

15/06/99

MATTEL PTY LIMITED

SUBMISSION

1. Mattel Pty Limited

Mattel Pty Limited is a wholly owned subsidiary of Mattel Inc. of the United States and is the largest toy company in the world. Mattel was established in 1945 as a small enterprise in Culver City, California where it first manufactured doll furniture from a garage workshop. The original founders, Harold Mattson and Elliott Handler, who coined the name 'Mattel', expanded their business rapidly. Mattel first made history in 1955 when it signed a major sponsorship with the Disney Corporation. This was the first major sponsorship between a toy company and an outside service provider.

The company now has a turnover in excess of \$6billion internationally. In Australia Mattel currently employs 144 people, paying salaries in excess of \$7.2million. Mattel Australia turns over in excess of \$127million per annum mainly on branded goods which amount to approximately \$124million of that total.

Mattel's business in Australia consists principally of the importation of pre-manufactured and packaged goods manufactured in Mattel's factories in Mexico and South East Asia. The Australian staff are employed in support of the marketing of the products in question and with backup and support for the very substantial customer base in Australia. Mattel currently expends in excess of \$14million per annum within Australia in advertising and supporting product. It pays taxes, fees and other charges to government, excepting income tax, in excess of \$17.5million.

Mattel is most concerned that the implementation of the restrictions preventing parallel imports and the ever increasing number of pirated products will have an adverse effect on employment in Australia and local products. In 1998 Mattel commissioned a thorough assessment of their Australian business by Price Waterhouse Accountants studying the impact of the proposed amendments to the Trade Marks and Copyright Acts. The survey highlighted the potential for a substantial reduction in profitability, employment and turnover. These figures can be best summarised by examining Schedule 1 to this submission attached hereto.

Mattel currently relies upon its vast intellectual property assets such as those for the Barbie Doll range of products and others as the backbone to its business and the foundation for future development. Mattel and its subsidiaries currently have registered 132 trade marks, a full list of which is reproduced and marked Schedule 2.

Mattel is concerned with the proposed changes to both the existing parallel import legislation and also what it believes to be an unsatisfactory legal and enforcement regime with respect to pirated goods.

2. Protection afforded by intellectual property law.

2.1 Existing protection.

Sections 37, 38 and 102 of the *Copyright Act* 1968 and Part 13 of the *Trade Marks Act* 1995 have been historically effective in preventing the parallel importation of products into Australia and has also assisted in the effective control of the importation of counterfeit and pirate products. For the purposes of this Submission the expression “parallel importing” is used to describe the importation of products in which copyright exists or associated with which there is a registered trade mark for the purposes of resale by an entity other than the authorised importer or distributor.

Pursuant to the *Copyright Act* provisions Mattel has been protected against parallel importing by relying upon the copyright rights subsisting in the packaging and labelling. This approach was upheld Young J. in the New South Wales Supreme Court in *R.A and A. Bailey and Co Ltd v Boccaccio Pty Ltd* (1986) 6 IPR 279.

Mattel has appreciated this protection which has enabled it to provide a wider range of goods for distribution and sale thereby satisfying the demands of consumers. Further, it has enabled Mattel to provide better service to the consumers and to the community at large. These matters are addressed subsequently in this Submission.

2.2 Proposed changes.

The amendments to the Act as contained in Schedule 3 of the *Copyright Amendment Act (No. 1)* 1998 effectively over-rule the *Bailey v Boccaccio* decision. This is of particular concern to Mattel because in the toy industry rarely is there copyright subsisting in the product itself. Accordingly, there was a strong reliance upon the copyright subsisting in the labelling and packaging to prevent the unauthorised importation into Australia of products in respect of which Mattel has exclusive importation and distribution rights.

2.3 A “label”.

In passing, it is noted that “label” is not defined in the amendments although the concept of a label is central to the operation of the provisions. A definition will be beneficial not only to the authorised importer but also to the Australian Customs Service.

3. Effect of the introduction of the amendments.

3.1 Introduction.

A relaxation of the restrictions upon parallel importing may disadvantage not only Mattel, as an authorised importer, but also retailers and consumers. In addition, it has the potential to increase the ease with which pirate copies of products may be introduced into Australia for retail sale.

It is proposed to look at each of these matters in turn.

3.2 Issues relevant to the consumer

It is submitted that the price of a product is not the only driving force behind a consumer's choice of a product. Of high relevance are matters such as the quality of the product, the reputation of the retailer and the availability of after sales service. Accordingly, consumers are concerned to ensure that the product which they have purchased is a genuine article and not a counterfeit or pirate copy. In appropriate circumstances, there will be a need for confidence of a continued supply of other articles within the chain of the product [for example, clothing outfits for the Barbie doll and associated dolls]. Of great importance will be a reassurance that the product complies with all relevant Australian safety standards. Finally, of concern to a consumer is the ability of the retailer, and thus the manufacturer or authorised importer, to offer after sales service including, but not limited to, the ability to return or exchange the product for any number of legitimate reasons.

A relaxation of the restrictions upon parallel importing has the potential to disadvantage consumers of goods which are obtained from a parallel importer. A consumer is most unlikely to distinguish between Mattel as the authorised distributor and a distributor of goods which are brought into Australia by a parallel importer. Not only can this lead to consumer dissatisfaction, but it has the potential to damage the reputation, and therefore the business, of Mattel.

It is sometimes argued that the use of copyright subsisting in the packaging or label is an inappropriate use of copyright law. However, it needs to be questioned why the parallel importer or the importer of pirate product makes use of the same label. It is because the label has a meaning to the consumer! It carries with it an assurance of the quality of the product and that the product complies with the Australian safety standards. In particular, people assume that when they are purchasing products the product will accord with the appropriate safety standards. This is particularly so with electric and electronic equipment. It is not uncommon for electrical products to be made for a specific overseas market which has significantly lower electrical or

safety levels than required for legal sale in Australia. Mattel and other organisations fear that as the restrictions on parallel imports are eased they will be inundated with recalls of products imported by other parties and over which they are expected to provide support even though they have derived no profit from those sales. Such cases highlight how the brand name owner will face high costs in its efforts to protect its reputation from damage caused by products which it neither sold nor intended to be sold into the Australian market.

Again, it is sometimes argued that the solution ought to be by way of the provisions in the contract between the authorised importer and the overseas manufacturer. This argument fails to appreciate that invariably the parallel importer does not obtain the product from the manufacturer. The usual source of supplies is the authorised importer for a country other than Australia. The manufacturer will have modified the goods for that country; they may well be goods which to the manufacturer were not intended for the Australian market; instructions and safety warnings may well be in a language other than English. Accordingly, there can be no certainty that the goods so acquired are suitable for the Australian market.

Accordingly, it is Mattel's submission that any expected benefit to a consumer by reason of a reduction in the retail price, if any, will be more than offset by the burdens associated with parallel importation. Further, permitting parallel importing has a substantial impact upon the availability of counterfeit or pirate copies. This issue is addressed subsequently in this Submission.

3.3 Issues for a retailer

Mattel recognises that many retailers have invested significant funds in order to establish their businesses and, in particular, to establish a respected reputation. In so doing they are assisted substantially by their authorised suppliers. The relationship between Mattel and retailers of its products include the following arrangements:

- * A policy of exchange or returns in situations such as a retailer overstocking or should any individual item be defective in some manner. Although a retailer can establish a policy of no refunds or exchange without a receipt, in reality this is extremely hard to police. When returning an item for whatever reason often a legitimate customer cannot provide a receipt. The retailer is then left in the position of either rigorously enforcing the policy and thus creating dissatisfaction with the legitimate consumer or opening the way for items not supplied by Mattel to be returned by the retailer and ultimately to Mattel.

- * The retailer and its staff receive support at times of key promotional and event presentation. This type of support, including general advertising, is an expense to Mattel and to the retailer. This expense must be built into the retail cost of the product. A parallel importer is able to take advantage of such promotion and advertising without incurring any of the expense. Such an importer thereby gains undeserved competitive advantage in pricing.

Allowing the uncontrolled parallel importing of products has the potential to endanger the relationship between Mattel and its retailers. In order to meet the competition, among other matters, Mattel would have to seriously consider a reduction in the assistance it provides to the retailers.

3.4 Issues relevant to an authorised distributor.

Mattel is proud of its reputation in the industry. Over many years it has developed a reputation for quality, initiative, reliability and trust, the good value of its products and its after sales network. This reputation has come at the cost of investment in training of its own staff, of its programme of research and development and the development of a strong relationship with manufacturers throughout the world.

This reputation is at risk if Mattel is forced to reduce prices and suffer a consequential reduction in profits. Savings would have to be made in the expenditure on those matters which have contributed to our high reputation.

In addition, its reputation is at risk if there is an increase in the level of counterfeit or pirate copies of the product introduced into Australia.

4. The threat from piracy.

4.1 Introduction.

Piracy is of great concern. Not only does Mattel suffer lost sales but the greater concern is the damage to its reputation when legitimate customers, in ignorance, acquire inferior counterfeit articles. The great danger is that counterfeit copies of product may not comply with Australian safety standards. Consumers will be exposed to substantial risks if the counterfeit product is not designed or modified for Australian conditions. The flow on effect is that it is Mattel which will receive the criticism and blame. It is unreasonable to expect consumers to appreciate the subtle differences between a genuine item and a counterfeit item. Indeed, how reasonable is it to expect consumers to ensure that a lower price reflects a failure to comply with Australian standards or a denial of appropriate after sales service?

Piracy is strongly intertwined with parallel importing.

The control of the importation of goods by the use of an authorised importer and distributor will assist to identify and control the importation of pirate copies of similar goods. It is appreciated that the current legislation in respect of recordings imposes upon the importer the burden of establishing that the goods imported were non-infringing goods. However, the fact remains that the more permitted importers there are, the easier it will be to have pirate copies imported into or manufactured in Australia and then distributed in Australia. If there is only one authorised importer of goods, it is an easy matter to establish that the alleged pirate copies were not part of the importer's order or consignment documentation. However, if there are numerous "lawful" importers, the ability to prove piracy becomes much more difficult.

Mattel is concerned that many of its products lend themselves to cheap and easy copying. The manufacturer of a counterfeit product, among other matters, does not have to meet the variety of costs associated with introducing a product into a market. Rather, it is able to take advantage of the market development already carried out and, therefore, can gain a substantial competitive advantage.

4.2 Extent of piracy.

It is difficult to assess the extent of piracy. Invariably knowledge of counterfeit copies being in the market comes too late. Knowledge of such a situation will arise when complaints are made by a consumer or when a retailer is threatened by a competitor who is selling the counterfeit copies. In such circumstances, even if it is possible to identify the offender, private legal action is merely an "after the event" remedy.

Mattel has had to fight long and hard to protect its very substantial reputation not only in Australia but throughout the world, particularly against pirated products which have affected its reputation and profitability. Many consumers are led to believe that the pirated product is a legitimate one when in most circumstances it is of a very inferior quality and does not necessarily carry the safety assurances that are given by Mattel. Mattel has lost many millions of dollars throughout the world as a consequence of pirated products. Probably the best example that ever occurred was when Mattel introduced a new electronic line of goods under the brand name 'Intellivision Home Video Entertainment'. The product was formally launched in 1979 but unfortunately substantially cheap knock-off software was imported into the United States and other jurisdictions to such an extent that there was a glut of pirated product imported in 1982 and 1983 with the result that 'Intellivision' could no longer compete against such high levels of piracy. Consequently, in 1983 the loss to Mattel was in the order of \$394million as a result of piracy alone.

In more recent times there are abundant examples of piracy having occurred with Mattel product in Australia. Its now wholly owned division of Tyco and Croner Toys were the licensees of the 'Teenage Mutant Ninja Turtle' range of products in Australia which came onto the market in the early '90s. The extent of piracy was so heavy that Croner Tyco was required to obtain Federal Court orders in five different States around Australia. In excess of \$200,000.00 was expended merely to restrain black-market pirates from marketing product, namely toys and t-shirts, throughout Australia. Whilst it was successful in obtaining restraining orders against all of the operators in question, it was unable to obtain payment from any of them because of the nature of their business. In one instance, Mary Pearson, a defendant from Sydney, had already been declared bankrupt once in relation to piracy of imported product and in this circumstance Mattel was faced with the same difficult problem of seeking to enforce orders against a bankrupt importer of piracy product into Australia. Without stricter criminal provisions and a desire of government and the courts to enforce those provisions, then the current civil remedies will have little impact on those who are prepared so flagrantly to breach the law as they find it so easy to hide behind the insolvency provisions of the Bankruptcy Act.

In more recent times the pirate importers have turned their interests to the leading item within the Mattel range and the number one toy item in the world, namely the Barbie Doll range. The Barbie Doll range enjoyed its fortieth Birthday in 1999 and is now the subject of piracy imports throughout the world. From September 1998 to this time, Mattel has had to pursue five different piracy actions against people importing illegal pirated product into Australia alone. In 1998 Mattel had to take action against importers of product who had stolen packaging from a factory in China and placed fake Barbie Dolls in the packaging for sale in markets throughout Australia. In 1999 Federal Court proceedings had to be issued against importers of exact knock-off pirate product known as 'Gloria' which in every other respect replicated a large range of products within the Barbie range. These proceedings were successful in the Federal Court. However they were only successful after huge expenditure was incurred which has not been able to be recovered.

As recently as May 1999 Mattel has had to take action against, of all people, an adult entertainment strip club in Brisbane which had been promoting the Barbie trade mark on the windows of its establishment. They had also marketed the Barbie trade mark for strippers in the Brisbane Courier Mail, much to the disgust not only of Mattel but also of the church and the broader community of Brisbane. It has successfully undertaken that action to restrain the parties but use this as an example of how rampant piracy is within Australia. Mattel cannot, on its own, police the thousands of markets and stores throughout Australia that constantly carry pirated product. The Customs Service, despite its best endeavours, has shown that it is not able to

stop the flow of illegally imported product, as it does not have the resources to do so. If Customs is unable to stop the flow of illegal drugs, then it can hardly be put in a position to stop the flow of pirated products, particularly where they are not resourced with the skills nor personnel to determine what product is in fact pirated. Clearly, without substantially increasing the penalties for those guilty of importing pirated product, it is going to be impossible for the legitimate owners of intellectual property rights to protect their interests. This situation will be exacerbated by the imminent relaxation of the laws against parallel importation as they will substantially increase the difficulty in identifying pirated product from parallel imported product as opposed to product legally manufactured or imported into Australia by the registered distributor.

4.3 Technology protection.

Paragraph 1) b) iv) of the Terms of Reference seeks information as to the options available for copyright owners to protect their copyright against infringement by *technology or other non-legislative measures for copyright protection*.

Technological approaches fall into two groups. First, technology may render pirate or counterfeit copies in-operable either completely or after a short period of time. This is common with software programmes. Thus, the AutoCad programme was protected by a “lock”; some programmes are designed to self-destruct after a period of time or after a specified number of operations.

Secondly, technology may provide means whereby a counterfeit item may be more readily identified, for example by scanning.

However, neither of these approaches is appropriate to the toy industry.

4.4 Enforcement by government authorities.

Paragraph 1) g) of the Terms of Reference is directed towards the effectiveness of existing enforcement measures.

In the accompanying papers under the heading of “Enforcement by government authorities” the following passage appears:

The committee understands that the border interception provisions of the Copyright Act 1968 . . . are working well.

Mattel takes issue with this statement. Indeed, it is submitted that the reverse position is a more accurate description of the extent of enforcement. The Australian Customs Service is insufficiently resourced to enable it to be

effective to a substantial level in detecting the importation of pirate product. At the moment, when there is only one authorised importer, identification of the goods as legitimate imports is relatively simple. The procedure set out in section 135 is an easy procedure. If parallel importing is permitted, the identification of goods as pirate copies will become far more difficult. A substantial paper trail would need to be followed. It will require more resources to be invested into the Australian Customs Service; at the very least, it will be necessary to become familiar with a greater number of notices provided pursuant to section 135.

It is believed that at the present time the Customs Service is unable to inspect more than a random sample of the goods imported into Australia. Further, of those that are inspected, very few have a total inspection to the extent necessary to identify whether the goods may be lawfully imported. [These comments are not intended to reflect adversely of the work of the Customs Service but are intended to indicate that the enforcement procedures currently provided by government are not “working well”]

The procedures in relation to seizure pursuant to the provisions of the *Trade Marks Act* are cumbersome and expensive in time and costs.

4.5 The adequacy of Criminal Sanctions

Paragraph 1) c) of the Terms of Reference refers to the adequacy of criminal sanctions against copyright infringement.

Mattel welcomes the very substantial increase in the penalties as reflected in Section 132A. It also welcomes the removal from Section 133 of the former complex multi-tiered penalties regime.

5. International obligations.

The decision in *Bailey v Boccaccio*, to which reference was made in section 2.1 above, was in line with many decisions in Australia, New Zealand and Great Britain over a period of 100 years. In *Pitt Pitts v George & Co.* ([1896] 2 Ch 866, 876) Lindley LJ observed:

If the defendant's contention was correct . . . such a state of our law would not be very creditable, and I am glad to find that the court is not driven to hold the law to be so unsatisfactory.

In the more recent New Zealand decision in *Barson Computers (NZ) v John Gilbert and Co. Ltd* ([1985] FSR 489, 493) in referring to the use of copyright law to restrict parallel importing, Pritchard J said that *This principle has international recognition.*

Notwithstanding that New Zealand adopted similar proposals, one must question whether a movement away from standard international copyright protection will affect adversely the endeavours to encourage strong intellectual property rights in countries in the Asia-Pacific region.

It is appreciated that the Agreement on Trade Related Aspects of Intellectual Property left members at liberty to determine its policy in relation to parallel importing. However, Article 61 of Part III of the Agreement requires that:

Members shall provide for criminal procedures and penalties to be applied at least in cases of wilful trade mark counterfeiting or copyright piracy on a commercial scale.

In order to comply with this requirement, the first obligation is to have a process or procedure whereby pirate or counterfeit copies may be identified. As argued in subsections 4.1 and 4.4 of this Submission, permitting parallel importing will weaken the ability to identify the existence of importation and distribution within Australia of pirate or counterfeit copies. If this is correct, one must question whether Australia's commitment to the TRIPS Agreement has been put at risk.

In addition, it is suggested that trade with the United States may be at risk if parallel importing is permitted. It is believed that Australia has been placed on the "Watch List" conducted by the United States. Concern has been expressed in the United States over the measures which Australia has adopted in very recent years in relation to the protection of intellectual property rights. It is believed in the United States that these measures have had the effect of eroding the level of copyright protection in Australia.

It is submitted that international opinion, and certainly that of the United States and Japan, is to the effect that inadequate protection of intellectual property rights is a barrier to trade whereas previously, the very existence of intellectual property rights was seen as the trade barrier.

6. Economic Arguments.

Mattel appreciates that the role of the law in issues such as the one under discussion is to strike a balance between the legitimate needs of consumers and the legitimate objectives of those who invest capital into businesses designed to produce and distribute products required by consumers. It is argued by those who seek to relax, if not to remove altogether, the restrictions upon parallel importing that to do so would have the effect of reducing prices and enlarging competition.

While accepting that this is an argument which has popular appeal, Mattel does not accept that it is supported by relevant comparative experience. Indeed, although research on this aspect has been carried out in respect of the book and music industries, it is believed that there has been no research upon the economic

consequences in the toy industry. It is submitted, further, that arguments of this nature fail to appreciate the costs involved in establishing a market. These costs include those related to surveying the demand of the market place and the related costs of advertising and promoting the item. They will also include, in appropriate cases, the costs in obtaining the approval of the owners of relevant intellectual property rights.

To the extent that the 1987 Prices Surveillance Authority Report found that Australia book prices were higher than those in the United Kingdom and Canada, two observations may be made. First, the provisions of the *Trade Practices Act 1975* may be a more appropriate legislative regime, particularly if the higher prices are related to market power. Secondly, consideration must be given to the impact upon the distribution costs by reason of Australia's geographical size and its comparatively small population. Although Mattel does not accept that the price of toys is disproportionately high, nonetheless, both of these observations are applicable to the toy industry.

The costs associated with the establishment of the market must be recovered from the sale price of the goods. Parallel importers will not have to bear these costs and, therefore, will be provided with an unfair advantage in pricing. It is insufficient to argue that such advantage is justified by the benefits to the consumers. It does more than that. It tilts the scales heavily in favour of the consumer to the substantial detriment of the authorised distributor. The consequential real risk is that an authorised distributor will refuse to promote an item unless it can be assured that the volume of sales will be so high that the component attributed to promotion is so small that business efficacy would not detract from a decision to promote and distribute the item. Consequently, the range of goods available on the market would be reduced to the detriment of the consumer.

7. Comparisons.

This Submission is concerned only with the affect upon the toy industry of the relaxation of prohibitions upon parallel importing. Many of the arguments advanced will be advanced in relation to other industries. Many of the arguments advanced were advanced in respect of the debate relating to the publishing, music and software industries.

It is inappropriate to translate the arguments from one industry to another. The toy industry cannot be treated in the same manner as these other industries. For example, it may be appropriate in the software industry to separate the supply of software from its back-up service. The result is to create a separate industry, that of servicing software. Thus, there can be competition at the level of supply and there can be competition at the level of service.

The same is not possible in the toy industry. The concern is that if genuine items of product were imported by a parallel importer, consumers would still expect Mattel

to provide the after sales service for the product is one which Mattel is supplying to the market.

Likewise, in the publishing and music industries there is copyright in the product. This is not so for a great majority the items in the toy industry. Therefore, the use of labelling and packaging take on a higher significance in the toy industry.

8. Price Waterhouse Survey.

At the request of the Brands Coalition, of which Mattel is a member, Price Waterhouse undertook a study of the consequences of the implementation of the proposed amendments. The study looked at matters such as turnover, employment, investment and advertising. It identified and substantiated serious concerns. In particular it is found that there could be a loss of 9,000 jobs among 1,456 Australian businesses by allowing parallel imports of branded goods. In addition, it found that the changes would seriously affect investment built up over many years of small and medium sized companies.

Other relevant finds were:

- * Business turnover would be reduced by \$3 billion per year;
- * Advertising expenditure would be reduced by \$281 million;
- * Investment in Copyright will be reduced by \$164 million;
- * Investment in brand support will be reduced by \$199 million; and
- * A loss of \$350 million in indirect taxes could be expected.

Mattel believes that this is the only empirical research which has been conducted in respect of the proposal to remove the prohibition upon parallel imports.

9. Conclusions

Mattel urges the Committee to draw the following conclusions:

- (1) The removal of the prohibition upon parallel importing will affect adversely consumers, retailers, the authorised importer and the Australian community in general.
- (2) Piracy is intertwined with parallel importing. It is anticipated that the removal of the prohibition upon parallel importing will be accompanied by an increase in the volume of pirate and counterfeit goods entering Australia.
- (3) The marketing of pirate and counterfeit copies of product is already common in Australia. It is expensive and difficult for legitimate traders to police. Permitting parallel importing will compound these difficulties.

- (4) As presently resourced, the Australian Customs Service is unable to provide adequate assurance of its ability to intercept the entry into Australia of counterfeit and pirate product. Its current difficulties will be magnified by the removal of the restrictions upon parallel importing.
- (5) Technology is not a suitable alternative for the protection against counterfeit and pirate product in the toy industry.
- (6) The arguments advanced in support of the removal of the prohibition upon parallel importing in the publishing, music and software industries ought not to be translated to the toy industry. Different considerations are applicable.
- (7) Permitting parallel importing will have consequences affecting Australia's trading in international markets.

Mattel Pty Limited appreciates the opportunity to provide this submission.

Dated this day of May 1999.

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MICHAEL McDONALD

Solicitor

For and on behalf of:

IAN ANDERSON

Director

Business Development – Asia Pacific

MARKETING\MICHAEL\MATTEL SUBMISSION_FINAL

Schedule 1

COMMERCIAL IN CONFIDENCE		Current levels of Activity (Latest full year) ('000)		Anticipated change (growth) over next 3 years with no parallel imports (\pm % annual change on A)	Anticipated impact in current Activity A with parallel imports (\pm % change on A)
		\$	Nos	per cent	Per cent
1.	Employment in Australia/wages and salaries paid				
a	Total Employment		144	+ 5%	- 5%
b	Employment on Branded Goods		144	+ 5%	- 5%
c	Wages and salaries paid on Branded Goods	7,141		+ 10%	- 5%
2.	Turnover				
a	Total turnover	125,380		+ 25%	- 10%
b	Turnover for Branded Goods	123,548		+25%	- 10%
c	Royalty and licence fee receipts on copyright held (annual)	1,832		+ 26%	- 10%
3.	Costs of Goods Sold (Branded Goods Only)				
a	Goods manufactured in Australia (cost of production excluding profit)	3,200		+ 25%	- 20%
b	Cost of imports, including duties and handling	50,451		+ 25%	- 10%
4.	Direct Investment in Copyright				
a	Cost of licence fees (annualised)	—			
b	Royalty payments (annual)	4,205		+ 25%	- 10%
5.	Investment in Supporting Branded Goods				
a	Design, research and product development (annual average over last five years)	20		+ 50%	- 100%
b	Distribution/Agent-marketing costs (excluding advertising)	—		—	—
c	Advertising (all media)	13,704		+ 24%	- 20%
6.	Purchases of other Australian Inputs used in production of branded goods				

a	Raw materials and components	2,914		+ 26%	- 20%
b	Finished final products	51,820		+ 20%	- 10%
c	Packaging and labelling	138		+ 10%	- 20%
d	Office overheads incl. salaries	11,649		+ 5%	- 10%
e	Other supplies not previously covered	—			—
7.	Government indirect taxes, fees and charges (all goods) – except income tax	17,521		+ 23%	- 11%