

## Rationale for proposed section 5.3- 10July2019

### 5.3 Availability of Spare Parts and service information and critical software updates

- 1) Proposed effective date of 1 July 2021 in line with the appropriate buffer period provided in the Lot 5 Display regulation. Proposed commitment for five years- the spare parts supply chain normally operates on the principle of a lifetime buy. When manufacturing of a given product model ends a lifetime buy of spare parts is made in order to secure inventory for the remaining support lifecycle. Lifetime buys are made based on a forecast of demand for spare parts. The process is similar to sales forecasting. Forecasting is not an exact science and the longer the timeframe the less accurate the forecast. Longer timeframes also drive a conservative approach (buying more spare parts than actually needed) to protect against potential or unforeseen shortages. Moving from a 3 to a 7 year timeframe significantly increases the risk of waste as a result. Moving from a 5 to a 7 year timeframe involves the same dynamic, just to a lesser degree. The bottom line is a 7 year timeframe would very likely result in a high risk of waste and scrapping of unused parts.
- 2) Spare parts list has been refined to be more precise, accurate and clear. Some parts for which there simply is no demand as a spare part have been deleted from the list. Other appropriate parts have been added.
- 3) Whole unit exchange service model- Below a certain price-point the prevailing service model is whole unit exchange, as opposed to the provision of spare parts. The exchange model is not 'replace by new' it is 'replace by refurbished'. Returned products are refurbished and used as replacements for future returned products. The objective is to refurbish and re-use as many printers as possible. This simply makes good business sense and is also an important element of a Circular Economy. Note that high product quality combined with low print volumes in these product categories result in exceptionally low failure rates. Replacing returned units with refurbished units makes the most sense financially and environmentally. Forcing industry to move from a refurbished unit replacement model to a parts supply chain model would nearly *double the cost* of servicing products in these categories. Also note the refurbishment reverse supply chain exists and operates within the European Union (employment).