consumer package back to a bottling line or production shift.

Current regulations in parts 19, 24 and 25 promulgated pursuant to the Internal Revenue Code require certain markings on cases of distilled spirits, wines, and malt beverages. Cases of distilled spirits and wines must be marked with serial numbers. These markings are required in order to protect the revenue, and to facilitate tracing in the event of the diversion of nontaxpaid goods. However, case markings have limited value in tracing consumer packages such as bottles and cans. Once the product is removed from the case, those markings are obviously of no value in tracing the product.

The purpose of product identification codes (i.e., lot identification numbers, bottling dates, freshness dates, etc.) on labels or packages of products is to facilitate the tracing of a product for safety, compliance or quality control issues. For example, if an alcoholic beverage product is found to have been tampered with, or contaminated, any type of code which would enable the tracing of the product back to the bottling line or production batch would be extremely valuable in determining how the tampering or contamination occurred, and in allowing the producer to make an informed decision as to the extent of the problem, and the need for product recalls.

For this reason, ATF believes that product identification codes are useful as a consumer protection measure. Safety, labeling and quality control problems often come to light by virtue of consumer complaints or market place testing of products by ATF. In such instances, case markings will generally be of no avail. However, the use of product identification codes can help to readily identify the hazardous or defective product, and, in the event that a health hazard exists, assist in a speedier and more orderly recall of these products from the marketplace.

The use of lot identification numbers has already been mandated by the Council of the European Communities, in Council Directive 89/396/EEC, dated June 14, 1989. In view of the fact that many European countries now require such markings, and many large producers in the United States voluntarily place such codes on product labels or containers, ATF raised the issue of mandatory product identification codes at an industry meeting held in Washington, D.C. on July 26, 1994.

The purpose of raising this issue with industry members was to gather information on current industry practices regarding product identification codes. ATF has learned that many domestic and foreign producers of alcoholic beverages voluntarily place product identification codes or lot identification numbers on the labels or containers of wines, distilled spirits, and malt beverages. Typically, the label or container of the product will be marked with a code indicating the batch from which the product was made, a bottling date, a production shift code, or some other type of mark which will enable the producer to trace the consumer package to a specific production batch or bottling line.

While large producers are more likely to have their own system of product codes, small producers often find that such a system is unnecessary, because their own records will enable them to do any necessary tracing. At the industry meeting, questions were raised as to whether it was necessary to impose a product identification code requirement on small producers.

Rather than impose a mandatory product identification code requirement on all producers, ATF is proposing to leave the decision as to whether to place product identification codes on consumer packages to the producer. At this time, we believe that the consumer is adequately protected by the information required under the current regulations.

However, in order to allow producers to efficiently develop a system in which they can ensure the tracing of their own products, we believe that the voluntary placement of product identification codes on consumer packages by producers should be protected by regulation. This will address the specific problem currently faced by producers—the removal of product identification codes by distributors or other third parties.

If a producer believes that the only way it can efficiently trace products is to put product identification codes on the consumer packages, ATF does not believe it should allow the intent of the producer to be frustrated by third parties. It is the producer who will have to bear the costs of recalls if product identification codes have been obliterated by distributors. It is the consumer who will suffer if the obliteration of such marks makes it impossible to trace problems with contaminated products. Finally, such actions make it more difficult for ATF to trace problems with products already

Thus, ATF is proposing an amendment to the regulations which will specifically prohibit the labeling or relabeling of products if the effect of

in the market place.

such action is to remove from labels or containers "product identification codes" placed on the label or container by the producer for tracing purposes. The term "product identification code" is defined to include any numbers, letters, symbols, dates, or other codes placed on the label or container by which the producer may be able to trace a product back to a particular production lot or batch, bottling line, or date of removal.

Under the proposed regulations, if it is necessary for anyone but the producer to remove the original label from the product, the product identification code must be put back on the new label. ATF believes that this proposal will adequately address the problem before us, without imposing an undue burden on any part of the industry. Most importantly, it will ensure that an important consumer protection mechanism voluntarily placed on consumer packages by manufacturers will not be thwarted.

Although ATF is not proposing to require product identification codes on labels or packages, it is the opinion of the Bureau that such codes are useful, and should be encouraged. If at any time we find that the lack of such codes is hampering the exercise of our consumer protection function, we may wish to reconsider this option.

Products Bottled for Exportation

Although products which are bottled for exportation are not required to be covered by certificates of label approval, ATF believes that the prohibition on alteration of labels applies to such products. The alteration or mutilation of required information on labels, as well as product identification codes, would hamper ATF's efforts in tracing the illegal diversion of nontaxpaid alcoholic beverages which were intended for exportation. One of the purposes of the FAA Act was to aid in the collection of taxes on distilled spirits, wines, and malt beverages. Thus, we have authority under the FAA Act to extend these provisions to products which are intended to be exported.

Elimination of Prior Approval Requirement

The proposed amendments to parts 4, 5, and 7 relating to the relabeling of wine, distilled spirits, and malt beverages would also resolve an inconsistency in the present regulations. Currently, persons who wish to relabel wine and malt beverages are required to make written application and receive approval from ATF prior to relabeling these products. However, persons who wish to relabel distilled spirits are not