Committee Secretary
Parliamentary Joint Committee on Law Enforcement
PO Box 6100
Parliament House
Canberra ACT 2600

Submission to Parliamentary Joint Committee on Law Enforcement inquiry into illicit tobacco

This is a submission to the inquiry into illicit tobacco initiated by the Parliamentary Joint Committee on Law Enforcement on 2 December 2015. This submission is primarily addressing point B in the terms of reference *"the role of Commonwealth law enforcement agencies in responding to the importation, use, manufacture, distribution and domestic growth of illicit tobacco."*

Introduction

This submission has been drafted with the aim to provide an introduction to the role that track and trace[1] could play in the fight against illicit tobacco in the Australian market. This submission considers recent pioneering protocols and regulations, including the WHO Protocol to Eliminate Illicit Trade in Tobacco Products and EU Directive 40/2014 (and related documents), all of ehich reference track and trace as a key tool to combat illicit trade in tobacco.

GS1 Standards

This submission is made by GS1 Australia, which is part of GS1, an international not – for – profit standards development organization, most commonly known for the ubiquitous barcodes and associated supply chain standards that pervade retail around the world. GS1 is dedicated to the design and implementation of global standards and solutions to improve the efficiency and visibility of supply chains globally and across sectors. GS1 identification numbers, such as the

---

[1] The International Standards Organisation (ISO) defines track and trace as a "means of identifying every individual material good or lot(s) or batch in order to know where it has been (track) and where it is (trace) in the supply chain". (ISO 12931)

Global Trade Item Number (GTIN), that are found in the barcodes on products sold in retail stores around the world, are the foundation of the GS1 System.

The GS1 System is used by over 2 million companies executing billions of transactions every day in 150 countries and is the most widely used supply chain standard in the world.

Track & Trace and Supply Chain Standards

The topic of track and trace is very broad and for some supply chains can be very complex and technical. Regulatory agencies around the world have made substantial assessments of existing track and trace systems and standards for tobacco, such as the "Analysis and Feasibility Assessment Regarding EU systems for Tracking and Tracing of Tobacco Products and for Security Features" (2015) from the European Commission's Directorate-General for Health and Food Safety.

The WHO Protocol to Eliminate Illicit Trade in Tobacco Products specifically covers the role of track and trace in article 8 where it states that "*Each Party shall establish…a tracking and tracing system*', and require unique identification markings to be "*affixed to or form part of all unit packets and packages and any outside packaging".*

Similarity EU Directive 40/2014 requires "*unit packets of tobacco products to be marked with a unique identifier and security features and for their movements to be recorded so that such products can be tracked and traced throughout the Union and their compliance with this Directive can be monitored and better enforced."*

Tracking and tracing processes and technologies is developing rapidly in many sectors that are moving towards greater visibility and transparency in international supply chains. Systems for track and trace have the potential to protect these supply chains from counterfeits and other illicit trade. Experience from other industries is that successful deployment of track and trace systems depends on open standards, government and industry cooperation and solution provider competition.

Today supply chains, from the pharmaceutical sector to the timber trade, are benefiting from increasingly sophisticated track and trace systems with solid evidence of greater supply chain security and control. Track and trace systems have been employed by brand owners, manufacturers and governments for purposes such as combating counterfeiting and controlling quality. With enhanced IT, the development of smart phone apps, and web-based interfaces, it is a field which is evolving across many consumer and industrial goods sectors.

Track and trace requires supply chain partners to record and share information on how and when an item moves through the supply chain. This standardised

information sharing allows not only for the location of an item to be determined, but also the full history of that item.

These systems provide information about the progress of a product or other objects through the supply chain from manufacturer, through wholesalers, distributors, logistics operators and finally to the end consumer. This information is useful in efficiently managing, controlling and securing legitimate supply chains. It also assists enforcement authorities in identifying who has handled suspect products and where these products may have entered the legitimate supply chain. Track and trace information is also able to identify where products have gone, enabling the effective recall of faulty products.

The GS1 system of standards for product identification and data sharing underpins track and trace systems, and make them interoperable between trading partners by providing a common language for information capture and exchange, enabling traceability throughout the end to end supply chain.

GS1 relevance to this inquiry

In the past four decades, the use of GS1 standards has spread from retailers and manufacturers in fast-moving consumer goods to other sectors such as healthcare, defense, and consumer electronics and is now increasingly used in transport and logistics. Benefits for these companies include improved speed of operations, increased visibility of the flow of shipments, more efficient handling and inventory management, more efficient recall, and increased security of distribution.

GS1 standards are the most commonly used in the FMCG sector and have already been implemented by the vast majority of operators in the global FMCG and tobacco supply chains. The standards are developed through a transparent and open process whereby any operator can participate. The standards are proven and easy to adopt. There are many use cases proving implementation is possible and successful for track and trace purposes, among participants in various supply chains globally.

The international, non-proprietary open standards of the GS1 system can support countering illicit trade in tobacco, and are already in use by the vast majority of tobacco supply chain stakeholders, from large multi-national manufacturers to small domestic retailers.

From a GS1 standpoint tobacco traceability requirements should leverage existing standards and systems already in place locally and internationally to avoid duplication of effort, ensure greater quality of traceability data, and avoid any additional cost to both the public and private sector.

GS1 standards are used not only for traceability of tobacco products between buyers, sellers and regulator within domestic supply chains, but also across

borders. APEC is today looking at the role that global data standards can play in the cross border supply chains to increase efficiency of trade between APEC nations.

Based on the EU Directive, GS1 has established a Standards Working Group to address the specific needs of the tobacco industry around traceability.

Specifically, this group is addressing the technical barcoding and serialization needs given the production line speeds encountered in the manufacture of tobacco cigarette packs. In order to support inline printing of barcodes containing traceability information, a new barcode type is being considered. If adopted, this would enable all tobacco products to be marked with standard barcodes and automatically scanned anywhere in the world. This will require operators in the tobacco supply chain to ensure they are able to scan the new barcode. The Standards Working Group is in the formative phase and includes tobacco manufacturers, importers, distributors, transporters, and retailers.

Conclusions

- **Effective track and trace requires collaboration between industry and regulators alike**
- **Open standards provide a common language to capture and share traceability data across the end to end supply chain for complete visibility and transparency**
- **A common language for traceability systems drives down cost, increases quality and adoption rates**
- **Basing track and trace systems on existing business processes is likely to promote more rapid and reliable implementation**

For further information about track and trace and GS1 standards, please contact Mr. Mark Fuller, COO GS1 Australia.

More information can also be found at https://www.gs1au.org/