

Product costs:		
Value of originating materials		\$0.15
Value of non-originating materials		0.75
Other product costs		0.35
Period costs: (including \$0.05 in excluded costs)		0.15
Other costs		0.05
Total cost of the finished bearing rings, per unit		\$1.45
Excluded costs: (included in period costs)		0.05
Net cost of the finished bearing rings, per unit		\$1.40

Producer A sells the finished bearing rings to Producer B who is located in NAFTA country A for \$1.50 each. Producer B further processes them into bearings, and intends to export the bearings to NAFTA country B. Although the bearings satisfy the applicable change in tariff classification, the bearings are subject to a regional value-content requirement.

Situation A:

Producer B does not choose to accumulate costs incurred by Producer A with respect to the bearing rings used in the production of the bearings. The net cost of the bearings (per unit) is calculated as follows:

Product costs:		
Value of originating materials		\$0.45
Value of non-originating materials (value, per unit, of the bearing rings purchased from Producer A)		1.50
Other product costs		0.75
Period costs: (including \$0.05 in excluded costs)		0.15
Other costs		0.05
Total cost of the bearings, per unit		\$2.90
Excluded costs: (included in period costs)		0.05
Net cost of the bearings, per unit		\$2.85

Under the net cost method, the regional value content of the bearings is

$$\begin{aligned} RVC &= \frac{NC - VNM}{NC} \times 100 \\ &= \frac{\$2.85 - \$1.50}{\$2.85} \times 100 \\ &= 47.4\% \end{aligned}$$

Therefore, the bearings are non-originating goods.

Situation B:

Producer B chooses to accumulate costs incurred by Producer A with respect to the bearing rings used in the production of the bearings. Producer A provides a statement described in section 14(2)(a) to Producer B. The net cost of the bearings (per unit) is calculated as follows:

Product costs:		
Value of originating materials (\$0.45 + \$0.15)		\$0.60
Value of non-originating materials (value, per unit, of the unfinished bearing rings imported by Producer A)		0.75
Other product costs (\$0.75 + \$0.35)		1.10
Period costs: ((\\$0.15 + \\$0.15), including \\$0.10 in excluded costs)		0.30
Other costs: (\\$0.05 + \\$0.05)		0.10
Total cost of the bearings, per unit		\$2.85
Excluded costs: (included in period costs)		0.10
Net cost of the bearings, per unit		\$2.75

Under the net cost method, the regional value content of the bearings is