

From the Chief Executive
John Fingleton

OFFICE OF FAIR TRADING

Ms Linda McAvan MEP
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2 February 2011

Dear Ms McAvan

Life expectancy of Epson printers

Thank you for your letter of 17 January 2011, addressed to the Competition Commission, which sets out concerns raised by one of your constituents regarding waste ink pads in Epson printers.

You explain that Epson printers contain a memory chip which acts as a life counter for the waste ink pads in the printer. As this memory chip has a pre-set life span, after a certain period of time the printer becomes unusable. Due to the presence of encryption software, it is not possible for users to re-set and service the ink pad without going to an Epson service centre, causing considerable inconvenience and expense. You ask if the Competition Commission can do anything to allow users to re-set and service their own ink pads.

Since the Competition Commission has no power to initiate its own investigations but acts on references made to it from competition and regulatory authorities, the letter has been passed to the Office of Fair Trading (OFT) to respond.

The OFT has different powers for conducting studies and carrying out investigations, under the Competition Act 1998 and the Enterprise Act 2002. In brief, the Competition Act 1998 (CA98) contains two prohibitions. Chapter I prohibits agreements, decisions or concerted practices that prevent, restrict or distort competition to an appreciable extent. Chapter II prohibits conduct which



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amounts to an abuse of a dominant position. The Enterprise Act 2002 provides that the OFT may conduct studies into markets that do not appear to be working well for consumers.

The OFT has already carried out some work in this area. In October 2001, we carried out a one-year investigation of the consumer IT goods and services market which looked at, among other things, the market for inkjet printers. Despite high levels of consolidation, we found that it was quite competitive and, overall, was working well for consumers. We did, however, find areas where the market could be improved to serve consumers better.

While the study did not directly address the issues your constituent has raised regarding the built in life span of Epson printers, it did examine the related issues of pricing and running costs of printers. In general, we found that pricing was unclear. At the time of printer purchase, consumers were given little information about the cost of ink cartridges and other associated running costs. In particular, we found that there was no standard test enabling consumers to compare performance between original equipment manufacturers (OEMs) and third-party cartridges (cartridges produced by non-printer manufacturers).

The OFT consequently made recommendations that the OEMs should:

- provide consumers with clear information about the performance of inkjet cartridges at point of sale to enable the consumer to compare total cost of ownership of the printer, and
- develop a test standard against which the performance of inkjet cartridges could be measured.

An industry standard has since been developed in the form of ISO/24711 and 24712, and yield data (cost per copy printed) is being made available to consumers. However, the OFT has continued to receive a steady stream of complaints that suggests the ease with which this information can be found varies and its usefulness is questionable.

Accordingly, we share many of your concerns that this market may not be working as well for consumers as it should. In particular, it appears that some retailers and manufacturers may be failing to provide the clear information which would enable consumers to make a properly informed decision when purchasing a printer. This would include information such as the cost involved in re-setting ink pads. This can lead to consumers either buying printers that are inappropriate for their needs, or using their printers much less than they otherwise would because the costs of running them are in excess of what they might have expected.

With regard to selling printers at a low price compared to the cost of inks and services such as re-setting ink pad counters, the OFT considers that providing the consumer understands the implications of the full life cost of the product concerned, then it does not matter whether printers are priced lower than inks. However, as already noted, it is not clear from the complaints received by the OFT that pricing is sufficiently transparent for consumers to be able to assess the full life cost in this way.

As you will appreciate, the OFT receives many complaints. As the OFT cannot investigate every issue that is brought to its attention, it has to apply prioritisation principles (www.offt.gov.uk/prioritisation-principles) to determine which issues it will investigate. While the OFT remains concerned about transparency in this sector in relation to the pricing of printers and ink, we do not consider this issue meets our prioritisation principles at this time.

This is a position we will keep under review. In this respect, we appreciate your

bringing this matter to our attention, and hope this letter is helpful to you and your constituent.

Yours sincerely

A handwritten signature in black ink, appearing to read "John Fingleton". The signature is written in a cursive style with a large, stylized "J" and "F".

John Fingleton
Chief Executive