they begin to manipulate all feedstocks on admission to achieve an optimum set of characteristics for processing, Customs has modified § 146.93(a)(1) accordingly.

Comment: Two commenters recommended that "[i]n addition, an operator may use such other inventory control method(s) as approved by the Secretary of the Treasury that protects the revenue" be added at the end of proposed § 146.93(a)(3).

*Customs Response:* Customs disagrees. The provision for additional methods is covered by § 146.96.

Comment: Two commenters suggested re-designating proposed § 146.93(a)(4) as (b). The commenters propose the section should read as follows:

(b) Feedstock eligible for attribution. Feedstock admitted into the refinery zone or subzone is eligible for attribution to any final product in accordance with the operator's inventory control method.

One commenter suggested the entire proposed section be deleted and replaced with:

(4) Feedstock eligible for attribution. Feedstock admitted into the refinery zone or subzone is eligible for attribution to the extent that such feedstock is not remaining in tank inventory at the end of the manufacturing period as determined in accordance with the operator's zone procedure. For a given manufacturing period, the quantity of feedstock eligible for attribution may be computed as beginning inventory, plus receipts less shipments of feedstock out of the zone, minus ending inventory.

Customs Response: Customs has incorporated some of the suggested language and, therefore, § 146.93(a)(4) (redesignated as § 146.93(b)) has been reworded.

Comment: Four commenters suggested redesignating proposed § 146.93(b) as (c) and replacing the phrase "introduced into a refinery operating unit" with "eligible for attribution under § 146.93(b) \* \* \*"

Customs Response: Customs agrees and has so modified the wording of this section (redesignated as § 146.93(d)).

Comment: Four commenters suggested redesignating proposed § 146.93(c) as (d), and deletion of the sentence "(a)d valorem \* \* \* relative value calculation" because duties are not relevant to the relative value calculation.

*Customs Response:* Customs disagrees and this language has been retained.

Comment: One commenter recommended deletion of proposed § 146.94(a) in its entirety. Another commenter suggested that a refiner

should only be required to maintain appropriate inventory records to substantiate feedstocks processed and remaining in ending inventory. Two other commenters suggested that the section should read as follows:

(a) Feedstock processed. The operator must maintain appropriate inventory records during the manufacturing period to substantiate the feedstock eligible for attribution under § 146.93(a)(4) and in accordance with the operator's selected inventory control method.

Another variation was offered by a commenter who suggested the section should read as follows:

(a) Feedstock processed. The operator shall maintain appropriate inventory records to establish the quantity of feedstock eligible for attribution under § 146.93(a)(4) during each manufacturing period.

Customs Response: Customs disagrees that this subsection should be deleted in its entirety. However, Customs does agree with the suggested changes and § 146.94(a) has been reworded to reflect the refiners' assertion that feedstocks are manipulated or manufactured on admission.

Comment: Two commenters proposed replacement of the language in proposed § 146.94(b) with the following:

The operator shall maintain records to establish the quantity of products consumed in or removed from the zone or subzone during the entry period.

Another commenter suggested replacing this proposed section with:

(b) Final product removed, consumed, lost or destroyed. The operator shall maintain appropriate inventory records to establish the quantity of final products removed from, consumed in, lost, or destroyed in the subzone during the manufacturing period.

Customs Response: Customs disagrees with the suggested changes for the reasons noted in the Customs Response with respect to § 146.92(d).

Comment: Three commenters suggested deletion of any references to "week" in proposed § 146.94(c) and insertion of "approved entry period" instead

Customs Response: As was explained in the March 4, 1994, Federal Register notice, while a manufacturing or accounting period may be greater than a week, there is no authority to permit a consumption entry covering products removed from a zone to exceed one week. Thus, the language of § 146.94(c) remains in substance as originally proposed.

*Comment:* Two commenters suggested deletion of the phrase "\* \* is dutiable if entered for consumption

unless otherwise exempt from duty" in proposed § 146.94(d) and that it be replaced with "shall be treated as foreign merchandise when entered for consumption".

Customs Response: The relevancy of this suggested change is not understood and, therefore, the suggestion has not been adopted. All merchandise, except for domestic status merchandise, when entered for consumption is foreign merchandise.

Comment: One commenter suggested that the title to proposed § 146.94(e) should read "Attributing gain or loss; acceptable methods" instead of the proposed title. Another commenter remarked that the regulations should specify that determination of gain or loss may be done either at time of separation (production) or at time of removal from or consumption in the zone.

Customs Response: Neither of these suggested changes have been adopted since they merely add words without changing the substance.

Comment: One commenter suggested that the word "account" in proposed § 146.94(e)(1) be replaced with "attribute".

Customs Response: Customs disagrees. Attribution refers to matching actual measured amounts of privileged foreign feedstock consumed in, or removed from, the subzone refinery in the form of final products against the limits imposed by T.D. 66–16 or other approved method.

Comment: One commenter proposed insertion of the phrase "or loss" after "volume gain" in proposed § 146.94(e)(2) and insertion of the following at the end of the section:

The operator may determine the feedstock factor using values associated with the total removals from and consumption in the zone or subzone for the period in lieu of using such values for production during the period.

Customs Response: Customs agrees with respect to the first suggestion. Regarding the second suggestion, it is not clear which "period" the commenter is referring to. Customs has agreed with prior comments that the manufacturing period will be up to a calendar month. Therefore, this change was not adopted.

Comment: One commenter suggested insertion of the following language at the end of proposed § 146.94(e)(3):

\* \* \* at either:

(A) The time of separation, or

(B) The time of removal from or consumption in the zone or subzone.

Customs Response: Customs disagrees. As noted above, prior commentors had requested that the