



## Memorandum D11-4-36

Ottawa, March 24, 2021

# Canada-United States-Mexico Agreement (CUSMA) Motor Vehicle Averaging Election for Purposes of Regional Value Content and Labour Value Content

### In Brief

The purpose of this memorandum is to provide general information on the Motor Vehicle Averaging Election for the purposes of calculating the Regional Value Content and the Labour Value Content under the Canada-United States-Mexico Agreement (CUSMA).

This memorandum provides guidelines to file a Motor Vehicle Averaging Election in accordance with subsection 16(6) and paragraph 18(16)(g) of the *CUSMA Rules of Origin Regulations*.

This memorandum also provides a link to the forms to be used by producers in order to file a Motor Vehicle Averaging Election.

This memorandum provides general information regarding the Motor Vehicle Averaging Election (hereinafter referred to as “election to average”) for the purposes of calculating the Regional Value Content and the Labour Value Content under the Canada-United States-Mexico Agreement (CUSMA) contained in Chapter 4 Rules of Origin of the CUSMA, the Uniform Regulations Regarding the Interpretation, Application, and Administration of Chapter 4 (Rules of Origin) and Related Provisions in Chapter 6 (Textile and Apparel Goods) of the Agreement Between the United States of America, the United Mexican States, and Canada, and subsections 16, 18, and 20 of the *CUSMA Rules of Origin Regulations*.

This memorandum also provides guidelines to file an election to average in accordance with subsection 16(6) and paragraph 18(16)(g) of the *CUSMA Rules of Origin Regulations*. It outlines guidelines for producers of passenger vehicles, light trucks, heavy trucks or other vehicles, an automotive good listed in Tables A.1, B, C, D, and E of the Appendix to Annex 4-B to Chapter 4 Rules of Origin, produced in the same plants, or core parts listed in Table A.2 of the Appendix to Annex 4-B to Chapter 4 Rules of Origin who wish to file an election to average for the purposes of calculating the Regional Value Content and the Labour Value Content.

### Legislation

[Customs Act](#)

[Customs Tariff](#)

[CUSMA Rules of Origin Regulations](#)

## Guidelines and General Information

### Definitions

1. The following definitions are relevant for the purpose of Motor Vehicle Averaging Elections:

**class of motor vehicles** means any one of the following categories of motor vehicles:

- (a) road tractors for semi-trailers of subheading 8701.20, vehicles for the transport of 16 or more persons of subheading 8702.10 or 8702.90, motor vehicles for the transport of goods of subheading 8704.10, 8704.22,

8704.23, 8704.32 or 8704.90, special purpose motor vehicles of heading 87.05 or chassis fitted with engines of heading 87.06;

(b) tractors of any of subheadings 8701.10 or 8701.30 through 8701.90;

(c) vehicles for the transport of 15 or fewer persons of subheading 8702.10 or 8702.90, or light trucks of subheading 8704.21 and 8704.31; or

(d) passenger vehicles of subheading Nos. 8703.21 through 8703.90.

**Note:** For details on the above tariff classifications concerning the specific Rule of Origin, please refer to Part 6 of the *CUSMA Rules of Origin Regulations*. For a description of goods in the above tariff classifications, please refer to the *Customs Tariff*.

**heavy truck** means a vehicle, other than a vehicle that is solely or principally for off-road use, of subheading 8701.20, 8704.22, 8704.23, 8704.32 or 8704.90, or a chassis fitted with an engine of heading 87.06 that is for use in such a vehicle.

**light truck** means a vehicle of subheading 8704.21 or 8704.31, except for a vehicle that is solely or principally for off-road use.

**model line** means a group of motor vehicles having the same platform or model name.

**model name** means the word, group of words, letter, number or similar designation assigned to a motor vehicle by a marketing division of a motor vehicle assembler to:

(a) differentiate the motor vehicle from other motor vehicles that use the same platform design;

(b) associate the motor vehicle with other motor vehicles that use different platform designs; or

(c) denote a platform design.

**motor vehicle assembler** means a producer of motor vehicles and any related persons or joint ventures in which the producer participates.

**other vehicle** means:

(a) a motor vehicle for the transport of 15 or fewer persons of subheading 8702.10 or 8702.90;

(b) a passenger vehicle with a compression-ignition engine as the primary motor of propulsion of subheading 8703.21 through 8703.90;

(c) a three or four-wheeled motorcycle of subheading 8703.21 through 8703.90;

(d) a motorhome or entertainer coach of subheading 8703.21 through 8703.90;

(e) an ambulance, a hearse or a prison van of subheading 8703.21 through 8703.90;

(f) a vehicle solely or principally for off-road use of subheading 8703.21 through 8703.90; and

(g) a vehicle of subheading 8704.21 or 8704.31 that is solely or principally for off-road use.

**passenger vehicle** means a vehicle of subheadings 8703.21 through 8703.90, except for:

(a) a vehicle with a compression-ignition engine of subheadings 8703.31 through 8703.33 or a vehicle of subheading 8703.90 with both a compression-ignition engine and an electric motor for propulsion;

(b) a three- or four-wheeled motorcycle;

(c) an all-terrain vehicle;

(d) a motorhome or entertainer coach; and

(e) an ambulance, hearse or prison van.

**platform** means the primary load-bearing structural assembly of a motor vehicle that determines the basic size of the motor vehicle, and is the structural base that supports the driveline and links the suspension components of the motor vehicle for various types of frames, such as the body-on-frame or space-frame, and monocoques.

**super-core** means the parts listed in column 1 of Table A.2, which are considered as a single part for the purposes of performing an RVC calculation in accordance with subsections 14(10), (11) and (13) and 16(10).

**tariff classification** refers to the tariff classification, to the 8th digit level, based on the Harmonized System of tariff classification and statistical coding.

## **Regional Value Content**

2. Under the Canada-United States-Mexico Agreement (CUSMA), specifically Part 6, Sections 16 and 20 of the *CUSMA Rules of Origin Regulations* (hereinafter referred to as “the Regulations”), producers of vehicles may elect to average the Regional Value Content (RVC) calculations for passenger vehicles, light trucks, heavy trucks, or other vehicles, an automotive good listed in Tables A.1, B, C, D, and E of the Appendix to Annex 4-B to Chapter 4 Rules of Origin, or core parts listed in Table A.2 of the Appendix to Annex 4-B to Chapter 4 Rules of Origin. Table 1 below illustrates the methodologies to be used.

3. Pursuant to subsection 14(12) of the Regulations, producers of parts in column 1 of Table A.2 of the Appendix to Annex 4-B to Chapter 4 Rules of Origin, may be averaged in accordance with section 16 of the Regulations. Such an average may be calculated using either the average RVC for each individual part in column 1 of Table A.2, or by calculating the average RVC for all parts in column 1 of Table A.2 by treating them as a single part, defined as a super-core.

4. An election to average shall be completed in respect of each category set out in subsections 16(1) and 20(6) of the Regulations that is chosen by the producer of the vehicles identified in paragraph 1.

5. Pursuant to subsection 16(6) of the Regulations, an election to average must be provided to the customs administration of the CUSMA country to which these vehicles will be exported at least 10 days before the first day of the producer’s fiscal year during which the vehicles will be exported or such shorter period as the customs administration may accept.

6. Pursuant to subsection 16(7) of the Regulations, the election may not be rescinded or modified by the producer with respect to the category of passenger vehicles, light trucks, heavy trucks or other vehicles, or the period the producer intends to use for their averaged RVC calculation.

## **Labour Value Content**

7. Under the CUSMA, specifically Part 6, subsection 18(15) through 18(17) of the Regulations, producers of vehicles may elect to average the Labour Value Content (LVC) for passenger vehicles, light trucks or heavy trucks. Table 1 below illustrates the methodologies to be used.

8. An election to average shall be completed in respect of each category set out in subsection 18(15) of the Regulations that is chosen by the producer of the vehicles identified in paragraph 1.

9. Pursuant to paragraph 18(16)(g) of the Regulations, an election to average must be filed with the customs administration of each CUSMA country to which vehicles in that category are to be exported during the period covered by the election, at least 10 days before the day on which the producer’s fiscal year begins or such shorter period as that customs administration may accept.

10. Pursuant to subsection 18(17) of the Regulations, the election may not be rescinded or modified with respect to the category or the basis of calculation.

**Table 1 – Methodologies to be Used for the Purposes of Calculating RVC and LVC**

	Net Cost	Transaction Value	Annual Purchase Value
<b>Regional Value Content (passenger vehicles, light trucks, heavy trucks, or other vehicles)</b>	X		
<b>Regional Value Content (Table A.1)</b>	X	X	
<b>Regional Value Content (Table A.2 – Column 1)</b>	X	X	
<b>Regional Value Content (Table A.2 – Column 2)</b>	X	X	
<b>Regional Value Content (Table B)</b>	X	X	
<b>Regional Value Content (Table C)</b>	X	X	
<b>Regional Value Content (Table D)</b>	X	X	
<b>Regional Value Content (Table E)</b>	X	X	
<b>Regional Value Content (Table F)</b>	X	X	
<b>Regional Value Content (Table G)</b>	X	X	
<b>Labour Value Content</b>	X		X

### Confidentiality

11. The Canada Border Services Agency (CBSA) shall, in accordance with Section 107 of the *Customs Act*, and Articles 5.12 (Confidentiality) and 7.22 (Protection of Trader Information) of the CUSMA, protect the confidentiality of the information submitted in the election to average.

### Origin Verification

12. The CBSA may, in accordance with Section 42.1 of the *Customs Act*, the verification procedures set out in Article 5.9 of the CUSMA and the Origin Verification Section of the Uniform Regulations for Chapters Five, Six, and Seven of the Canada-United States-Mexico Agreement (CUSMA) contained in Memorandum D11-4-34, conduct a verification of origin of these vehicles. As part of that verification, where an importer, exporter, or producer submitted an election to average, the information contained in that submission may be reviewed.

13. As provided for in subsection 1(10) of the Regulations, an election to average with respect to a good exported to a CUSMA country is considered to have been made:

(a) in the case of an election referred to in subsection 16(1), if the election is received by the customs administration of that CUSMA country; and

(b) in the case of an election referred to in subsection 1(7), 7(15) or 16(10), if the customs administration of that CUSMA country is informed in writing during the course of a verification of origin of the good that the election has been made.

14. Pursuant to paragraph 7(7)(b) of the Regulations, an importer, exporter or producer of a good who calculated the RVC of the good on the basis of the transaction value method may change to a calculation based on the net cost method when the customs administration of a CUSMA country subsequently notifies that importer, exporter or producer in writing, during the course of a verification of origin, that the value of any material used in the production of the good, as determined by that importer, exporter or producer, is required to be adjusted under section 4 of Schedule 6.

15. Pursuant to subsection 7(8) of the Regulations, where an importer, exporter or producer of a good who calculated the RVC of the good on the basis of the net cost method and the customs administration of a CUSMA country subsequently notifies that importer, exporter or producer in writing, during the course of a verification of origin, that the good does not satisfy the applicable RVC requirement, the importer, exporter or producer of the good may not recalculate the RVC on the basis of the transaction value method.

**Note:** Pursuant to subsection 7(6) of the Regulations, when calculating the RVC of a good, the net cost method must be used if Schedule 1 does not provide a rule for the good based on the transaction value method.

### **Completion and filing of the Motor Vehicle Averaging Election Forms**

16. Form BSF352, Canada-United States-Mexico Agreement Motor Vehicle Averaging Election for Purposes of Regional Value Content must be completed to file an election to average.

17. Form BSF848, Canada-United States-Mexico Agreement Motor Vehicle Averaging Election for Purposes of Labour Value Content must be completed to file an election to average.

18. Instructions to complete these forms can be found in the instructions accompanying Form BSF352 and Form BSF848.

19. These election to average forms can be submitted electronically to:

[CBSA.Election\\_BSF\\_352.ASFC@cbsa-asfc.gc.ca](mailto:CBSA.Election_BSF_352.ASFC@cbsa-asfc.gc.ca)

20. Where these forms cannot be sent electronically, they can be submitted in writing to:

Canada Border Services Agency  
Trade and Anti-dumping Programs Directorate  
222 Queen Street, 4<sup>th</sup> Floor  
Ottawa, Ontario K1A 0L8  
Canada

21. Where the producer of a motor vehicle has calculated the RVC of the motor vehicle on the basis of estimated costs, including standard costs, budgeted forecasts or other similar estimating procedures, before or during the producer's fiscal year, the producer shall conduct an analysis at the end of the producer's fiscal year of the actual costs incurred over the period in respect of the production of the motor vehicle to ensure that the RVC on the basis of actual costs is satisfied. If the RVC on the basis of actual costs is not satisfied, the producer of the motor vehicle must immediately inform any person to whom the producer has provided a certification of origin, contained in Annex 5-A (Minimum Data Elements) of Chapter 5 Origin Procedures, or a written statement that the motor vehicle is an originating good, that the motor vehicle is a non-originating good.

### **Additional Information**

22. For additional information regarding the completion of the election to average forms, please refer to Chapter 4 Rules of Origin of the CUSMA, and the *CUSMA Rules of Origin Regulations*. Any further information and/or clarification may be obtained from the CBSA at the following email address:

[CBSA.Election\\_BSF\\_352.ASFC@cbsa-asfc.gc.ca](mailto:CBSA.Election_BSF_352.ASFC@cbsa-asfc.gc.ca)

23. For more information, call contact the [CBSA Border Information Service](#) (BIS):

Calls within Canada & the United States (toll free): **1-800-461-9999**

Calls outside Canada & the United States (long distance charges apply):

1-204-983-3550 or 1-506-636-5064

TTY: **1-866-335-3237**

[Contact Us online](#) (webform)

[Contact Us](#) at the CBSA website

<b>References</b>	
<b>Issuing Office</b>	Trade and Anti-dumping Programs Directorate
<b>Headquarters File</b>	
<b>Legislative References</b>	<a href="#"><u>Customs Act</u></a> <a href="#"><u>Customs Tariff</u></a> <a href="#"><u>CUSMA Rules of Origin Regulations</u></a>
<b>Other References</b>	<a href="#"><u>Canada-United States-Mexico Agreement (CUSMA) Uniform Regulations Regarding the Interpretation, Application, and Administration of Chapter 4 (Rules of Origin) and Related Provisions in Chapter 6 (Textile and Apparel Goods) of the Agreement Between the United States of America, the United Mexican States, and Canada D11-4-34, Uniform Regulations for Chapters Five, Six, and Seven of the Canada-United States-Mexico Agreement (CUSMA).</u></a> <a href="#"><u>BSF352</u></a> <a href="#"><u>BSF848</u></a>
<b>Superseded Memorandum D</b>	N/A