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Committed to quality

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The EDAPS Consortium continues to live up to its Golden Leaf Award in the BMJ most committed to quality category.

By Brandy Brinson

After the Ukraine-based EDAPS Consortium won its Golden Leaf Award last year (See "And the winners are…," *Tobacco Reporter*, December 2010), the company said it was ready to prove the quality of its products and solutions on new international markets, and that the award would encourage it to continue raising the bar for excellence in both the quality and security of its solutions for the tobacco industry. And indeed, since last November, EDAPS has been busy innovating to secure the collection of excise duties on tobacco products and protect against counterfeiting.

Formed in 2004, the EDAPS Consortium is a global group of high-tech companies that possesses its own world-level scientific base and a highly technological production and service network. It says it is the only group in the world with in-house capabilities to produce and implement the most highly secure identification documents and corresponding electronic systems.

Having implemented more than 300 major projects, EDAPS combines unrivalled expertise in securing documents and products by using unique proprietary technologies in the fields of lasers, polycarbonate, biometrics, demetallized holograms, electronic systems and contact and contactless chips, says Nataliia Kochubey, vice president of the EDAPS

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Consortium.

EDAPS has 3,245 staff members, including 110 engaged in research and development. More than $250 million has been invested to create the EDAPS production and R&D infrastructure.

The company is led by Alexander Vassiliev, who serves as chairman of the board. Iryna Obydenko serves as president of EDAPS. She is also deputy chairman of the board of the Commercial Industrial Bank.

Tobacco

EDAPS became involved in the tobacco industry through developing a comprehensive solution that uses forgery-proof tax and control stamps with holographic security elements (HSE), combined with a track-and-trace information system to secure the collection of excise duties as well as to curb tax stamp counterfeiting.

In the production of the HSEs, EDAPS' member company, Specialized Enterprise Holography, uses state-of-the-art technologies, including electronic lithography and advanced demetallization technology. EDAPS solutions have enabled government agencies to more than double excise tax collections from cigarettes and tobacco products. EDAPS can help the tobacco industry restore revenues being lost through illicit trade.

EDAPS says its tax stamp solution offers:

- superior security—a robust combination of a comprehensive electronic system, encrypted information, Public Key Infrastructure, on-paper advanced security features and enhanced holograms, which makes any forgery immediately and easily recognizable;
- a comprehensive approach—includes proven enforcement methodology that addresses human psychology, regulatory framework ensuring issuance, circulation and verification of tax stamps on tobacco products;

- ease of use—EDAPS tax stamps are printed or applied with no waste using universally available equipment that generally forms an integral part of packaging lines, making tax stamp authenticity easily verifiable and traceable (naked eye, via the Internet and SMS).

Kochubey says the hologram is key for developing secure tax stamps. “The secure hologram is a major overt security element that cannot be reproduced using printing techniques. The employment of secure holograms considerably undermines counterfeit risk. Moreover, visual authentication of such holograms does not require any special skills, making holograms a reliable and convenient tool for prompt product authentication by both experts and ordinary customers, which similar holograms widely implemented in Euro banknotes testify to.”

Tax stamps include:

- Highly enhanced and holography-based security elements
- Advanced security printing features
- Unique number
- Secure barcode technology
- Options of low/no cost—sizable economic benefit.

Along with HSEs, the EDAPS tax stamp embraces a wide range of security printing technologies: antiscanner background grids, pseudo-embossed images, micrographics, microtext, elements printed with visible and invisible UV inks, thermochromic ink and other security features. In addition, the tax stamp number is printed in special ink that changes

its color when it is permeated through the entire layer of the stamp and is clearly visible on both sides.

New products

EDAPS recently developed a track-and-trace system that facilitates the monitoring of excise duty revenues, stems illicit trade and promotes legitimate trade of excisable products.

A distinctive and efficient security feature of a tax stamp is its individual serial number that is a combination of a regional and a unique multidigit code. This unique integrated code-facilitating track and trace of tax stamps throughout the supply chain is generated by the sophisticated database system.

The track and trace system offers:

- Tracking of the amount and origin of excisable products throughout the supply chain (from the production line to the point of sale, including options for aggregation assessment).
- On-line and real-time reporting and accounting that reflects data on excisable products/tax stamps/tax revenues.
- State-of-the-art and highly reliable data exchange technologies
- Time and cost-effective solution.

The track-and-trace system's specificities of authentication include:

- Naked eye: overt secure features not requiring the application of a special tool, skill or knowledge
- Digital: serial number or barcode verification via the Internet, phone or SMS
- Expert: extremely user-friendly detectors for performing forensic authentication

Competitive edge

Compared with its competitors, EDAPS says it is the only enterprise in the world that has in-house facilities and production lines for the issuance of tax stamps with HSEs. It also has a state-of-the-art database and verification technology as well as profound experience in addressing administrative and enforcement issues.

EDAPS has acknowledged experience in rendering expertise and production capacity to automate the revenue tax collection system enhanced with high-security elements. A vital aspect that EDAPS has introduced into the revenue tax collection system is the possibility to deliver tax stamps, accompanying systems and services to ensure technically competent expertise, and software programming and project management, as well as to provide production machinery and tools, if required, and to offer training courses, which in fact represents a true turn-key solution.

The EDAPS technology has a sound track record: One designed and implemented system promptly doubled excise tax collections. For three years from the project implementation date additional tax collections have reached almost $5 billion, which exceeds the amount annually collected through the traditionally applied tax stamp system.

“Recovering billions of dollars in lost tobacco taxes has become possible only owing to a radically innovative approach of EDAPS—a comprehensive solution which integrates forgery-proof tax stamps incorporating various high-security elements into the robust automated tax control system,” says Kochubey.

EDAPS has successfully implemented nationwide projects in Ukraine, with a population of 45 million, and in Kenya, with 39 million citizens. Since 2002, the EDAPS’ member-enterprise SE Holography has rendered technical support for the tobacco tax stamp control system supplied to the Ukrainian Ministry of Finance. Its efficiency was proven by 50 billion collections from tax duties. This system includes the issuance of tax stamps, the creation and administration of the system database, further maintenance and elaboration of enforcement methodology and technology. Consequently, Ukraine has decreased the

spread of counterfeit tobacco products and raised the amount of excise revenues. As compared with 2008, the excise collections in 2009 grew by $400 million—an increase of 80 percent.

The quality of the products and the experience of EDAPS on highly secure ID documents and IT systems have been recognized by organizations such as the ICAO, OSCE and Interpol as some of the best in the world. The EDAPS-produced De Beers Diamond Passport provides for the first time a forgery-proof certification of De Beers diamonds and jewelry items.

Future devices

There are many challenges to overcome moving ahead with security. Andriy Tymoshenko, director of production of SE Holograpy, says the global spread of holographic technologies seriously diminished faith in their reliability. “Massive production of counterfeited holographic security features in the Far East and Asia creates numerous problems in brand protection and document security. Thus it is necessary to look for other optical phenomena to create distinctive and easily recognizable features.” Looking ahead, she says the latest achievements in nanotechnology and materials science offer enough ideas to move forward.

There is now a global trend to use more and more complex technological solutions in the development of security devices. Tymoshenko says, “This has to be not a simple aggregation of different proven solutions but creation of new products where components of different physical natures interact with each other. The most promising approach is the combination of RFID tags and diffractive optical elements. In this case the RFID antenna may be an integral part of the optical security feature.”

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