



Business and Industry Advisory Committee to the **OECD**

Comité Consultatif Economique et Industriel Auprès de l' **OCDE**

Statement by the Business and Industry Advisory Committee to the OECD (BIAC)

on

RADIO-FREQUENCY IDENTIFICATION (RFID)

November 28, 2005

BIAC supports the OECD's activities focused on Radio-Frequency Identification (RFID) and, in particular, applauds the OECD RFID Forum that was held on 5 October 2005. BIAC welcomes the background document on "Radio-Frequency Identification (RFID): Drivers, Challenges and Public Policy Considerations" (DSTI/ICCP(2005)19) and believes that constructive dialogue between business, government and consumer groups can help to ensure a proper understanding of the benefits and concerns associated with RFID.

RFID is a technology that is already having an effect on the way in which business is conducted. To date, the major and beneficial impacts of RFID have been in supply chain and logistics providing significant improvements and efficiencies. These include better inventory control on the back end, and greater ability to locate and track container palettes and shipping packages. To date, only part of these benefits have been captured as only parts of the supply chain are in a position to leverage the benefits of RFID. Those suppliers who look at RFID as a cost and not an opportunity do not capture the potential benefits. Over time, more suppliers should be able to capitalize on these benefits thus further leveraging the benefits of RFID. While many of the current RFID deployments benefit business, consumer benefits also accrue from these mostly back end applications. These benefits could include better stocking in stores, potential savings from efficiencies gained by business, and improved traceability of food products leading to improved food safety – especially in cases of product re-call. More general benefits including port security and more effective customs processing of goods may also be societal benefits. With further development, the benefits that accrue to business as a result of the deployment of RFID technologies – such as enhanced efficiency and accuracy, decreased fixed and working capital, reduced costs and increased revenues – will be even greater. However, RFID has also raised concerns related to both privacy and security of personal information. While some of these concerns are based on misinformation and many of these concerns are based on potential future applications of RFID, they are for the most part neither trivial nor unreasonable. In evaluating these concerns, however, we must determine their immediacy, current applicability and potential for harm. We must also look to appropriate solutions that are tailored to real world uses and potential harms in order to apply needed safeguards to those uses of RFID that may have the potential for creating the privacy concerns.

RFID systems use tags and readers that exchange information across radio frequencies. Tags can be active or passive which will impact the range at which the Tag can be read. The important development and distinction of RFID is that the tags can be read without physical contact or direct line of sight (required for barcodes). RFID are part of the concept of sensor-based computing. As more sensors are deployed, our environments will be able to better understand and react to our preferences. A necessary element of that reactivity is that our environments will need to identify our preferences.

The use of RFID can be bifurcated between back end (logistics, supply chain, inventory management) and consumer facing issues. Today, for the most part, item level tagging strategies exist only in test beds and for substantial items like TVs that are not carried on one's person. Most current strategies consist of tagging container palettes and shipping cartons. RFID tags associated with these items contain only product information, and many are based on an emerging Electronic Product Code standard. Some smart tags are also able to alert to changes in temperature and attempts at tampering with or entering the container; issues of developing importance for food and drug safety as well as port security. For now, personal information is not stored in RFID tags, as a matter of course.

BIAC would also welcome a comprehensive examination of the technological solutions that can be used to ameliorate the potential issues associated with RFID. We would stress that as we look at potential consumer harm associated with future uses of RFID, we also examine the potential benefits that RFID and broader sensor-based technologies may provide consumers. We should also be careful to review the potential for unintended and negative consequences that could result to non-consumers uses due to overbroad drafting.

BIAC believes that the OECD is an appropriate venue to discuss these issues. We remain open to examining multiple approaches to dealing with potential concerns, but would like to do so in the context of their current and near term potential. Developing policy frameworks that apply to theoretical application has much greater potential for unintended and unforeseen consequences. In the context of these discussions it is appropriate to consider what regulatory approaches – including self-regulation – may be appropriate as well as when they may be appropriate. The development of such technologies – which are part of the broader “Digital Revolution” – are largely dependent on an organisation's ability to innovate. Excessive or premature regulation can stifle innovation and deprive users of the benefits of new technologies. Sometimes regulatory and self-regulatory frameworks are needed to develop trusted environments that users can rely on. Thus, business is committed to developing and supporting appropriate frameworks in which the ability to innovate and invest are preserved and the legitimate concerns of governments and consumers are addressed. A flexible regulatory regime is essential to continuing to obtain the benefits of the Digital Revolution.

The issues canvassed above are complex. BIAC believes that more work needs to be done in this area and suggests that further dialogue between business, government and consumer groups (perhaps in the form of another global forum) would help to advance practical solutions to the policy problems that arise from RFID applications.