



[Billing Code 3290-F0]

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

Procedures for the Submission of Petitions by North American Producers of Passenger Vehicles or Light Trucks to Use the Alternative Staging Regime for the USMCA Rules of Origin for Automotive Goods

AGENCY: Office of the United States Trade Representative.

ACTION: Request for petitions.

SUMMARY: For a limited period, a North American producer of passenger vehicles and light trucks (vehicle producer) may request an alternative to the standard staging regime for the rules of origin for automotive goods under the United States-Mexico-Canada Agreement (USMCA or the Agreement) using the procedures and guidance for submitting petitions in this notice.

DATES: To be assured of consideration, a vehicle producer must submit a petition with a draft alternative staging plan no later than July 1, 2020. A vehicle producer must submit a petition with its final alternative staging plan no later than August 31, 2020.

ADDRESSES: Submit petitions by email to USMCAAutosCommittee@ustr.eop.gov.

For alternatives to email submissions, please contact Kent Shigetomi, Director for Multilateral Non-Tariff Barriers at (202) 395-9459 in advance of the deadline and before submission.

FOR FURTHER INFORMATION CONTACT: Kent Shigetomi, Director for Multilateral Non-Tariff Barriers at (202) 395-9459.

SUPPLEMENTARY INFORMATION

I. INTRODUCTION

A. Background

On June 12, 2017 (82 FR 23699), the President announced his intention to commence negotiations with Canada and Mexico to modernize the North American Free Trade Agreement (NAFTA). On November 30, 2018, the Governments of the United States, Mexico, and Canada (the Parties) signed the protocol replacing NAFTA with the USMCA. On December 10, 2019, the Parties signed the protocol of amendment to the USMCA.

The USMCA includes new rules of origin to claim preferential treatment for automotive goods, including higher Regional Value Content (RVC) thresholds, mandatory requirements to produce core parts in the region, mandatory steel and aluminum purchasing requirements, and a Labor Value Content (LVC) requirement. The Agreement allows vehicle producers to request an alternative staging regime for these requirements that would permit a longer period of transition to help ensure that future production is able to meet the new rules. The standard staging regime is specified under the Automotive Appendix to Chapter 4 of the USMCA (Automotive Appendix), with the exception of Article 8, which specifies provisions relating to the alternative staging regime. You can find information about the estimated impact of the USMCA rules of origin on investment, production, and employment in the U.S. automotive sector on the Office of the United States Trade Representative (USTR) website: <https://ustr.gov/trade-agreements/free-trade-agreements/united-states-mexico-canada-agreement/us-automotive-sector>.

B. Overview of the Alternative Staging Regime

The alternative staging regime differs from the standard staging regime by providing additional time and a different phase-in of the new requirements. It provides an alternative to certain rules of origin requirements for passenger vehicles and light trucks, but does not replace any other rules of origin or any provisions of general applicability for these goods to claim preferential treatment under the USMCA.

For instance, under an alternative staging regime, importers of certain passenger vehicles and light trucks will have an additional two years – five years instead of three - to meet the requirements, and the vehicles will have different RVC and LVC thresholds.

To qualify for an alternative staging regime, a vehicle producer must submit a petition with the information described in Section III, including a detailed and credible plan if the quantity of vehicles for which the producer requests an alternative staging regime exceeds a ten percent threshold. A plan could include commitments to make additional investments in the United States and North America, or additional purchases of U.S. and North American parts. You can find more information on the criteria for acceptance of a plan in Section IV. Because of the integrated nature of the North American auto industry and market, USTR will coordinate with the governments of Canada and Mexico throughout the alternative staging process.

C. Definition of Vehicle Producer, Passenger Vehicle, and Light Truck

A ‘vehicle producer’ is a producer of passenger vehicles or light trucks in the territory of the United States, Mexico, or Canada. The definitions of “passenger vehicle” and “light truck” are in Article 1 of the Automotive Appendix.

D. Timing of Petitions for the Alternative Staging Regime

A vehicle producer must submit a petition with a draft alternative staging plan by

July 1, 2020. If USTR and the Interagency Committee on Trade in Automotive Goods (Committee) established in Executive Order 13908 of February 28, 2020 identify any deficiencies in a vehicle producer's draft alternative staging plan, the vehicle producer must submit a petition with a final draft alternative staging plan correcting those deficiencies no later than August 31, 2020. If USTR and the Committee do not identify any deficiencies in a vehicle producer's draft alternative staging plan, the vehicle producer must submit a petition with a final draft alternative staging plan with any modifications, or a statement requesting that its draft alternative staging plan be considered final, no later than August 31, 2020. If a producer has questions about the content of a petition, it should contact Kent Shigetomi, Director for Multilateral Non-Tariff Barriers at (202) 395-9459, as soon as possible and well in advance of the deadlines and before submission. USTR will not consider any petition submitted after the relevant dates, unless there is a good cause and the producer has made arrangements with USTR in advance of the deadline. For clarity, a vehicle producer is not required to submit a petition for an alternative staging regime if it intends to claim preferential treatment using the standard staging regime. However, if a vehicle producer is unsure about whether to request an alternative staging regime, it should do so under this notice. If USTR grants use of an alternative staging regime, a vehicle producer still can make claims for preferential tariff treatment under the standard staging regime if it determines it no longer requires use of the alternative staging regime.

The alternative staging regime is valid for five years after the entry into force of the Agreement unless the vehicle producer requests a longer period and it is accepted by USTR and the Committee. After expiration of the alternative staging period, all claims of

preferential treatment for passenger vehicles and light trucks must meet the rules described under the standard USMCA rules in the Automotive Appendix.

II. ELIGIBILITY TO USE THE ALTERNATIVE STAGING REGIME

A. Covered Vehicle Producer

A vehicle producer may submit a petition to use an alternative staging regime if the importer of the vehicles intends to make a claim of preferential treatment under the USMCA upon or after entry into force of the Agreement, and the producer has determined that it will be unable or unlikely to be able to meet the rules of origin under the standard staging regime or the standard USMCA rules of origin for automotive goods for such claims upon entry into force.

B. Ten Percent of Production

The quantity of passenger vehicles or light trucks eligible for an alternative staging regime is limited to 10 percent of a vehicle producer's total passenger vehicle or light truck production during the 12 month period prior to entry into force of the Agreement, or the average of such production during the complete 36 month period prior to entry into force of this Agreement, whichever is greater. A vehicle producer may request quantities above this limit if it provides a detailed and credible plan that ensures that these vehicles will meet all the requirements during the alternative staging regime period and the requirements under the Automotive Appendix after the expiration of the alternative staging period. Sections C and D below provide further information about these requirements, and Section III outlines the necessary components of a detailed and credible plan.

C. Requirements During the Alternative Staging Period

Under the alternative staging regime, eligible passenger vehicles or light trucks will be considered originating under the USMCA if they meet the following requirements:

- a. An RVC threshold of no less than 62.5 percent, under the net cost method, for eligible passenger vehicles or light trucks.
- b. An RVC threshold of no less than 62.5 percent, under the net cost method, or 72.5 percent under the transaction value method if the corresponding rule includes a transaction value method, for parts falling under Table A.1 of the Automotive Appendix, except for batteries of subheading 8507.60, that are used in the production of such eligible passenger vehicles or light trucks.
- c. At least 70 percent of a vehicle producer's purchases of steel and at least 70 percent of a vehicle producer's purchases of aluminum, by value, must be originating per the requirements outlined in Article 6 of the Automotive Appendix. If a vehicle producer demonstrates the existence of contracts, MOUs, or other similar types of business agreements or information to meet this requirement during the alternative staging period, that producer will be exempt from having to certify to this requirement during the alternative staging period. A vehicle producer should provide this information in the petition outlined in Section III.
- d. An LVC threshold of at least 25 percent, consisting of at least 10 percentage points of high-wage material and manufacturing expenditures, no more than 10 percentage points of high-wage technology expenditures, and no more than 5 percentage points of high-wage assembly expenditures.

All methods and calculations for the requirements or thresholds described above should

be made according to the applicable provisions in Chapter 4 of the Agreement.

Notwithstanding these requirements or thresholds, all other product-specific rules of origin and all other applicable requirements of the Agreement will apply to such goods during the alternative staging regime period, with the exception of the core parts requirement described under Article 3.7 of the Automotive Appendix. Passenger vehicles and light trucks deemed eligible for an alternative staging regime will be exempt from the core parts requirement during the alternative staging period.

D. Requirements After the Alternative Staging Period

After the expiration of the applicable alternative staging period, all passenger vehicles or light trucks, or automotive parts for such vehicles, will be considered originating under USMCA if they satisfy the rules specified under the Automotive Appendix. These rules include:

- a. An RVC threshold of no less than 75 percent, under the net cost formula.
- b. An RVC threshold of no less than 75 percent, under the net cost formula, or 85 percent under the transaction value method if the corresponding rule includes a transaction value method, for parts classified in Table A.1 of the Automotive Appendix used in the production of such eligible passenger vehicles or light trucks.
- c. Compliance with the core parts requirement specified under Article 3.7 of the Automotive Appendix.
- d. At least 70 percent of a vehicle producer's purchases of steel and at least 70 percent of a vehicle producer's purchases of aluminum must be originating per the methodology described in Article 6 of the Automotive Appendix.
- e. An LVC threshold of at least 40 percent for a passenger vehicle, consisting of at least

- 25 percentage points of high-wage material and manufacturing expenditures, no more than 10 percentage points of high-wage technology expenditures, and no more than 5 percentage points of high-wage assembly expenditures.
- f. An LVC threshold of at least 45 percent for a light truck, consisting of at least 30 percentage points of high-wage material and manufacturing expenditures, no more than 10 percentage points of high-wage technology expenditures, and no more than 5 percentage points of high-wage assembly expenditures.
 - g. All other applicable requirements of Chapter 4.

E. Requirements for 403.6 Vehicles

Notwithstanding Section C above, a vehicle producer may request to continue using the regulations implementing the NAFTA rules of origin provisions of General Note 12, HTSUS, and Chapter Four of the NAFTA that were in effect prior to entry into force of the USMCA (*e.g.*, 19 CFR chapter I, 1994 edition, appendix to part 181) for vehicles that were covered under the alternative staging regime described in Article 403.6 of NAFTA as of the date of signature of USMCA, November 30, 2018. Requests will be subject to approval of a vehicle producer's alternative staging petition and the NAFTA regulations only will apply to such vehicles for the remainder of the period under the Article 403.6 alternative staging regime. After the expiration of the period under the Article 403.6 alternative staging regime and until the end of the permitted USMCA alternative staging period, these vehicles will need to meet the requirements under Section C or D to be eligible for preferential tariff treatment during the permitted alternative staging regime under the USMCA. After the expiration of the permitted USMCA alternative staging period, these vehicles will need to meet the requirements

under Section D to be eligible for preferential tariff treatment under the USMCA.

III. INFORMATION REQUIRED IN PETITION

A vehicle producer requesting to use an alternative staging regime must submit a petition containing the following information:

A. Cover Letter

- a. *Request for Use of the Alternative Staging Regime.* Identify vehicle models that would be subject to the alternative staging regime and the share these vehicles represent of the company's North American production.
- b. *Statement of Period of Alternative Staging Regime.* Identify the period of alternative staging the company is requesting for each vehicle model, noting in particular the introduction date of each model and the period of each model cycle. For specific vehicle models with a model cycle that extends beyond five years from the date of entry into force of the Agreement, the petition must include a specific request to extend the applicability of the alternative staging plan beyond five years to those specific vehicle models.
- c. *Commitment to Meet the Requirements During and After Expiration of the Alternative Staging Regime.* A petitioner must certify that it will meet the requirements for the alternative staging regime set out in Section II.C, for requested vehicle models claiming USMCA preferential treatment during the entirety of the alternative staging period. Additionally, petitioners must certify that vehicle models for which USTR grants an alternative staging regime will meet the requirements set out in Section II.D upon expiration of the alternative staging regime and confirm thereafter for all vehicles claiming USMCA preferential treatment.

- d. *Understanding of Requirement to Notify Modifications to Plan.* A vehicle producer must state that it will notify USTR and the Committee as soon as practicable, of any material changes to the information contained in the petition that will affect the producer's ability to meet any of the requirements set forth in Articles 2 through 7 of the Automotive Appendix after the alternative staging period has expired. A vehicle producer may submit to the Committee a request for modification of its plan with respect to such changes and provide a list of the material changes to the information contained in the petition, including any supplemental information relating to the petition, and of any material changes to circumstances that will affect the producer's ability to meet any of the requirements set for in Articles 2 through 7 of the Automotive Appendix after the alternative staging period has expired.
- e. *Statement of Confidentiality of Information.* For any electronic submission that contains business confidential information, the file name should begin with the characters 'BC'. Any page containing business confidential information must be clearly marked "BUSINESS CONFIDENTIAL" on the top of that page and the submission should clearly indicate, via brackets, highlighting, or other means, the specific information that the petitioner contends is business confidential. If business confidential treatment is requested, a petitioner must certify in writing that it is private commercial or financial information that would not customarily be released to the public. A petitioner also should certify that the information concerns or relates to trade secrets, shipments, processes, operations, or other information of commercial value, the disclosure of which is likely to cause substantial harm to the competitive position of the company. USTR will treat properly marked business confidential

information as private.

B. Corporate Information

- a. Corporate name of parent company.
- b. Corporate address, phone number, and website address of global headquarters.
- c. Corporate address, phone number, and website address in the United States.
- d. Corporate address, phone number, and website address in Canada.
- e. Corporate address, phone number, and website address in Mexico.
- f. Overview of the corporate structure in North America and relationship to the parent company.
- g. Name, title, phone number, and email address of the senior executive certifying submission in the United States, Canada, and Mexico.

C. Assembly Capacity

Provide information about the company's vehicle assembly, engine assembly, transmission assembly, and advanced battery assembly capacity, and note if such capacity would be originating under the product-specific rules under the Automotive Appendix. Include information regarding any new assembly capacity that the petitioner plans to install within five years of entry into force of the USMCA, and note the date of completion of the new production capacity. Information should include:

- a. Three-shift annual production capacity of existing vehicle assembly plants in North America (by plants) in calendar year 2019.
- b. Three-shift annual production capacity of existing engine plants in North America (by plants) in calendar year 2019.
- c. Three-shift annual production capacity of existing transmission plants in North

America (by plants) in calendar year 2019.

- d. Three-shift annual production capacity of existing advanced battery plants in North America (by plants) in calendar year 2019. If production is in partnership with another company, please identify the partner and type of relationship.

D. Production

Provide the following information:

- a. Corporate structure of production assets in the United States, Canada, and Mexico.
- b. List of North American production facilities by location and type (*e.g.*, vehicle assembly, engine assembly, transmission assembly, and advanced battery assembly).
- c. Total number of vehicles assembled in the United States, Canada, and Mexico (by country, plant, and model), in calendar years 2017, 2018, and 2019, and projections for calendar years 2020-2025.
- d. Total value of self-produced auto parts in the United States, Canada, and Mexico (by country) in calendar year 2019.
- e. Total value of purchased auto parts produced in the United States, Canada, and Mexico (by country) in calendar year 2019.
- f. Total value of purchased non-North American imported auto parts in the United States, Canada, and Mexico (by country) in calendar year 2019.

E. Sales

Provide the following information:

- a. Corporate structure of vehicle distribution and sales in the United States, Canada, and Mexico.
- b. Total number of vehicles assembled in the United States that are sold in the United

States, Canada, and Mexico (by country and by model), in calendar years 2017, 2018, and 2019, and projections for calendar years 2020-2025.

- c. Total number of vehicles assembled in Canada that are sold in the United States, Canada, and Mexico (by country and by model), in calendar years 2017, 2018, and 2019, and projections for calendar years 2020-2025.
- d. Total number of vehicles assembled in Mexico that are sold in the United States, Canada, and Mexico (by country and by model), in calendar years 2017, 2018, and 2019, and projections for calendar years 2020-2025.

F. Vehicle Models

Provide the following information for vehicles assembled in the United States, Canada, and Mexico (by country) for which alternative staging is being requested:

- a. Describe the company's sourcing timelines with respect to new vehicle model introductions, next-generation vehicle model introductions, and mid-cycle vehicle updates.
- b. Date (month and year) of the start of each current vehicle model's production.
- c. Date (month and year) of the mid-cycle refresh of each current vehicle model's production.
- d. Date (month and year) of the planned start of the next generation of each vehicle model's production.
- e. For vehicles for which production began prior to entry into force of the USMCA, identify the actual or estimated RVC for those vehicle models under both the NAFTA rules of origin and the USMCA rules of origin. Also, provide the estimated RVC for core parts for each of these vehicle models.

- f. For vehicles for which production begins after entry into force of the USMCA, identify the estimated RVC for those vehicle models under the USMCA rules of origin. Also, provide the estimated RVC for core parts for each of these vehicle models.
- g. Provide the date (month and year) when each current or new vehicle model will be fully compliant with the USMCA rules of origin.

G. Steel and Aluminum

- a. Provide the value of corporate purchases of steel in North America in calendar year 2019 (by country and total), including direct purchases, directed-buy purchases, and the estimated value of steel used in the production of purchased major body stampings and chassis frames.
- b. Provide the value of corporate purchases of aluminum in North America in calendar year 2019 (by country and total), including direct purchases, directed-buy purchases, and the estimated value of aluminum used in the production of purchased major body stampings and chassis frames.
- c. Provide an estimate of the percentage of the total North American steel purchases and North American aluminum purchases, respectively, which is originating in North America according to the product-specific rules identified in Chapter 4 of the Agreement. For this percentage, the vehicle producer need only estimate purchases of flat-rolled steel or aluminums in coils; tubes, pipes or hollow profiles of steel or aluminum; and any other structural steel or aluminum used in the production of major body stampings or chassis frames for passenger vehicles or light trucks.

H. Wages

- a. Provide the company's expenditures on wages for Research and Development (R&D) and Information Technology (IT) in North America for 2019. R&D expenditures include expenditures for research and development including prototype development, design, engineering, testing, or certifying operations. IT expenditures include expenditures on software development, technology integration, vehicle communications, and information technology support operations.
- b. Provide the company's total expenditures on wages to direct production workers in North America for 2019.
- c. Provide the ratio of the expenditures of paragraph (a) to paragraph (b), expressed as a percentage.

I. Detailed and Credible Plan

A detailed and credible plan must contain the following information:

- a. A description of how the requested alternative staging vehicle models meet each of the necessary requirements for acceptance into the alternative staging regime as identified in Section II of this notice.
- b. A description of the changes the company plans to make to its operations, sourcing, and vehicle content to meet the USMCA rules of origin for each of the alternative staging vehicle models, as well as the company's ability to meet the requirements for steel, aluminum, and LVC. Provide detailed information regarding investments, sourcing changes, jobs, and other procurement or operational changes that demonstrate that these plans are detailed and credible. Address each of the requirements for RVC, core parts, steel and aluminum, and LVC, and how such changes will allow each vehicle model to comply with the USMCA rules of origin.

- c. An annual calendar of new investments, sourcing changes, jobs, and other changes to operations, beginning with changes that occurred in calendar year 2019, and plans for 2020-2025.
- d. A description of the corporate approval process for investments, sourcing changes, and other operational changes identified in the company's plans.

J. Certification

- a. Provide a certification that all vehicle models requested under alternative staging will meet the standard automotive rules at the end of the alternative staging period.
- b. Confirm that the company will communicate any modifications to the information in the petition to the Committee as soon as practicable.
- c. Provide the title, signature, and contact information of the certifying official.

IV. PROCEDURES FOR REVIEWING AND ACCEPTING PETITIONS

A. USMCA Interagency Committee on Trade in Automotive Goods

USTR will make determinations based on the information contained in a vehicle producer's petition for use of an alternative staging regime. In making such determinations, USTR will seek advice from the Committee, which has been authorized to provide advice, as appropriate, on the implementation, enforcement, and modification of provisions of the Agreement that relate to automotive goods, including the automotive rules of origin and the alternative staging regime that are part of such rules.

B. Criteria for Approval

a. Ten Percent Threshold

If the passenger vehicles or light trucks covered by the petition for an alternative staging regime are not more than ten percent of the vehicle producer's total passenger

vehicle or light truck production in the territories of the United States, Canada, and Mexico according to the calculation methodology described under Article 8.3 of the Automotive Appendix, then no other information - other than the information under Section III.A - is required in order for such vehicles to be eligible to receive preferential tariff treatment under the alternative staging requirements. If the petition is for a quantity of vehicles greater than ten percent according to the same methodology, then the vehicle producer must include all the information in Section III in its request.

b. Above Ten Percent Threshold

If the passenger vehicles or light trucks covered by the petition for the alternative staging regime are greater than ten percent of the petitioner's total passenger vehicle or light truck production in the territories of the United States, Canada, and Mexico, evaluation of the petition will be based on the level of detail and credibility of the information supplied in accordance with Section III. The petitioner should identify the specific vehicle models it estimates will not meet the standard staging regime under the Automotive Appendix upon entry into force of the Agreement. The petitioner also should identify any North American investments and sourcing, preferably by calendar year and location, which will allow such vehicles to meet the standard USMCA rules after the expiration of the alternative staging period. Consider the following examples:

- As part of the plan outline in Section III, a vehicle producer might request the alternative staging regime for certain vehicle models representing more than ten percent of its vehicle production in the United States, Canada, and Mexico. The petitioner might indicate that a specific vehicle model is unable to meet the rules under the standard staging regime, because it can meet a vehicle RVC of only 64

- percent, a core parts RVC of only 68 percent (as certain core parts or key components used to make such core parts are not produced in North America), and an LVC materials and manufacturing percentage of only 8 percent. The producer should then provide details on specific investments and sourcing that will allow the vehicle to meet the standard USMCA rules after the expiration of the alternative staging period.
- A producer might describe the North American sourcing of engine or transmission components to meet the vehicle RVC and core parts RVC requirements, an advanced battery in a high-wage North American plant or facility to meet the LVC requirement, and additional purchases of originating steel or aluminum to meet the steel and aluminum purchasing requirements. The petition does not need to include this specific sourcing information if the vehicle producer can demonstrate other actions it will take in order to meet the rules. If the vehicle producer does not provide sufficient detail or the petition has missing information, then USTR may not accept the petition as a ‘detailed and credible’ plan.
 - USTR may consider a petition insufficiently detailed if it does not identify the vehicle models for which it is requesting use of the alternative staging regime, fails to describe how they are not compliant with the standard rules, or fails to describe the planned actions under Section III to bring these vehicles into compliance with the requirements after the alternative staging period. USTR may deem a plan not credible if the producer provides investment or sourcing plans the company’s management has not approved, or does not include any supplemental information that supports the plan, such as location of planned additional investments or parts sourcing. If the vehicle producer provides sufficient information under Section III for all vehicles

covered by the petition for alternative staging and the information is not false or misleading, then USTR will consider the petition as “detailed and credible”.

C. Providing a Determination

USTR, in consultation with the Committee, will promptly determine whether to authorize use of the alternative staging regime. USTR will provide the determination in writing to the producer. If USTR denies the petition, the vehicle producer may request the reasons for the denial.

D. Notification of any Deficiencies in Petition

No later than 30 days after receipt of a petition, USTR, in consultation with the Committee, will notify the petitioner if there are deficiencies, such as missing, inaccurate, or imprecise information that would result in the denial of the petition. No later than August 31, 2020, petitioners must submit a final alternative staging plan correcting any deficiencies. Petitioners also should provide the necessary corrections to the governments of Canada and Mexico. If the producer does not correct deficiencies by August 31, 2020, then USTR may deny the petition.

E. Summary of Petitions to Congressional Subcommittees

Before making a final determination, USTR will provide to the appropriate congressional committees a summary of the requests to use an alternative staging regime. These summaries will exclude any information for which petitioners have requested business confidential treatment.

F. Public List of Approved Producers

USTR will maintain a public list of the names of vehicle producers it has authorized to use the alternative staging regime. If USTR subsequently determines that a

producer has failed to meet the requirements of its alternative staging regime, USTR may remove the name of the producer from this list and it no longer will be eligible to claim preferential treatment under its previously approved alternative staging regime.

G. Approval by Canada and Mexico

An authorization by USTR to use an alternative staging regime will apply only to the producer's eligibility to use the regime for imports into the United States. A vehicle producer will need to provide a similar petition to Canada or Mexico under its respective procedures, in order to have the petition approved by each of the three Parties to the USMCA.

V. ALTERNATIVE STAGING REGIME REVIEW AND MODIFICATION

A. Request for Modification of Plans

A vehicle producer must notify USTR and the Committee as soon as practicable through the address provided above, of any material changes to the information contained in the petition that will affect the producer's ability to meet any of the requirements set for in Articles 2 through 7 of the Automotive Appendix after the alternative staging period has expired. A vehicle producer may submit to USTR and the Committee a request for modification of its plan with respect to such changes.

B. Information Required in Modification Request

A vehicle producer's modification request should provide a list of the material changes to the information contained in the petition, including any supplemental information relating to the petition, and any material changes to circumstances that will affect the producer's ability to meet any of the requirements set for in Articles 2 through 7 of the Automotive Appendix after the alternative staging period has expired. The

modification request also must include a statement by the producer recommitting to its intention to meet the requirements during and after expiration of the alternative staging regime period as outlined in Section III.

C. Approval Process of Modification

No later than 90 days after receiving the modification request, USTR, in consultation with the Committee, will make a determination, based on the modified plan whether the producer still is able to meet the requirements set forth in Articles 2 through 7 of the Automotive Appendix after the alternative staging period has expired. USTR will provide its determinations to the petitioner in writing. If USTR denies the modification request, the vehicle producer may request the reasons for the denial.

D. Inability to Meet Requirements For Use of the Alternative Staging Regime

If USTR, in consultation with the Committee, determines that the information provided by the vehicle producer in the modified plan will no longer be able to meet the requirements set forth in the Automotive Appendix, USTR will notify the vehicle producer in writing, and no claim for preferential treatment may be made, on or after the date of the determination, with respect to covered vehicles of the producer pursuant to the alternative staging regime. A producer may continue to make a claim of preferential tariff treatment pursuant to the requirements set forth in the Automotive Appendix.

VI. FAILURE TO MEET REQUIREMENTS FOR USE OF THE ALTERNATIVE STAGING REGIME

An importer may not make a claim for preferential treatment with respect to a covered vehicle of a producer pursuant to an alternative staging regime, if USTR, in consultation with the Committee, makes a determination that:

- a. The producer has failed to take the steps outlined in its request under Section III and, as a result, no longer will be able to meet the requirements set forth in the Automotive Appendix after the alternative staging regime has expired.
- b. The producer has provided false or misleading information in its request under Section III.
- c. If a vehicle producer is authorized to use the alternative staging regime for more than ten percent of its total production of passenger vehicles or light trucks in USMCA countries, the producer has failed to notify USTR of material changes to circumstances that will prevent the producer from meeting any of the requirements set forth in the Automotive Appendix after the alternative staging regime has expired.

USTR will provide its determinations to the producer in writing and provide the producer with a reasonable opportunity to respond to the determination.

VII. PRODUCERS OF HEAVY TRUCKS OR OTHER VEHICLES

For the period ending seven years after entry into force of the Agreement, if a producer certifies an LVC for a heavy truck that is higher than 45 percent by increasing the amount of high-wage material and manufacturing expenditures above 30 percentage points, the producer may use the points above 30 percentage points as a credit towards the RVC percentages under Article 4.1 of the Automotive Appendix, provided that the RVC percentage is not below 60 percent. A producer of heavy trucks also may request the alternative staging regime per the requirements set out in Section II. A producer should contact USTR through the address provided above as soon as possible and well in advance of the submission due date if it intends to submit such a request.

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