



Industry Supplementary Questionnaire

Case number: 565

Product: Ammonium nitrate

From: The Russian Federation

Inquiry period: 1 July 2019 to 30 June 2020

Response due by: 3 November 2020

Return completed questionnaire to: investigations2@adcommission.gov.au

Anti-Dumping Commission website: www.adcommission.gov.au

DECLARATION

I believe that the information contained in this response is complete and correct.

Signature:  _____

Name: _____
Gerard Chan

Position: _____
Commercial Manager – Ammonium Nitrate

Company: _____
CSBP Limited

ABN: _____
81 008 668 371

Date: _____
3 November 2020

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BACKGROUND & GENERAL INFORMATION

Purpose of this questionnaire

The purpose of this supplementary questionnaire is to assist the Commission to obtain further information it considers necessary to assess whether a “particular market situation” exists in the Russian Federation (Russia) domestic market and whether selling prices for ammonium nitrate in Russia are not suitable for determining normal values under subsection 269TAC(1) of the Customs Act.

Response to this questionnaire

Australian Industry members do not have to complete this supplementary questionnaire. However, if you do not respond, the Commission may be required to rely on information supplied by other parties.

If you choose to respond to this questionnaire, the response is due by **Tuesday, 3 November 2020**.

If you decide to respond

Should you choose to provide a response to this supplementary questionnaire, please note the following:

Confidential and non-confidential versions

You are required to lodge a “for official use only” and a “public record” version of your submission by the due date.

In submitting these versions, please ensure that each page of the information you provide is clearly marked either “**FOR OFFICIAL USE ONLY**” (for the confidential version) or “**PUBLIC RECORD**” (for the non-confidential version) in the header and footer.

All information provided to the Commission “for official use only” will be treated confidentially. The public record version of your submission will be placed on the public record, which all interested parties can access.

Your public record submission must contain sufficient detail to allow a reasonable understanding of the substance of the “for official use only” version. If, for some reason, you cannot produce a public record summary, contact the case manager (see contact details on Page 1 of this questionnaire).

Declaration

You are required to make a declaration that the information contained in the response is complete and correct. You must return the signed declaration with the questionnaire response.

Lodgement

Lodgement by email or SigBox is preferred. The email address for lodgement is shown on the front cover of this questionnaire. If you lodge by email, you are still required to provide a “for official use only” and “public record” version of your submission by the due date. If you wish to lodge your response by SigBox, please contact the case manager to make appropriate arrangements.

Clarification

If you have any difficulties in completing the supplementary questionnaire, or require clarification on any questions asked, contact the Commission as soon as possible.

Future questions and verification

Please note that after receiving the response to this supplementary questionnaire, the Commission may seek additional information.

The Commission may also seek to examine relevant records and to verify the information provided. The Commission has temporarily suspended onsite verification due to the COVID-19 pandemic (refer to Anti-Dumping Notice No. 2020/29). However, the response to the questionnaire may still be subject to onsite verification should the suspension of onsite verifications be lifted. Alternatively, we may seek to verify information remotely through email correspondence, videoconferences and teleconferences. You will be contacted in advance to make any necessary arrangements.

A complete response, including all of the documentation requested, must be submitted to the Commission before a verification meeting will be considered.

If verification meetings are unreasonably delayed or cancelled, the assessment of a particular market situation may be based on the facts available to the Commission.

The purpose of the verification meeting will be to verify the information provided in your supplementary questionnaire response. It is not intended to be a second opportunity to provide new or additional information. Accordingly, it is important that your response be as complete and accurate as possible.

SECTION A MARKET SITUATION

Section 269TAC(1) of the *Customs Act 1901* (Cth) (the Act) provides that, subject to this section, the normal value of any goods exported to Australia is the price paid or payable for like goods sold in the ordinary course of trade for home consumption in the country of export in sales that are arms length transactions by the exporter or, if like goods are not so sold by the exporter, by other sellers of like goods.

In addition, section 269TAC(2)(a)(ii) of the Act provides that, subject to this section, where the Minister is satisfied that because of the situation in the market of the country of export is such that sales in that market are not suitable for use in determining a price under subsection (1), the normal value of the goods exported to Australia cannot be ascertained under subsection (1).

Australian Industry claim that a particular market situation exists with respect to the goods within the Russian Federation (Russia)¹.

As part of its inquiry, the Commission will consider if a market situation exists in the ammonium nitrate market in Russia during the review period. The Commission will also investigate whether any market situation, if found to exist, influences a comparison between export prices and normal values. To undertake this assessment, the Commission requires further information about the respective markets.

¹EPR document number 1

A-1 Whether sales are suitable

If the Minister is satisfied a market situation exists during the inquiry period, the Minister must consider whether, because of that market situation, exporters' domestic sales of the goods are suitable for determining a price under section 269TAC(1) of the Act.

1. In the event that the Minister is satisfied a market situation is found to exist during the inquiry period, please comment and provide any relevant evidence on:
 - (a) the effect of the market situation on exporters' domestic prices in Russia (as relevant);
 - (b) the effect of the market situation on exporters' export prices;
 - (c) whether the effect of the market situation is such that exporters' domestic prices and export prices cannot be properly compared.

CSBP Limited Response:

CSBP Limited refers to the Australian industry application that details the Government of Russia's ("GOR") influence of domestic gas prices within the Russian Federation. In the Australian industry's application the findings of the previous continuation investigation (i.e. Investigation No. 312) were identified where it was confirmed that the GOR controlled the domestic pricing for natural gas in Russia.

The Australian industry's application confirmed that the GOR *continues* (in 2020) to regulate domestic gas supply in accordance with the identified Federal Laws.

CSBP Limited is aware that the European Commission ("EC") has recently completed² a *Commission Staff Working Document* "on significant distortions in the economy of the Russian Federation for the purposes of trade defence investigations". In respect of natural gas in Russia, the EC found:

As documented in Section 10.2.2, over 85% of Russia's gas production is accounted for by state-owned companies, mainly those belonging to the Gazprom Group (approximately 75% of production), as well as Rosneft (10%). Gazprom is the owner of the UGSS which gives it a privileged position in sourcing and distributing gas within Russia although this also imposes on Gazprom obligations related to maintenance and modernisation of UGSS. The company controls, directly or indirectly (via managing the UGSS and providing transmission and other UGSS-related services to other producers), some 74% of gas supplies within the Russian market. Gazprom is also the sole authorised exporter of piped gas outside Russia and it accounts for 20% of the LNG export segment, the most liberalised part of the Russian gas sector (P.252).

With the Russian Federation accession to the WTO in 2012., Russia undertook specific commitments in relation to gas pricing. Despite these obligations, Russian gas prices continue to be distorted by the state and bear no resemblance to the cost of generating, supplying and distributing gas domestically.

The EC further noted:

"The Government's approach to regulation of gas pricing has evolved considerably since the collapse of the Soviet Union with different strategies adopted by the Government. While as of writing this report market forces play a much larger role in the sector that at the beginning of the transition, gas price formation is still broadly shaped by the State (Section 10.6.1.1). Retail tariffs are tightly regulated and are significantly lower than those for industrial customers. Wholesale prices for industrial users supplied by Gazprom and its subsidiaries are also set by the State. They are not explicitly differentiated by types of industries in which these consumers operate but they are set accordingly to a price formula in which many

² Commission Staff Working Document on significant distortions in the economy of the Russian federation for the purposes of trade defence investigations, Brussels, 22 October 2020.

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parameters are determined by the State or relate entities like Gazprom, and/or in a non-transparent manner (Section 10.6.1.2) (P. 268, 269).

It was also observed by the EC that *“The wholesale gas pricing formula links the domestic price to the export price rather than to specific actual cost of production of gas in Russia.”* (P. 269).

The EC concluded:

“The discussion of the differences in Russia’s domestic gas prices and prices charged to foreign consumers in its export markets shows that the domestic prices have remained at a level of approximately one-third of the export prices. Timing and size of the most recent adjustments to regulated gas tariffs do not seem correlated with inflation dynamics but rather seem to reflect political and socio-economic policy objectives. What is more, the Government seems to lower or freeze regulated domestic prices at times of low global prices, which prevents convergence towards export prices. As stated above, the latest international comparisons show how that, in 2018, in Russia and in other countries of the FSU regulated pricing mechanisms accounted for much higher shares of gas pricing than in other regions. They also show that Russia’s wholesale gas prices remain the lowest in the world” (P.272).

The impact of the government-regulated gas prices on downstream ammonium nitrate production is addressed also:

“According to the Academy of Industrial Market Studies, a Russian consulting firm, producers of nitrogen fertilisers (including ammonium-nitrate) achieve competitiveness in the global market due to the low price of Russian natural gas, which is an essential factor of the production cost. Russian ammonia producers consume about 1200 m3 of gas on average for the production of one ton, which is one-third higher than the average European level. However, due to the gas price difference, the direct costs of Russian ammonia and carbamide per ton are 2-3 times lower than in Europe. Therefore, the profitability of the chemical industry is mainly achieved by contractual domestic prices of natural gas that are significantly lower than world prices. The cost of electricity in Russia is also lower than in the world market, because the main components of power generation (such as coal, black oil (mazut), natural gas and uranium) are all produced in Russia and mainly belong to state-owned corporations and because energy resource prices are regulated by the Government monopolies to maintain competitiveness and stimulated domestic production.” (P. 434).

CSBP reaffirms the position as stated in the Australian industry application for the continuation of measures on ammonium nitrate (“AN”) exported from the Russian Federation that the GOR continues to regulate the domestic price of natural gas such that it is lower than it would otherwise be in the absence of the government regulation. The Commissioner’s findings in Report 312 confirmed Gazprom’s prices are not representative of market prices and instead reflects suppressed prices in Russia. The suppressed domestic gas price impacts the domestic selling price for AN such that it is also sold at artificially low prices when compared with domestic prices for AN in other domestic markets. The EC Report confirms that the ongoing government intervention continues to distort the price of gas in Russia and thereby impacts the selling prices of AN.

CSBP Limited submits that domestic selling prices for AN continue to be distorted by the GOR’s intervention and that domestic selling prices are not suitable for determining normal values under subsection 269TAC(1) of the *Customs Act*. The effect of the GOR intervention is that the Russian export prices of downstream value-added gas products (including AN) are artificially low due to the impact of the GOR’s Federal Laws that suppress domestic gas prices in Russia.

CSBP Limited does not consider that, for the purposes of determining normal values, the exporter’s domestic prices and export prices for AN can be properly compared.

2. Please provide any further information and evidence you may wish to submit.

Please refer to A-1 above.

SECTION B AUSTRALIAN MARKET

B-1 Prevailing conditions of competition in the Australian market

1. Describe the Australian market for ammonium nitrate and the prevailing conditions of competition within the market, including:

- (a) an overall description of the market in Australia, which explains its main characteristics and trends over the past five years;

The Australian market for AN is primarily as a raw material in the production of explosives consumed by the mining and quarrying industries. There is a secondary market for AN as used as a fertiliser in the agricultural industry.

- (b) the sources of demand for ammonium nitrate in Australia (including different customers, users or consumers of the product), and the estimated proportion of sales revenue that each source of demand comprises;

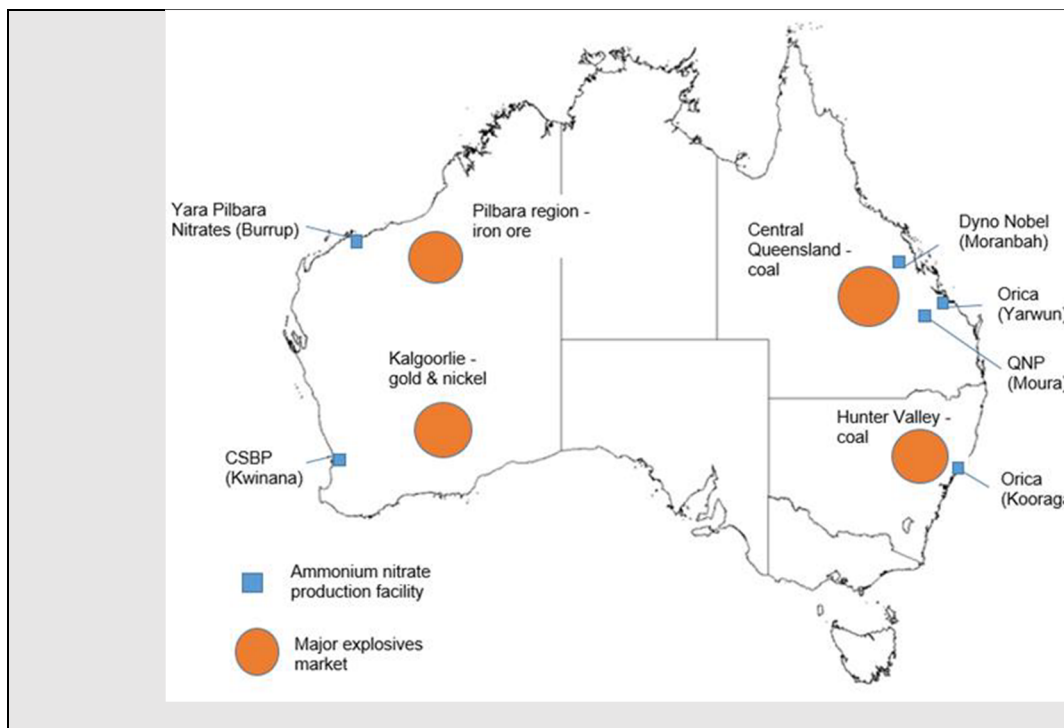
Demand for AN is driven by the mining industry, specifically coal mines in the Hunter Valley in NSW, the Bowen Basin in Central Queensland/Mount Isa region, and in iron ore (Pilbara) and gold mines in W.A.

- (c) the factors that influence consumption/demand variability in Australia, such as seasonal fluctuations, factors contributing to overall market growth or decline, government regulation, and developments in technology affecting either demand or production;

Production of coal, iron ore, and gold drives demand for AN in mining applications.

- (d) any market segmentations in Australia (such as geographic or product segmentations), and the estimated proportion of sales revenue that each segment comprises;

The following geographical segments of the Australian AN market were identified in recent Investigation No. 473:



(e) the way in which Australian manufactured, Russian and other imported goods compete in the Australian market;

The Commission has previously determined that

- HDAN, LDAN and ammonium nitrate are technically similar, being AN with variations in density, form and concentration;
- there is a commercial likeness between the goods as they are sold to the same customers and compete in the same market;
- the goods are functionally alike as they are used in the manufacture of explosives and are substitutable; and
- the key steps in the production process are similar.

CSBP therefore considers that imported HDAN (and LDAN) from the Russian Federation are the subject goods and the Australian industry produces goods that are alike to the imported goods.

(f) the ways that ammonium nitrate is marketed and distributed in the Australian market; and

AN is generally supplied to mining companies either directly by local manufacturers or by commercial explosives and associated services providers.

AN is imported either directly by explosive providers or via traders. Such imported AN is directly substitutable for locally produced prill (in the case of LDAN), or locally produced ANsol (in the case of HDAN).

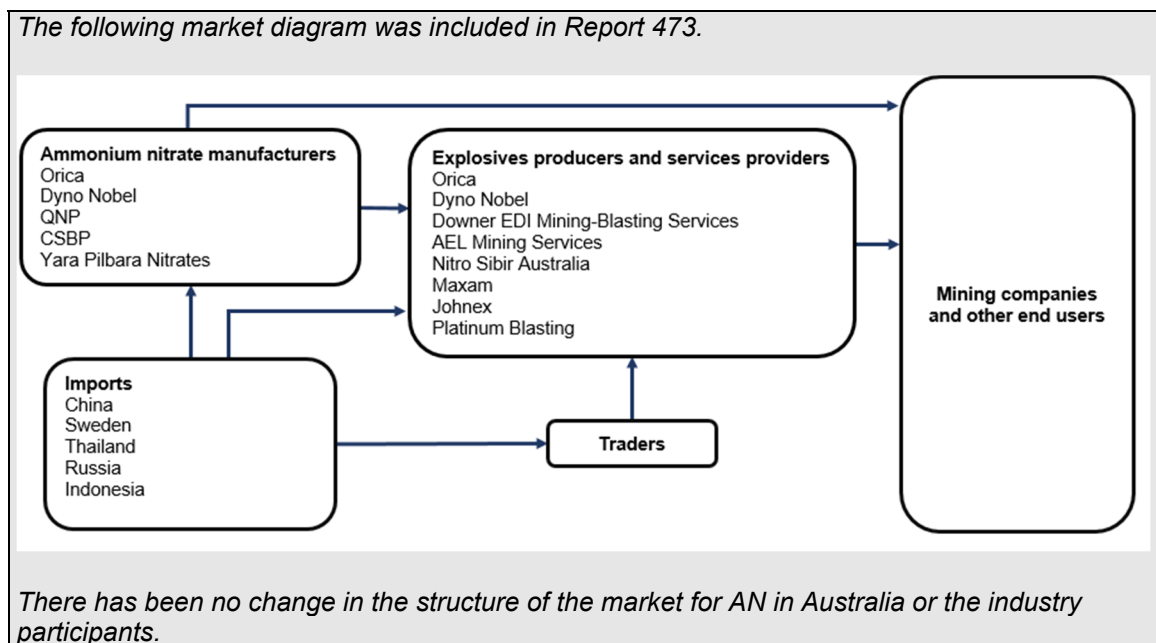
(g) any other factors that are relevant to characteristics or influences on the Australian market for ammonium nitrate.

The Australian market for AN has experienced reasonable growth year-on-year resulting in additional domestic capacity by the Australian industry. The cost of new production facilities is significant as is the risk associated with new investments.

Ensuring a level playing field between locally produced and imported product is important to allow these investments to continue, particularly as imported prices (as an alternative to local supply) has a strong influence on domestic AN pricing.

Provide documentary evidence to support the responses to B-1(a) to (g).

2. Provide a diagram that outlines the Australian market structure for ammonium nitrate, ensuring that all categories of participants are included. In this diagram use linkages to illustrate the different levels of trade and distribution channels within the Australian market.



3. Describe any commercially significant market participants (at each level of trade) in the Australian market for ammonium nitrate over the inquiry period. Include in your description:
 - the name of each participant, and the relevant level of trade (e.g. manufacturer, reseller, retailer, importer);
 - a description of the degree of integration (either vertical or horizontal) for each market participant; and
 - an estimation of the market share held by each participant.

The Australian market for AN is supplied from local production facilities by Orica Australia Pty Ltd, CSBP Limited, Queensland Nitrates Pty Ltd and Incitec Pivot Pty Ltd. Orica Australia has a newly commissioned joint venture facility with Yara A B in the Pilbara.

AN is also sourced from imports including from Russia, China, Sweden, Thailand, Indonesia, Vietnam, Chile and Lithuania.

The main explosives producers and service providers are shown in the diagram above.

4. Identify the names of commercially significant importers in the Australian market for ammonium nitrate over the inquiry period, and the estimated market share held by each importer. Specify the country each importer imports from and their level of trade in the Australian market, if known.

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CSBP Limited understands that AEL Mining Services, Orica Australia, Downer EDI, Nitro Sibir are importers of AN in recent times.

5. Describe the regulatory framework of the Australian market for the goods as it relates to competition policy, taxation, product standards and the range of the goods. Refer the Commission to any relevant regulation described with a brief explanation of how it applies.

AN is a Dangerous Good and is rates as a Security Sensitive Material (SSAN). There are applicable regulatory requirements for goods classified as Dangerous Goods. The SSAN provisions are regulated by State authorities. In WA these are:

- Dangerous Goods Safety Act 2004;*
- Dangerous Goods Safety (Explosives) Regulations 2007;*
- Dangerous Goods (Security Sensitive Ammonium Nitrate) Regulations 2007;*
- Dangerous Goods Safety (Storage and Handling of Non-explosives) Regulations 2007;*
- Dangerous Goods Safety (Road and Rail Transport of Non-explosives) Regulations 2007;*
- Dangerous Goods Safety (Major Hazard Facilities) Regulations 2007; and*
- Dangerous Goods Safety (General) Regulations 2007.*

Additionally, storage and manufacturing facilities require licenses that are approved by the applicable state/territory government, being the Department of Mines, Industry Regulation and Safety in WA

6. Describe any entry restrictions for new participants into the Australian market for ammonium nitrate. Your response could include information on:

- resource ownership;*
- patents and copyrights;*
- licenses;*
- barriers to entry;*
- import restrictions; and*
- government regulations (including the effect of those government regulations).*

As indicated, AN is a Dangerous Good and is subject to various regulations as described in our response to question 5 above. Other than meeting these regulations, and having the technical capabilities required, barriers to entry are low given the commodity nature of ammonium nitrate and ready availability both locally and overseas.

In responding to B-1.6, ensure that relevant regulations are referenced.

B-2 Goods in the Australian market

1. Generally describe the range of the goods offered for sale in the Australian market. The description should include all goods, including those produced by your company. Your description could include information about:

- differences in quality;
- differences in price;
- differences in supply/availability;
- differences in technical support;
- the prevalence of private labels/customer brands;
- the prevalence of generic or plain labels;
- the prevalence of premium labels; and
- product segmentation.

AN in the following forms is sold on the Australian market:

- *Low Density AN (LDAN, PPAN, prill, TAN, or technical grade) – used in bulk and packaged explosives;*
- *AN Solution – sold as a concentrated (~90%) solution for use in manufacture of bulk emulsions for explosives;*
- *High Density AN (HDAN) – used in production of bulk emulsion explosives.*

2. Describe the end uses of ammonium nitrate in the Australian market from all sources.

Used as a raw material in bulk explosives.

3. Describe the key product attributes that influence purchasing decisions or purchaser preferences in the Australian market. Rank these preferences or purchasing influences in order of importance.

Key considerations are price, quality, availability of supply and reliability of supply.

4. Identify if there are any commercially significant market substitutes in the Australian market for ammonium nitrate.

LDAN is used in the manufacture of bulk explosives, which itself are usually a blend of LDAN, fuel and emulsion. HDAN can be used interchangeably with AN Solution to produce emulsion.

5. Identify if there are any commercially significant market complements in the Australian market for ammonium nitrate.

It is considered that there are no significant market complements to AN.

6. Have there been any changes in market or consumer preferences in the Australian market for ammonium nitrate in the last five years? If yes, provide details including any relevant research or commentary on the industry/sector that supports your response.

No change.

B-3 Relationship between price and cost in Australia

1. Describe (and provide evidence to support) the importance of the Australian market to your company's operations. This should include:
 - (a) the proportion of your company's sales revenue derived from sales of ammonium nitrate in Australia; and
 - (b) the proportion of your company's profit derived from sales of ammonium nitrate in Australia.

The manufacture and sale of AN is a material business for CSBP Limited that has involved significant investment by the company over the last two decades.

2. Do you consider your company to be the price leader for ammonium nitrate in the Australian market? If no, please explain why and specify the name(s) of the relevant price leaders.

CSBP does not consider it self to be a price leader for AN in Australia. Market prices are influenced by import parity prices as these are held out by customers as an alternative supply source.

3. Describe (and provide evidence to support) the nature of your product pricing in Australia (e.g. market penetration, inventory clearance, product positioning, price taker, price maker etc.).

Pricing is established by reference to a number of commercial parameters as part of commercial negotiation. [Redacted – Commercially sensitive pricing details to CSBP Limited].

4. Describe your price strategies in Australia (e.g., competition-based pricing, cost-plus pricing, dynamic pricing, price skimming, value pricing, penetration pricing, bundle pricing). If there are multiple strategies applied, please rank these by importance. If there are different strategies for different products, please specify these.

See response to question 3 above.

5. Explain the process for how the selling prices of ammonium nitrate for the Australian market are determined by your business. Provide copies of internal documents that support how pricing is determined.

CSBP will negotiate contract pricing with customers taking account a variety of factors (see response to question 3 above), in particular, alternate sources of supply (including from other producers and import parity, which is typically the lowest pricing).

6. How frequently are your Australian selling prices reviewed? Describe the process of price review and the factors that initiate and contribute to a review. Provide the names and positions of all persons involved.

Contracts are typically three to five years, although shorter timeframes of 12 months or "spot" sales occur from time-to-time.

7. Rank the following factors in terms of their influence on your pricing decisions in the Australian market, with the most important factor ranked first and the least important factor ranked last:

- competitors' prices;
- purchase price of raw materials;
- cost to make and sell the goods;
- level of inventory;
- value of the order;
- volume of the order;
- value of forward orders;
- volume of forward orders;
- customer relationship management;
- supplier relationship management;
- desired profit;
- brand attributes;
- other [please define what this factor is in your response].

See response to question 3 above.

8. Describe the relationship between selling price and costs to make and sell in the Australian market. Does your company maintain, or seek to maintain, a desired profit margin for ammonium nitrate? Provide copies of internal documents that support your response to this question.

Pricing is set when negotiating a new (or renewed) contract. [Redacted – commercially sensitive pricing information to CSBP Limited]. See response to question 3 above for the relevant considerations at this time. Once pricing is contracted for a term, the price rises and falls in line with the cost of gas or ammonia over the term of the contract.

9. Do you offer price reductions (e.g., commissions, discounts, rebates, allowances or credit notes) in the Australian market? If yes, provide a description and explain the terms and conditions that must be met by the customer to qualify. Explain how the cost to make and sell are considered in establishing these price reductions. Provide copies of internal documents that support your claims in response to this question.

CSBP has provided details of pricing discounts to customers in its Confidential A4 Appendix for sales from 1 July 2019 to 30 June 2020.

10. Do you offer bundled pricing³ in the Australian market? If yes, explain how the pricing for bundled sales is determined. Explain how the cost to make and sell is considered in establishing these bundled prices for the goods. Provide copies of internal documents that support your claims in response to this question.

CSBP does not offer bundled pricing.

11. Does the volume of sales to a customer or the size of an order influence your selling price in Australia? If yes, advise how volume is used to determine selling prices. Explain how the cost to make and sell is considered in establishing volume based prices for the goods. Provide copies of internal documents that support your claims in response to this question.

³ See definition of 'bundled pricing' in Glossary.

Pricing can be influenced by volume to the applicable customer. [Redacted – commercially sensitive pricing details].

12. Does your business utilise sales contracts in the Australian market? If yes, provide a list of all customers under contract during the inquiry period, including copies of the two largest contracts (by sales revenue). In addition, describe:

- (a) the proportion of sales revenue derived from contracted versus uncontracted sales;
- (b) the proportion of sales revenue related to contracts that include exclusivity terms (if applicable);
- (c) the frequency that particular sales contracts are renegotiated;
- (d) the frequency that price is reviewed during the life of the contract;
- (e) the opportunities to review price during the life of a contract, including a description of the process and an explanation of the circumstances that might lead to a price review (e.g. due to changes in the cost to make and sell).

CSBP utilises contracts for the sale of AN to its customers. The majority of CSBP's sales of AN are contracted sale. Further information on the typical nature of CSBP's sales contracts have been discussed with the Commission during the verification exercise.

13. Provide copies of any price lists for ammonium nitrate used in the Australian market during the inquiry period. If you do not use price lists, describe the transparency of your prices in the Australian market.

CSBP does not utilise price lists for sales of AN.

14. How do you differentiate pricing for different products/models of ammonium nitrate in the Australian market? Describe how your products are grouped for price differentiation and the methodology used. Describe any cost to make or selling cost differences between differentiated products. Describe how these cost differences (if any) influence pricing decisions. Provide copies of internal documents that support your claims in response to this question.

CSBP sells AN prill in bulk or bags, and AN solution in bulk liquid form. [Redacted – commercially sensitive pricing details].

15. Do you tier or segment your Australian customers for ammonium nitrate in terms of pricing? If yes, provide:

- (a) a general description of how this is done;
- (b) list the factors that influence pricing in different tiers or segments; and
- (c) explain how cost to make and selling costs are considered in making pricing decisions for different tiers or segments.

Not applicable, contracts are formed bilaterally with customers.

16. Do you sell the goods to related entities in Australia? If yes, describe how prices are set for related party transactions and specify what proportion of your sales in terms of sales revenue are to related party entities. If available, provide a copy of any internal documents relevant to establishing pricing to related parties.

CSBP sells AN solution to its fertiliser business for the manufacture of a urea ammonium nitrate (UAN) product. Further information has been discussed with the Commission as part of the verification exercise.

B-4 Marketing and sales support in the Australian market

1. How does your company market the goods in the Australian market? Include in your response the value proposition used (e.g., competitive price, superior quality, reliability, availability, etc.).

CSBP aims to provide a safe and reliable supply of quality ammonium nitrate to meet the needs of its customers.

2. Does your company conduct brand segmentation in the Australian market for ammonium nitrate? If yes, describe the brand segmentation used and provide the proportion of sales revenue derived from each brand segment.

No - all product is sold under the CSBP brand, other than some product that is bagged into customer bags on their behalf.

3. Provide examples of your Australian advertising of ammonium nitrate over the past five years. If you have not used advertising in Australia, provide examples of any other promotional campaigns for the goods you have conducted over the inquiry period.

Not applicable.

4. How many people are in your Australian market sales team and where are they located? In general terms, how are they remunerated? If they are offered performance pay based on sales, describe the performance indicators used to establish the performance pay. Provide copies of internal documents that support your claims in response to this question.

CSBP's commercial team of four is located in Kwinana, have responsibilities beyond sales, and are remunerated in line with other salaried staff at CSBP.

5. Describe what parameters are provided to sales staff to assist in establishing pricing for the goods when negotiating sales with customers. Provide copies of internal documents that support your claims in response to this question.

Refer to question 3 under section B-3.

SECTION C PRODUCTION AND PRODUCTION COSTS

In responding to the questions in section C, please respond to these questions only in relation to the inquiry period.

C-1 Production of the goods

1. Describe how your company determines its volume of production for the goods, product mix of production and the factors that contribute to these decisions. How frequently are production volumes determined? How frequently is the product mix determined? Provide copies of internal documents which support your claims in response to this question.

CSBP's production volumes and mix are determined in line with its customer demand.

2. What lead times are typically needed to adjust volumes of production for the goods? Provide copies of internal documents which support your claims in response to this question.

AN production involves large capital intensive plants with fixed production capacities. While some variation is possible, any significant increase in capacity typically takes years to plan, design and construct.

3. Do you have warehousing facilities for the goods? If no, what do you do with excess inventory? If yes:
 - (a) What is the volume capacity of these facilities?
 - (b) What was the monthly amount of inventory maintained during the review period?
 - (c) What is the average period of time that inventory is retained (describe how this is calculated)?

CSBP has license to store xxxxx tonnes of AN on site.

Provide copies of internal documents which support your claims in response to this question.

4. Have there been any changes to the type of capital or technology utilised by your company in the manufacturing of the goods in the last five years? If yes, provide details.

No

5. For each plant capable of producing inputs that could be utilised to make the goods, provide the date that production facility came into operation and the production capacity of the plant over the past five years. The production capacity should be based on an actual production capacity, not a budgeted production capacity. Provide copies of internal documents which support your claims in response to this question.

CSBP's production capacities have been discussed with the Commission as part of the verification exercise.

6. Confirm whether management reports are prepared on production costs. If yes:
 - (a) specify how often these cost reports are prepared;
 - (b) describe the level of detail in those reports and whether they enable the establishment of costs of producing the goods; and
 - (c) specify to whom within the company these reports are provided; and

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(d) provide copies of these reports for each month of the review period.

CSBP's production costs have been discussed with the Commission as part of the verification exercise.