is the leading global provider of security inks and solutions for the authentication of banknotes, value documents and products. In addition, SICPA has considerable experience in implementing anti-counterfeit and tax enhancement systems in a number of countries around the world. Our company works in conjunction with sovereign governments in offering unique and exclusive integrated secure track and trace solutions.

Our solutions are designed to assist governments in their sovereign mission of enhancing tax revenues and protecting public wellbeing. At present we secure over \$40 billion per year in excise tax and VAT collections and ensure traceability for over 60 billion products in the world. Our solutions have a strong track record in substantially decreasing the prevalence of illicit trade. SICPA's experience in implementing anti-counterfeit and tax enhancement systems are detailed further below.

The Technical Manual on Tobacco Tax Administration issued in 2010 by the World Health Organization in its section Enhanced-tax stamps (Banderoles) (page56) and in its section Digital tax stamps (page 57) is referring to the technology we deployed in Turkey, Brazil and in the State of California (USA).

Our system, SICPATRACE®, secures the product against counterfeiting and or forgery all along its journey from production to consumers, whilst providing a secured and trustable means to track & trace the journey of the aggregated products (cartons, master case...) along the supply chain.

SICPA has successfully implemented tax enhancement programs at the national level for many governments around the world, covering taxable products such as tobacco, alcoholic beverages and soft drinks using the SICPATRACE® solution. Our track and trace solutions therefore apply *de minimis* to tobacco products that the WHO FCTC legally encompasses. We comply with the governmental requirements of gaining sovereign control of the products submitted to excise taxes, while helping them to comply with International Conventions such as the FCTC.

Article 15-2-b) of the FCTC provides to "*consider developing a practical tracking and tracing regime that would further secure the distribution system and assist in the investigation of illicit trade*". Article 5-3 of the FCTC prohibits the tobacco industry proprietary technologies relating, among others, to a practical tracking and tracing regime to be implemented by contracting parties: "*In setting and implementing their public health policies with respect to tobacco control, Parties shall act to protect these policies from commercial and other vested interests of the tobacco industry in accordance with national law*".

At its second session in 2007, the Conference of the Parties established the Intergovernmental Negotiating Body to draft and negotiate the protocol to eliminate illicit trade in tobacco products. Article 7.2 & 7.12 of the draft protocol, so far adopted by consensus, provides that the "obligations of each party of the FCTC shall not be performed by or delegated to the tobacco industry".

A consensus has been reached, including the ban on a tobacco industry-provided track and trace system, which is aligned with the interests of Governments and International Institutions, i.e. to be provided with accurate and independent audit or data. While it is expected that this consensus will remain unchanged in the final version, it needs to be voted at the INB-5 meeting being held from 5th to 10th of March 2012 in Geneva.

Indeed systems and databases used to assist and support tax verification should not be hosted by tobacco manufacturers, or their mandated third parties, because no partnership should be allowed between a controller and a contolee, especially on such critical issues such as fiscal or public health related matters.

We would like to draw to the attention of the Committee the fact that - in response to the development of innovative technologies by independent industries such as SICPA - tobacco industries have started to offer more and more of their own internal proprietary technologies to governments worldwide. These self-promoted industry initiatives, limited to tobacco products, are designed for auto-regulation purposes, so as to propose a control system based solely on trust, and to discourage governments from implementing a neutral third-party technology that would provide a much higher level of transparency and security.

The difference between tobacco industries' proprietary technologies and SICPA's solutions is that, for tobacco industry solutions, strategic fiscal data is under control of the tobacco industry, whereas SICPA grants full ownership of this data to the Government, allowing volume reconciliation and tax collection optimization. Furthermore we believe that – due to the (economic) interests at stake - a comprehensive governmental platform must include multiple security levels, similar to banknotes, allowing control by stakeholders in the supply chain as well as by regulatory authorities and customers. The tobacco industries' proprietary technologies do not offer such essential features. Indeed they rely on information-based security only, whereas our solutions rely on both information- and material-based security. The above described limitations illustrate that the tobacco industries' proprietary technologies may be easily forged, whereas our solution complies with the highest security standards available, privileging the sovereign control by governments.

SICPA invests heavily in its R&D, so it remains technology leader, and so it can adapt its solutions to the latest requirements of the various governments and institutions.

It is also important to note that SICPA's systems do not require any investment by government; SICPA bears all development, deployment and operational costs of the SICPATRACE® solution. The cost of SICPATRACE® usually only represents a fraction of the tax per unit basis, and the track and trace system is effectively self-financed through the increased tax collection. Moreover, a government may decide, on the basis of corresponding laws and regulations, to transfer the solution costs (usually a fee per banderol) to the producers, instead of paying such costs itself. Our track and trace solutions are non-intrusive for the industry, and - apart from minor adjustments required in their production line in order to accommodate system equipment - SICPATRACE® is at marginal cost to them.

SICPATRACE® is a powerful tool for governments to enhance their tax collections (and such increased tax collections often also support the government's public health objectives). Along with increases in excise taxes and/or solid government enforcement action, SICPATRACE® has been a decisive factor in significantly enhancing government tax collection; and on an average basis, tobacco tax collections have increased by more than 30% since the implementation of SICPATRACE® in Brazil, Turkey and California. This information can be verified independently via Government to Government testimonials.

The introduction of such a solution, named SICPATRACE®, including a tax stamp with multiple levels of security on tobacco products can be implemented as a part of the Australian plain packaging legislation and would have a substantial impact on reducing illicit trade in tobacco, while increasing excise revenues. SICPA's neutral, secure, fully controlled, track and trace solution allows immediate and univocal authentication of products through the supply chain. This solution has been a decisive factor in significantly enhancing government tax collection. For example, since its implementation in California, Brazil and Turkey tobacco tax collections have increased on average by more than 30%.



It has also helped these countries achieve their public health objectives, demonstrated by a consistent decrease in state and national tobacco consumption.

Below we have provided details of key projects SICPA is currently undertaking with governments around the world.

SICPA fully supports the objectives of the *Tobacco Plain Packaging Bill 2011* and the Committee's inquiry. SICPA would be pleased to provide any additional information or assistance to the Committee should it be required. In particular, SICPA would welcome the opportunity for its representatives to present to the Committee and share its experiences on the feasibility and potential benefits of proposals that the Committee may be considering for inclusion in its recommendations to the Government.

## ABOUT SICPA & SICPATRACE®

Founded in 1927, SICPA is the leading global provider of security inks and traceability solutions for the authentication of banknotes, value documents and other products. SICPA protects most of the world's currencies, including the US dollar, the euro and the Chinese yuan, with high-technology security inks that have become international standards. In Australia, SICPA has been providing security ink products for the country's banknotes since 1988.

SICPA is also the provider of secure integrated track and trace systems used for monitoring of taxable products like tobacco, alcoholic beverages and soft drinks in both state and federal jurisdictions. Our solution, SICPATRACE®, currently secures over \$40 billion per year in excise tax and VAT collections and ensures traceability for over 60 billion products annually around the world.

SICPA complies with Governments requiring sovereign control on products submitted to excise taxes, while helping them to conform to international conventions such as the WHO FCTC.

Operating in 24 countries and on 5 continents, SICPA is a private Swiss corporation. The company employs more than 2700 people and its products are sold to most nations worldwide.

## ABOUT ILLICIT TRADE IN TOBACCO

The level of illicit trade in tobacco products throughout the world is significant. It has been estimated that 657 billion sticks of cigarettes are smuggled annually, according to The Centre for Public Integrity which is an independent body, making tobacco the most widely smuggled legal substance.

In the Australian Crime Commission's Organised Crime Report 2011 (p18), it states:

- "Organised crime networks have been linked to the importation of counterfeit cigarettes and loose tobacco.
- Significant government revenue is avoided through the activities of groups involved in illicit tobacco importation

The size of the current illicit trade in Australia is open to question however, seizures detailed in the Australia Customs and Boarder Protection Service Annual Report, over the last three years, included 743 tonnes of tobacco and 217 million cigarettes.

The introduction of plain packaging for tobacco may make it an easier product to counterfeit. Therefore, the plain packaging legislation should include the introduction of comprehensive measures against illicit trade.



## INTERNATIONAL EXAMPLES OF SICPATRACE® IMPLEMENTATIONS

### USA - CALIFORNIA

In September 2002, the state of California legislature enacted a bill (Senate Bill 1701, Chapter 881, Statutes 2002) that required all cigarettes sold in the state to carry a new, high-tech, counterfeit-resistant tax stamp by January 2005. In August 2004, SICPA, together with Meyercord Revenue Inc. (a SICPA company), was awarded a contract by the California State Board of Equalization (BOE) to provide the required security solution for a period of 5 years including an option for two 1-year extensions that were exercised by the BOE. In July 2010, the contract was renewed for another 5 years with two 2-year extension options. In order to reduce the revenue losses, the authorities also introduced licensing obligations and an investigative authority for better control of the distribution chain.

SICPA's required security solution produces about 1 billion high-tech, counterfeit-resistant tax stamps per year, including overt and covert security features. SICPA then directly ships the stamps to distributors with over 90% of the stamps being applied by high-speed automated stamping machines at licensed cigarette distributor sites in California. The remaining stamps are applied by hand dispensers at smaller distributor locations. SICPA's stamp activation machines located at all the distributors' sites are supported by an intelligent information systems infrastructure that provides data to field auditors through the use of SICPAMOBILE® portable auditing devices.

In California, cigarette and tobacco taxes are excise taxes, or charges paid at the distribution level and often built into the retail price. Excise taxes paid on cigarettes are used to fund state services and programs including breast cancer research, early childhood education, health education, and hospital services.

Any changes in retail prices do not directly affect the amount of excise tax revenues collected. However, as retail sales price of cigarettes have increased, the increasing cost of smoking has helped reduce consumption. In fiscal year 2009-10 for example, tax-paid consumption declined 8.1% to 972 million cigarette packs compared to the previous year (source BOE).

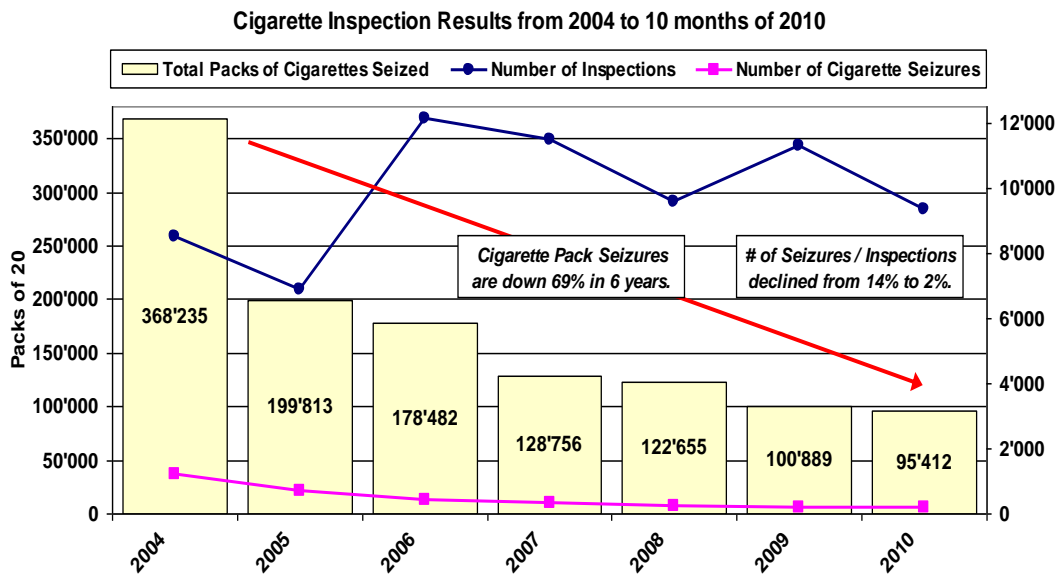
Tax-paid cigarette distributions have dropped significantly over the past three decades, after the peak in 1980, as many smokers have quit smoking or smoke fewer cigarettes and proportionately less number of people has started smoking. As depicted below, there has been a 66% reduction in cigarette distribution from 2.8 billion packs in fiscal year 1980-81 to 972 million packs by 2009-10.

In 2003, the BOE estimated for the fiscal year 2001-02 that the state tax losses due to illegal sales of counterfeit cigarettes amounted to \$292 million (California State Auditor Report). At the time, types of tax evasion activities included stamp counterfeiting, export redirection, cross-border smuggling, internet purchases and unstamped products. Based on the results of the inspections, 25% of the state's retailers were selling counterfeit cigarettes.

Today, the tax stamp system has shown positive results. In the California State Auditor Report 2008, the BOE reported a 37% drop in tax evasion within two years of implementation. Moreover, the system was responsible for securing and collecting \$870 million in excise tax revenues in 2009 and the state continues to collect around \$110 million additional revenues annually since the implementation of the system.

Another important variable in analysis of the effects of the system is the effectiveness of field audits (see table below). Based on the report of the Bureau of State Audits, in 2009 the number of packs seized was 100,889, down by 73% as compared to 2004. This suggests that the seizures of illicit products at points of sale and the percentage of retailers carrying illicit products decreased extensively after the system's implementation.





Sources: BOE & California Bureau of State Audits

- Regarding California's successful experience of the system, the BOE Vice Chairperson Jerome E. Horton stated: *"The California Tobacco Licensing and Control Act is among the most successful pieces of legislation I was able to have enacted during my career as a term-limited member of the State Legislature. The effectiveness of the bar code tax stamp is reflected in the decline in the number of counterfeit stamp seizures."*

Although efforts were made, the system has never been compromised by counterfeiters, and the ability to detect counterfeit activity in real time has led to improved tax revenue collection and has been effective in combating cigarette tax evasion since 2005.

- The BOE Vice Chairperson Horton's statement on May 27, 2010 summarises the benefits of the tax stamp system: *"By regulating the tobacco market in California and strategic enforcement and prosecution of criminals who evade cigarette and related tax laws, we have substantially reduced cigarette smuggling in California, taken tons of illegal cigarettes off our streets, levelled the playing field for legitimate California businesses and generated USD 153 million in new tax revenue for the state."*
- "California is pleased with the encrypted cigarette tax stamp and we recommend the technology for use in other states. The use of our encrypted stamp has significantly increased effectiveness and efficiencies in the duties performed by the enforcement officers. The system attributes provide California with the technology needed to stay a step ahead of the counterfeiters and cigarette tax evaders."*

Lynn Bartolo, State of California Chief Special Taxes and Fees Division, in a letter dated February 24, 2011

## USA - MASSACHUSETTS

In February 2010, following a competitive bid process SICPA was awarded a 3-year contract with two 1-year options for the implementation of a State Tax Revenue Collection Platform for tobacco by the Massachusetts Department of Revenue. Massachusetts is the second state in the USA, after California, to adopt a counterfeit-resistant cigarette tax stamping system using pressure sensitive stamps and digital accounting, replacing the traditional system of heat applied stamps used by most US states.



Operational since July 2010, the system enables proper control of the supply chain, with among other features, validation of wholesaler & distributor names and dates of label application. In addition, only

cigarettes listed on the state's tobacco product directory are stamped with the encrypted tax stamp, enabling rigid control by the State's Attorney General. Carrying covert and overt security features for univocal multi-level authentication, the new design for the self-adhesive stamps includes: color-shifting ink, micro text, invisible code and a forensic marker.

The sophisticated new stamp provides different authentication features for multiple users:

- consumers and licensed retailers can easily identify the stamp with its enhanced design and overt security, helping them identify licit products;
- state enforcement agents using hand-held scanning devices to continually verify tax stamp authenticity and legitimate distribution activity;
- all stakeholders are informed through a comprehensive outreach program to look for specific features as means to differentiate genuine from fake stamps.

The stamps are applied in high-speed automated lines at licensed cigarette distributor sites as well as in low volume distributor sites.

The Massachusetts State Tax Revenue Collection Platform will cover an annual volume of approximately 220 million products.

- *“The overt features within the new stamp will provide the purchaser with multiple ways to determine whether the stamp is authentic with the naked eye. The vendor, SICPA Product Security LLC has partnered with Meyercord Revenue to create features such as the 6 digit alphanumeric identifier unique to each stamp, a red to green ink color shift and micro text printing. In addition, there are several covert features implanted into the stamp that can only be read by a security device issued to DOR personnel.”*

Massachusetts Congressional Documents and Publications, 27 May 2010

## CANADA

In December 2007, SICPA and the Canadian Bank Note Co., a joint-venture company established in Canada, was awarded a 3-year contract (with a 2-year renewal option) by the Canada Revenue Agency for the design, installation and operation of a secure tobacco tax stamp system.

Following the necessary Canadian legislation amendments, the SICPA solution became operational in September 2010 and tax stamps are now mandatory on all cigarette packs and tobacco tins manufactured or imported into Canada. The Canadian Government was successful in passing legislation for import control and bringing Indian Reservation cigarettes into legal channels of the supply chain. Since April 1<sup>st</sup>, 2011 all manufacturers must be fully compliant with the new Tobacco Stamp Regime established by the Bill C-9 legislation.

The tobacco stamp solution includes visible and invisible encoded security features and a Web-based system for tracking and tracing of the secure supply chain. The system is planned to manage an annual volume of approximately 1.8 billion products.

## BRAZIL

### Tobacco – SCORPIOS system

Tobacco products are a major source of income for Brazil, currently the second largest producer and leading exporter of tobacco in the world and amongst the top 10 largest cigarette markets.



In March 2007, the Brazilian Government awarded SICPA Brazil, in partnership with Casa da Moeda do Brasil (“CMB”), the Brazilian Government Security Printer, a 5-year contract to install a country-wide tobacco tax collection and tax remediation platform.

SCORPIOS, as this program was named in Brazil, was fully operational by August 2008 and enables the Ministry of Finance, through its Internal Revenue Authority (Receita Federal do Brasil – “RFB”) to monitor cigarette manufacturing in real time. The system annually secures over 5 billion stamped products covering more than 400 registered tobacco brands, to ensure optimal tax collection from cigarettes corresponding to pre-assigned tax classes.

Within the first 3 months after SCORPIOS became operational, the RFB collected BRL180 million (equivalent of USD 90 million) additional tax revenues from cigarettes compared to the original forecast in the 2007 budget (RFB figures). The government tax revenues on tobacco have increased by 24% between 2007 and 2009, and by 41% between 2010 and 2008 (RFB figures). The implementation of the system has also resulted in the closing of 7 illegal cigarette factories, therefore protecting the population from illicit and poor quality products.

SCORPIOS allows the Brazilian Government to better reinforce control over the local production and to check the genuineness of products in the field. This results in greater protection of the population’s health and overall security.

#### Beer, soft drinks and mineral water – SICOBE system

The success of the tobacco monitoring platform resulted in the RFB decision to enhance the scope of the SCORPIOS platform. In December 2008, SICPA was awarded a 5-year contract for the creation and operation of the System for Control of Beverage Production called SICOBE. Implementation began in January 2009 and the system turned operational in May 2009. This track & trace system for beer, soft drinks and mineral water has been installed in about 300 production sites and 1,000 production lines; securing about 39 billion products annually and covering over 1500 brands and sub-brands. The plan is to extend the solution to the wine and spirits segments in 2011.

SICOBE marks each identified product with a secure, unique, machine-readable code, using a proprietary, high-security ink. All the embedded information in the unique code is transmitted to the Revenue Authority database thus enabling tracing of each individual beverage in the country.

SICOBE allows the individual tracking of diverse categories of products that are taxed based on retail sales price and packaging type in order to promote fair competition in the industry. The fact that several manufacturers have requested to export their data from the centralised government controlled system in order to manage their production flow as well as inventory more efficiently, is testament to the robustness and reliability of the system.

According to the RFB, the amount of federal taxes levied on the beverage industry increased by USD 860 million or by 20% between 2010 and 2009, after the introduction of the SICOBE production monitoring system in only 108 sites among the 300 scheduled sites across the country.

#### Government references and assessment of SCORPIOS and SICOBE:

- *“The expert praised Brazil for having implemented “a tax-stamp monitoring system at every single production site, thereby enhancing government tax revenue collection”, and recommended taking this model to a global level to create an effective system for controlling illicit tobacco trading.”* Yul Francisco Dorado, Corporate Accountability International's (CAI) coordinator for Latin America, quoted in *La Prensa*, May 17, 2010.
- *“The collection of federal taxes increased by 20% because SICOBE hindered tax evasion in the sector”* explained Otacilio Cartaxo, Secretary of the Brazilian federal tax authority. More manufacturers are installing the monitoring equipment, as Cartaxo explained: *“We started with large manufacturing plants and are working our way down to medium-sized and small-scale*

manufacturers. The installation of SICOBÉ at small-scale manufacturing plants should be complete in 2011.” (Folha de São Paulo, April 6, 2010)

## TURKEY

In February 2007, SICPA-ASSAN, a joint-venture company established in Turkey by SICPA and Kibar Holding, was awarded a 5-year contract by the Directorate of Revenues (Ministry of Finance) for the installation and operation of a banderol-applied product track & trace system for tobacco products, wine, spirits and beer.

Accordingly, Turkish legislation was modified several times: article 257 of Tax Procedures Code No 213, Code No 4046, Decree Law No 233, article 8 of Code No 4733 (“Code for Organization and Duties of Tobacco and Alcohol Markets Regulation Institute”), revised by Code No 5752.

The solution, called TURKTRACE<sup>®</sup>, enables the Government to monitor the production, import and distribution of these excisable products. Today, TURKTRACE<sup>®</sup> annually covers about 5.7 billion tobacco banderols, 1.6 billion beer codes, and 200 million alcohol banderols.

As an aspiring EU candidate and a signatory to the WHO FCTC treaty since 2004, Turkey has adopted strong and comprehensive tobacco and alcohol control policies in recent years. As of July 2009, the government imposed a complete ban on smoking in all enclosed public areas including hotels, bars, restaurants and cafés. The government also raised the excise tax rates on tobacco and alcohol products, which resulted in higher prices and lower consumption.

Since TURKTRACE<sup>®</sup> went live in July 2007, there has been significant improvement in the declaration of sales and the collection of tax revenues both on tobacco products and alcoholic beverages. In the first year of the TURKTRACE<sup>®</sup> operation, the revenue from Turkish Special Consumption Tax increased by USD 1.8 billion on tobacco products and by USD 200 million on alcohol. The estimated government budget on excise revenues from tobacco and alcohol surged by 85% in 2007 and by 94% in 2010 (Turkish Revenue Administration figures).

In addition, the supply chain security provided by TURKTRACE<sup>®</sup> has enabled authorities to better fight criminal activities with a direct impact on the population’s security and health. In the wine sector, many small unregistered producers have left the market. Bülent Özrifat, the Director of Kayra Wines, said in 2008 that the banderol system decreased the illegal production in the wine market from 90 million litres to 50 million litres (*Sabah*, August 29, 2008). In one high-profile case, authorities identified and arrested the head of a major illicit vodka and whisky operation.

### Government references and assessment of TURKTRACE<sup>®</sup>:

- *“The TurkTrace system is in operation in compliance with the technical specifications that are stated in the contract, and provides the desired performance continuously and successfully.”*  
Nazmi KARYAGDI, for the President of the Revenue Administration, reference letter, December 16, 2009
- *“With the implementation of the Labelled Products Inspection System, the revenues earned from the Special Consumption Tax have significantly increased.”*  
Mehmet Kilci, Director of the Treasury Department, Turkish Ministry of Finance, in *Politique Internationale*, Summer 2009
- *“We, as TADPK, have been suggested as a model of best practice in the world and by March 24<sup>th</sup> we will go on behalf of our country and explain our own board as a model to the world in the context of tobacco control.”*  
Mehmet Küçük, Chairman of TADPK (Tobacco and Alcohol Market Regulatory Authority), in *Anayurt*, March 14, 2010

## MOROCCO

In January 2010, the Kingdom of Morocco through its Customs and Indirect Tax Administration (ADII) awarded SICPA a 5-year mandate for the implementation and operation of a product tracking system for all locally manufactured and imported tobacco, alcohol, soft drink, mineral water and beer products.

Today, the local company created by SICPA, SICPAGSS Morocco, is responsible for the implementation, maintenance and operations of the system which went live in different phases, between July 2010 and January 2011. It annually monitors over 3 billion beer, alcohol, soft drinks, mineral water and tobacco products.

This mandate is part of a vast program from the ADII to undertake modern and strategic measures to reform customs and its logistics chain, providing new technologies and reinforcing partnerships between international customs, other regulatory bodies and the private sector, with the aim of fighting illicit trade.

### Government references and assessment of SICPATRACE® Morocco:

- *“Behind the tool there’s a real-time information system, with databases that need to be managed and a task force that can intervene anywhere in Morocco in a very short time, in case there is a system failure.”*  
Morocco Finance Administration, quoted by La Vie Eco, September 20, 2010
- *“The aim of marking is to create traceability, to know in real time the production of the ones and others. The experience in a certain number of countries, in particular Brazil and Turkey, shows that this system offers a strong prospect. The increase in declarations reached 20% after the marking installation. We therefore suspect that the amounts of the statements were previously somewhat undervalued. Apart from that, we made a certain number of controls which also resulted in several recoveries. Without impugning anyone's motives, we want to establish objectivity in order to ensure that the declared quantities correspond well to the produced quantities.”*  
Zouhair Chorfi, Director General of Morocco's administration of customs and indirect taxes, interviewed by L’Economiste, October 12, 2010

## ALBANIA

Following an unsolicited SICPA proposal and an international tender process, the Albanian Council of Ministers awarded SICPA an exclusive concession to implement a national, secure track and trace system for all tobacco and alcohol products, beer and pharmaceutical products, both manufactured in Albania and imported from abroad.

In December 2010, SICPA and the Albanian Ministry of Finance, acting on behalf of the Albanian Government, signed a respective long-term concession agreement for the implementation of the SICPATRACE® solution for the above categories of products.

SICPA Albania is currently implementing SICPATRACE® modules and the system deployment and service operations are scheduled to be completed by October 2011. The total annual volume of products to be processed by SICPATRACE® in Albania is estimated to be close to 1 billion.

Costs of implementation and operation are to be fully borne by SICPA and no investment is required from Albanian manufacturers or wholesalers. In addition, the manufacturers will be able to use their existing label applicators as the SICPATRACE® stamps use the same paper size and thickness. A high security storage facility is being built by SICPA in a refurbished military establishment in Tirana.

The SICPA system will ensure greater protection for entire segments of the country’s economy and industry against the dangers of counterfeiting and fraud. In addition, the new system will be the very



first E-Government tool giving real-time information of what is going on in particular industries, what is manufactured or imported, including when and where the product became liable for taxation. This information will be crucial for Government visibility of the country's markets. It will provide reliable tools, statistics and business intelligence for planning and budgeting purposes.