



June 26, 2020

Via Electronic Mail

Honorable Robert E. Perez
Deputy Commissioner
U.S. Customs and Border Protection (CBP)
Department of Homeland Security
1300 Pennsylvania Ave, NW
Washington, D.C. 20229

Dear Mr. Perez:

As trade associations representing U.S.-based automakers, dealerships, and automobile auctions involved in the wholesale and retail sale of automobiles, it has just come to our attention that the United States (U.S.)-Mexico-Canada Agreement (USMCA) may be interpreted to result in the broad-based imposition of tariffs by the U.S. on used vehicles manufactured prior to the USMCA, rather than continuing the tariff-free treatment those vehicles have received under the North American Free Trade Agreement's (NAFTA). Each year, hundreds of thousands of used vehicles manufactured in North America for the North American marketplace are bought and sold in transactions that involve imports from, or exports to, the U.S., Canada, and Mexico. The unplanned and retroactive application of the USMCA's Rules of Origin (RoO) to used vehicles manufactured before the implementation of the USMCA would not only be unfair; it could also, as outlined below, effectively lead to tariffs being assessed on all used car trade. This latter point is true because, as a practical matter, it is impossible at this point to determine whether a vehicle built pre-USMCA meets the new requirements of the USMCA.

Simply put, there are no records or documentation associated with vehicles manufactured prior to the implementation of the USMCA that could feasibly establish that they comply with the new RoO requirements. In addition to raising the regional value content levels (RVC), the USMCA added new requirements for labor value content and steel and aluminum content which did not exist under NAFTA. The USMCA also altered the methods for determining RoO compliance, rendering information and records that were relevant under NAFTA of minimal value for USMCA purposes. Thus, U.S. importers will be unable to show that vehicles built in the NAFTA region before the USMCA are eligible for duty-free treatment. Such an outcome would have a devastating impact on used vehicle commerce among the United States, Mexico, and Canada. And this adverse outcome could be exacerbated further if Canada and/or Mexico were to retaliate by rendering used vehicle imports from the U.S. ineligible for preferential tariff treatment.

The U.S. engages in significant cross border used vehicle trade with its trading partners to the north and south. It is our understanding that, in 2019 and for at least several years prior, the U.S. annually imported several hundred thousand used passenger vehicles from Canada and Mexico.¹ Applying tariffs on such imports would lead to a decline in U.S. used vehicle imports and higher vehicle prices for U.S. consumers. Since many of these used vehicles are purchased by lower income customers, the imposition of tariffs would have an especially undue impact on them.

We respectfully request that the CBP continue to treat used vehicle commerce as it was handled under NAFTA – that is, by continuing to allow used vehicles assembled in North America for the North American market to be traded among USMCA partners tariff-free.

We thank you for considering this critical request. Please feel free to contact Douglas Greenhaus, NADA at dgreenhaus@nada.org or 703-827-6869 with any questions or concerns.

Respectfully submitted,



Peter K. Welch
President and CEO
NADA



Matt Blunt
President
AAPC



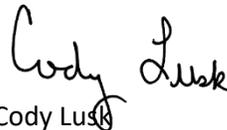
Jennifer Safavian
President and CEO
Here for America



Steve Jordan
CEO
NIADA



Damon Lester
President
NAMAD



Cody Lusk
President and CEO
AIADA



Frank Hackett
CEO
NAAA

CC: Valarie M. Neuhart, Exec. Director, Office of Trade Relations, Office of the Commissioner, CBP
John P. Leonard, Exec. Director, Office of Trade Policy and Programs, CBP
Maya Kamar, Director, Textile and Trade Agreement Division, Office of Trade, CBP
William Kimmitt, Counselor to the United States Trade Representative (USTR), EOP
Kent C. Shigetomi, Director, Multilateral Non-Tariff Barriers, USTR, EOP
Joe Semsar, Acting Undersecretary for International Trade, DOC
Scott Kennedy, Director, Office of Transportation and Machinery (OTM), Industry & Analysis, International Trade Administration (ITA), DOC
Elizabeth Clark, Team Lead, Automotive Team, OTM, Industry & Analysis, ITA, DOC

¹ The U.S. also exported significant numbers of used vehicles to those countries during the same timeframe. In fact, the U.S. roughly has a balanced trade in used vehicles with Canada and Mexico.