

A G A

PUBLICATION

AN INTERNATIONAL NEWSLETTER

VOLUME SEVEN, NUMBER ONE

APRIL 1982

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TO DEVELOP AND PROMOTE PROFESSIONAL STANDARDS
IN THE PRACTICE OF GEMOLOGY

THE AGA -- ON THE INSIDE

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BY-LAWS AMENDMENT

PROPOSAL AND BALLOT

From the By-Laws Committee for the purpose of:

- removing the possibility of measures passing by default without true representation of the full membership;
- removing the negative aspect of voting on any measures.

Amendment to change Article XI to read as follows:

The executive committee shall submit to the membership, via the Newsletter, proposed amendment(s) to the Bylaws. Such proposals shall be incorporated into the bylaws when endorsed by the majority of voting members, in good standing.

Article XI currently reads as follows: The executive committee shall submit to the membership, via the Newsletter, any proposed amendment(s) to the Bylaws. Such proposals shall be incorporated into the Bylaws unless opposed in writing by a minimum of 10% of the members in good standing.

Please detach the ballot below and mail to : Elaine Baker, Chairman, By-Laws Committee; P.O. Box 2425, La Jolla, California, 92038. Deadline on voting: May 15, 1982.

Against the proposal to amend Article XI

AGA-WEST A SUCCESS!

The first annual western meeting of the membership in Tucson this last February was an unqualified success, with over 100 attending the business meeting and speakers' presentations afterward.

Enthusiasm for the AGA and its goals of growth, influence, and concern for the ethics of this profession was evident from the beginning. I wish to especially thank the San Diego Chapter for their invaluable help in providing name tags and informational literature distributed to prospective members. Their time and help was gladly given for the AGA.

I was pleased to be able to introduce Marvin Miller, Vice-President of our organization, Elaine Baker, Chairman of the By-Laws Committee, and Luana Veo, Chairman of the Nominating Committee and President of the San Diego Chapter.

A great number of members have written expressing concern and support for the stand against the appraisal abuses as covered in the January Publication. This concern was highly evident from those gathered in Tucson. I have pledged, both in the name of the AGA and personally, to take any necessary legal action to stop fraudulent appraisal practices. It is gratifying to discern the support from the membership and the more participation we have from all of you the better we can deal with this problem, and deal with it, we must. The AGA, as a unit, is going to take a stand against these abuses and we expect all members to be above reproach. We have our Code of Ethics and we must adhere to this Code.

Mr. Henry Ho of the Asian Institute of Gemology has kindly consented to be a featured speaker at the AGA meeting in Tucson in 1983, as has Mr. Jean-Francois Moyersoer, a European banker, gemologist, AGA member, and publisher of the Gemstone Price Report. At that same meeting, the United States Gemological Services will hold a seminar for our members, covering their grading certificates and system. Mr. Ho (AIGS) has also offered a seminar for our members, and we are appreciative of these kind offers.

The three speakers, Ben Gordon, Jack Abraham and John Koi-vula were excellent and we were gratified to be able to present an evening of high educational calibre.

Again, I wish to thank all those who have contributed to the continued growth and success of the AGA, either in person or by correspondence. With this spirit, the future of the AGA is assured.

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GUEST SPEAKERS....

► ► Mr. Ben Gordon, President of Independent Jewelry Appraisers of Houston, Texas, covered the subject of "Appraising". An informative and highly interesting speaker, Mr. Gordon feels that the preponderance of poor appraisals is the work of unqualified non- or certified gemologists with little experience, who should not ever be allowed to appraise.

A number of appraisals were shown on the screen that were of poor or incomplete quality and today these are being rejected by the courts, the IRS, and the insurance companies who are now demanding appraisals with proper, full descriptions of the item or items.

Two opinions put forth: the necessity of policing our own industry is highly important to forestall the certainty of state and federal regulations by individuals who know nothing about the jewelry industry; the signing of an appraisal by an individual carries definite liability: "What right does someone have to charge somebody a fee for doing appraisals and then say to them, 'I'm not responsible, I assume no liability'. You sign your name, you are legally liable, even if you give a verbal appraisal, you are liable."

Recommendations from his laboratory included: a computer report based in GIA language, the type of appraisal and the purpose for it, the definition of an appraisal, a statement of non-interest in buying or selling articles, fees based on time and complexity of the item, a cover letter explaining the procedure and total value, a discussion of estimated retail replacement for insurance purposes, and valuation on side stones. In covering the above-mentioned fees, the practice of charging a percentage of the value was strongly decried as being unprofessional and fraudulent.

His appraisals also include a list of instrumentation used and a list of his qualifications as a gemologist. The appraising of gold chains, coins and watches is also part of his service.

In pricing, don't rely solely on price lists but use them as guidelines, establishing oneself with reputable dealers and attending trade shows. If using price lists, use as many reports as possible to get a true picture of markets.

► ► Mr. Jack Abraham, President of Precious Gem Resources of New York, spoke on the problem of Appraisal Abuses, singling out the practice of extremely high percentage charges (multiples) on appraisals. He feels strongly that this must be eliminated or government regulation must enter the picture and dictate to the entire industry. It is within our grasp and ability to "close the loopholes".

In talking with the FCC, one question that occurred was in the case of a lawsuit against a promoter of gems. The pro-

moter stated that he bought his stones from a reputable dealer and gave them to an appraiser who, in turn, put a price on them in valuation. The promoter felt he had done his clients a favor by reducing the price by one-half, and that he had done nothing wrong. This is a true challenge that would be difficult to face.

In offering solutions to many of the dilemmas facing the industry, Mr. Abraham put forth the following thoughts:

- better communications are needed in the exchanging and sharing of information to create an atmosphere of cooperation and participation at all levels and areas of the industry thereby narrowing the differences in pricing;
- areas of specialization are needed for appraising (specialists in corundum, beryl, etc.) which would result in more efficient appraisals;
- licensing within the industry is worth considering, taking one's qualifications into account.
- the AGTA and the AGA could work closer together, correlating information on the market for more accurate valuations;
- appraisal industry members and gem dealers could be coordinated to exchange ideas for the benefit of all.

The projection for growth of all areas of the industry is unlimited, and cooperation among all the different groups would increase efficiency, with the area of appraising enhancing this growth. "Unity and cooperation not only results in our doing business more effectively, but also in happy customers."

► ► Mr. John Koivula, Senior Staff Member of the GIA and a recognized expert on inclusions and lighting techniques was the final speaker of the evening and topped it off with a collection of slides that were truly spectacular.

In gathering some background, he noted that 100 years ago, glass was the only substitute for transparent stones, making the area of identification somewhat easy. The only work being done in the area of internal discernment was by naturalists who were the discoverers of the 3-phase inclusions. Unfortunately, their papers were "buried" over the years.

The microscope is, in his opinion, the most important tool at the disposal of a gemologist, but the necessity for being qualified and competent cannot be held lightly. In using the microscope for identification and separation of naturals from synthetics, somewhat of a disservice has been evidenced in the diamond grading industry, in that pinpoints in a diamond can decrease prices and create an environment of "flawless thinking".

Inclusions and a knowledge of them are now being used by the Russians and have been in the past. All major diamond finds have come as a result of inclusion research and the actual extraction of inclusions for study. This technique enables them to direct their attention to specific rock deposits and pipes. Thin sections of kimberlite may be studied that will allow determination of which area will probably produce diamonds. Inclusions point toward the original environment of gem growth.

Just as amber is a "doorway to an ancient world" with the accompanying insects, plants, and gases present 50 million years ago, so also with inclusions. They are our only look at geological processes that have long since ceased to be and present a picture of the formation of the gems.

The acceptance of inclusions by the professional as well as the public is necessary as proof positive of natural origin in the separation of synthetics from naturals. The processes of synthesizing are not going to get any easier to identify and the technology in this area will not slow. There will be a diamond synthetic on the market because of the monetary forces behind it, and the indicative inclusions of a natural diamond will make the value rise simply by the proof that it is a natural.

Kashan is spreading rumors that they can put anything into their rubies including straight banding. The Kashan is grown in a low-pressure environment not using any kind of a hydrothermal form with any kind of pressure cell. Once these hydrothermal processes are perfected, it will increase the difficulty of detection, as "Mother Nature" usually follows hydrothermal processes.

Textbook techniques include directions to first examine a stone by holding it in one's hand and shining pen-lights on or into the stone. This is to be avoided because of the fluid inclusions -especially CO₂- which are sensitive to warmth and infra-red. If the stone is heated by either of these two methods, microscope examination will reveal what looks like a solid inclusion and, upon setting, the stone may very well fracture or even blow apart. The outward pressure exerted by fluid inclusions is equal to that pressure of the environment in which it grew. As the outside pressure increases, i.e., mined from the earth and brought into lesser forces, the inclusion pressure is tremendous, and it takes very little mishandling to cause fracturing. Peridot isn't really that heat-sensitive a stone, but it is filled with negative crystals which are, in turn, filled with CO₂. (Incidentally, contrary to what is commonly thought, Peridot has two directions of cleavage.)

Lighting techniques attributed to Mr. Koivula include: (1) the oblique illumination technique which brings out many details; (2) a shadowing technique which gives the same effect as a Hoffman Modulation Contrast or a phase contrast without the expense; (3) a pinpoint illuminator device, the first totally controlled system of light ever incorporated into microscopy, using cold light coupled with a fibre optic illuminator. (The probes can be turned in any direction and a .5mm light can be used to illuminate stones in closed-back or fancy mountings.)

Mr. Koivula's love and delight in inclusions can be seen in the following quotes which may, hopefully, change some opinions about inclusions:

"Inclusions are one other facet of the beauty of nature."

"When properly illuminated, inclusions become as beautiful as the gemstone."

"Inclusions are natural wonders inside of natural wonders."

* * * * *

➤➤ AGA - D.C. SCHEDULED ◀◀

The next general assembly of the Accredited Gemologists Association will be held in Washington, D.C. on Saturday, May 29th, 1982, at the Sheraton Park Hotel. Look for the signs directing you to the Business Meeting at 3:00 PM in the lecture room and the evening program at 7:30 PM. The featured speaker will be Mr. Dag Johnson, authority on Australian opals. Installation of your officers for 1982-83 will take place during the business meeting. With the AGA on the move forward, plan to attend and participate. We all need each other. AGA Board members will meet after the evening's program.

For free admission to the gem show, present your AGA membership cards at the door.

FROM THE SAN FRANCISCO CHAPTER....

I would count our first meeting of the San Francisco Bay Area Chapter of the Accredited Gemologists Association a success! Twenty-three interested people came to the meeting to introduce themselves to other gemologists as well as to enjoy the excellent presentation given by Barbara Taylor, Gemological Services Director of the Asian Institute of Gemological Sciences in Los Angeles.

Barbara spoke to the group about the AIGS ruby and sapphire grading system and also proposed tours planned by the AIGS to Bangkok. Their school in Bangkok offers a three day course designed to teach individuals what to look for when grading color, cut, and brilliancy of fine rubies and sapphires. The tour also offers a visit to the corundum mines located near the Cambodian border.

Terrie Haxel and Frieda Legaspi of Tower International Laboratories provided the time and expense of mailing, xeroxing, and telephoning to organize the meeting as well as providing a place for the speaker to stay. Starla Turner graciously offered her home and provided the food at the first AGA meeting and spent time contacting many of you for the first time. Until our local chapter dues are established, we would like to ask a \$3.00 donation to cover the expenses. Our next meeting will again be held at the home of Starla Turner on Thursday, March 4th, 7:30 PM. Her address: 20 Gina Court, Hillsborough. (Maps available on request). Telephone #- 573-8107.

Our next speaker will be Luana Veo, G.G., President of the San Diego Chapter of the AGA. She is originally from South Africa and spent many years grading diamonds. She now runs her own

appraisal service with Elaine Baker, another active AGA member in La Jolla. She will speak to us about her recent trip to South Africa visiting many gemologists of that country, and appraising, as well as AGA chapter formation. She is an enthusiastic and dynamic lady with many ideas, so we hope you can be there.

Please encourage others to attend the AGA meetings keeping in mind that actual membership requires diplomas from either the GIA or GAGB, and that Associate Memberships are open to students actively studying at either or both of these schools. If anyone you know wishes to join, please have them contact Starla Turner at 573-8107 or Terrie Haxel at 579-7800 for more information.

Please send in your local application form with a photocopy of your diploma(s) to: Terrie Haxel, c/o Tower International Laboratories, 241 South San Mateo Drive, San Mateo, Cal., 94401.

FROM LOS ANGELES...

Sunday, February 21st was an initial meeting to form a local chapter of the AGA in the Los Angeles Area. The following people volunteered to assume temporary responsibilities until a slate is voted on in the future:

Chair- Irmgard Blum
Co-chair- Rose Levine
Secretary- Tom Tashey
Treasurer- Stuart Malkin
Programs- Sue Johnson
Membership- Rod Miyata
Publicity- Charles Carmona

The first general meeting will be at a luncheon on April 25, Sunday, location still to be determined.

Membership will be solicited from Santa Barbara to San Clemente, and our original estimates for immediate membership range from 50-200 accredited gemologists.

For information concerning membership, contact:

Tom Tashey- (213) 623-8092, or

Rod Miyata- (213) 208-4367

AND FROM WASHINGTON....

On the evening of January 4, 1982, the Washington area regional chapter of the AGA held its first of four annual meetings. Members present included: Tony Bonanno, Cathy Cleiman, Chuck Hyland, Tom Terpilak, Betty Duke, Herb Duke, Danny Duke, Dale Farringer, Jane Farringer, Helen MacLeod, Marvin Miller, Tomiko Butler, John Piunno, Teresa Zook, Mr. Zook, and a new Associate member, Johan van Zuylen.

John Piunno, current program chairman, expressed regret that his attempts to procure admission for our group to the special "back rooms" collections at the Smithsonian were denied due to increased security precautions being enforced by the Institute.

Theresa Zook noted several items in the January issue of Jeweler's Circular Keystone magazine that might be of interest to members. These included an ad on page 125, by Chatham Created Gems which listed wholesale per carat prices of Chatham emeralds and rubies.

On page 109, two small articles appeared on new diamond color grading instruments: Model B-1 Diamond Colorimeter manufactured by Zvi Yehuda Ltd. of Israel, and the other, introduced by the International Gemological Institute, the Diamond Checker from Okuda Technical Institute of Japan, both articles appearing in the "Gemstones" section.

Due to greater interest in colored stones for investment and the demand for certified colored stone appraisals, gemologists and appraisers alike are seeking a standard method for the grading of these stones. Marvin Miller mentioned that he would like to have a program based on this theme and is trying to have a gem dealer show stones graded according to the American Gemological Laboratory's system, i.e. 2.5 rubies or 3.5 rubies, etc. His comment led to a lively discussion about the need for a standardized colored stone grading system that is universally accepted.

At the present time, Tony Bonanno feels that the ColorMaster by GIA can offer some help. By means of dials, a person can match the color of a gem specimen with beams of red, green and blue light. The gem's tone can be matched with another dial, and the cut with another. Specific number grades are assigned when finished, that should then be concurrent with other machines.

One of the most interesting events of the night was a specimen of the rare gem Taaffeite brought in by Danny Duke. The translucent, lavender-blue alluvial pebble was located in the mountainous Ballongoda region of Sri Lanka. The stone resembles lavender spinel and could easily be mistaken for one. Taaffeite is hexagonal in crystal structure and the weight of this particular pebble is $4\frac{1}{2}$ carats. It appears inert to UV light and displays a weak, pale pink/purple dichroism. Examination under the microscope showed dark hexagonal crystal inclusions, healing feathers and pale, butterfly-looking inclusions.

(Washington chapter news, cont.)

The next meeting is scheduled for April 5, 7:30 PM at 8600 Fenton Street in Silver Spring, Maryland 20910, telephone-588-7770. Elections for 1982 officers will be held and the question of raising our dues will be discussed.

Up-coming gem shows of interest to AGA members:
The 15th International Gem, Mineral and Jewelry Investor's and Collectors Show- Sheraton Inn, New Carrollton, Md., March 5,6,7.

The 18th Annual Gem & Mineral Show- Montgomery County Fairgrounds on March 20 and 21st.

The International Gem, Mineral and Jewelry Show at the Sheraton Washington Hotel at Woodley and Connecticut Avenues, Washington, D.C.- May 27,28,29, and 30th.

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THE PROBLEM WITH APPRAISERS IS...

Conflicting Demands

Earl Anderson

A lengthy laundry list of complaints concerning gemstone appraisers could be compiled from recent comments in various trade publications. While many of the complaints are valid, some are not. Most have opposite viewpoints, frequently expressed as complaints about appraisers. Therefore, the complaints are evidence that conflicting demands are being placed upon appraisers.

A look at the nature of the conflicting demands suggests some possible solutions. It also suggests that, while appraisers face problems, they are only the "table facet" of the problems which cut deeply into the gem industry. For example, let's examine some of the complaints.

► They Appraise the Unfamiliar! ◀

"Too many appraisers accept work on gems with which they are not familiar" is a common complaint. There is substance to this complaint, but there is another side to the coin. Clearly, an appraiser should not attempt to appraise jade, a common gem material, if he is not familiar with grading and current pricing of jade. Instead, he should refer his client to an appraiser who is knowledgeable about jade. But a very different situation exists with the mizzonite variety of scapolite. Where does the appraiser go to gain knowledge of grading and the "market" for mizzonite?

Few gemologists or gem dealers have heard of mizzonite, much less have familiarity with it. Its properties are not listed in the "standard" gemological references, yet it is a long-established mineral variety. And it does show up in the trade; several gem specimens have passed through our lab in the past few months. Should the responsible appraiser tell the client to find someone familiar with the mizzonite market? Such a "Catch 22" situation is likely to become increasingly frequent as the trade seeks replacements for dwindling, high-quality gemstone resources.

A closely related problem has been posed by dealers handling "new" gem varieties. On occasion, they have brought their goods to appraisers to aid in determining the marketability and pricing structure. Should the client be told to wait until a market exists before the appraiser undertakes to help him? Or should the appraiser use his broad knowledge of gems and the gem market to assist in finding an acceptable market niche for the material?

► They Lack Credentials! ◀

Complaints concerning appraisers' lack of credentials also are perplexing. It is commonly and correctly stated that gemological knowledge, alone, is not sufficient for making appraisals. It follows that training in gemology or mineralogy is not all that is needed. Training and experience in appraising are also needed. But what credentials attest to these things? Affiliation with the Accredited Gemologists Association, the International Society of Appraisers, or the American Society of Appraisers might be valuable, but, perhaps unfortunately, little effort has been made to establish one of those affiliations as a standard. The gem trade has not made clear the nature of credentials needed by an appraiser.

► They Don't Know Values! ◀

Is it necessary for an appraiser to buy and sell gemstones in order to know values? Or, in contrast, should the appraiser have no vested interest, present or anticipated, in the sale or purchase of gemstones? Both positions are urged upon appraisers, and both have their supporters.

The gem dealer clearly must know values if he is to stay in business very long. And having more at stake than most others, he should know values very well, indeed. If the dealer also is a competent gemologist, then he should be able to appraise. But should he appraise?

Does the dealer handle a wide enough variety to know values of most gemstones? Can he afford the time away from selling to make appraisals? Does he know market conditions in many localities, not just his own? Of greatest importance -- can he serve two masters: his desire to make a profitable sale, and his obligation to make unbiased evaluations of gemstones for an appraisal client?

Even if all answers are yes, and many could not honestly say yes to the last, there is another, very tough question. Can he

convince most clients that his appraisals are unbiased by his vested interests in buying and selling gemstones?

The non-dealing appraiser obviously has one advantage over the dealer. He serves only one master, his client. Thus, assuming gemological competence, he should be able to appraise. But, he, too, may find it difficult. Does he maintain his market knowledge by studying prices at gem shows, examining auction results, holding frequent and deep discussions with reliable dealers concerning prices, studying and evaluating available price lists, and communicating with other appraisers? Does he adhere to high ethical standards? Can he avoid the temptation to appraise "favorably" for important clients? Has he the confidence, even courage, to back up his conclusions?

► They Don't Understand the Gem Market! ◀

Another conflicting demand arises when many in the trade criticize appraisers for lack of market knowledge, while those same critics or others refuse to divulge actual sales information. The more charitable of the critics suggest that appraisers know asking prices but not sales prices. This topic is so serious that it demands a lengthy article of its own. In this discussion, however, I will only comment that (1) dealers should freely give out actual sales prices or not criticize, and (2) appraisers should make every effort to develop sources of reliable sales information or not complain.

► Price Spreads Are Too Great! ◀

Without question, the areas of greatest complaint about appraisers are their alleged inaccuracies and inconsistencies in establishing values. Probably the most common grievances refer to the huge price spreads that show up on the same or similar goods appraised by different firms. And huge price spreads do, indeed, show up frequently.

Why should anyone be surprised? Consider the situation: the price of a gem spans a very wide range from the mine to the jewelry purchaser or investor. Your cost depends upon where in that range you are able to buy. Furthermore, recent surveys in two national trade publications disclosed what we already knew, that retail jewelers mark up their goods by greatly differing percentages. The extremes of reported retail markups ranged from a low of eight-and-one-third percent above cost to a high of 275 percent above cost.

The appraiser is caught between the rock of highly varying costs and the hard place of highly varying markups. He is expected to produce not only accuracy in grading, but also prices consistent with all other labs. And on the seventh day, we rest.

► Resolution of the "Problem" ◀

An appraiser should develop a sufficiently broad and deep knowledge of gems and the gem market that he can handle new situations. Those situations will become increasingly common. At the same time,

he should avoid appraising articles that are established in the trade, but with which he is not familiar.

The "gem trade", perhaps through the American Gem Trade Association, should make clear the minimum credentials acceptable for an appraiser. In that effort, the trade should recognize that there is more than one way to "skin the cat" of acquiring expertise. Appraisers, for their part, should not be satisfied with acquiring minimum credentials. "Credentials" should be viewed in the broadest sense, not as mere documents attesting to training, but as the attaining of credibility.

Ethically, the appraiser should not have a present or anticipated vested interest in goods he appraises. This places on him the burden of constantly acquiring accurate knowledge of the gemstone market, at least that portion with which he claims competence. Dealers who rely on independent appraisals should feel obligated to divulge sales information to appraisers. Some dealers do, in fact, fulfill this obligation, and at least some appraisers have found those dealers.

Eliminating the wide price spreads in gem appraisals can be done only in part by appraisers. Intimate familiarity with the various "levels" of the gem price spectrum from mine to consumer should enable an appraiser to make reasonable and consistent estimates of value. But to have significance, the "level" of a value estimate must be known and stated. That implies that dealers should make clear where their prices fall in the spectrum. It also implies that retailers should state their markups. Disclosures of this nature will be hard to come by. But until they are made, one appraiser can legitimately state a retail value estimate of \$5,000 while another, just as legitimately, can evaluate the same article at \$10,000 retail.

An alternative way around the problem of varying markups is to appraise according to some sort of average or standard markup. Neither this nor the disclosure previously urged are likely to be unanimously, or even widely, accepted.

► Calm, Responsibility, Responsiveness ◀

To the extent that these conclusions are valid, it can be argued that the problem with appraisers is the lack of cooperative effort throughout the gem trade. We should work -- together -- to get rid of the problem, for like most problems, it will not simply "go away".

I would suggest a calming of the strident cries about incompetent appraisers. I would suggest a more responsible and responsive stance by appraisers. In essence, I would urge the antagonists to avoid blaming others for their, and the trade's, problems. After all, we really must share in the effort of "cleaning up the game".

Many among those concerned have suggested that various organizations set up some sort of official standards for assessing appraisers. That may well be a part of the solution, and probably should and will be done. But "official accreditation" should not be envisioned as the solution. A significant lessening of the "problem" can only be accomplished through conscious, well-conceived, cooperative efforts of well-intentioned individuals.

An additional reason for cooperative effort deserves consideration.

Many of the problems with appraising stem from rapid changes: in the fluidity of the marketing methods; in the instabilities of political systems in many gemstone source areas; and in the traditional forces that have served to stabilize markets. (For example, who would have believed, two years ago, that DeBeers would admit that they cannot fully control the diamond market?)

To sum up, appraisers today are presented with very complex problems of decision making. The problems have led to acrimonious confrontations, and these have, perhaps, served a useful purpose; the problems are identified. But the time for acrimony is past. Now is the time to cooperate for the benefit of all of us.

•••••
• Dr. Earl Anderson is President of Gemological Research
• Group, Inc., an appraising and research firm in Austin,
• Texas, and is the editor and publisher of Gem Market
• Trends and Gem Value Guides. He holds a Ph.D. in
• geology and is a member of the International Society of
• Appraisers, and a charter member of the American Gem
• Trade Association.
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OPEN COMMENTS

Robert L. Rosenblatt, GG

I just received, and carefully read our Volume Six, Number Five, January, 1982 Publication. I must say, the letter was very well done and, as a new member, I was most impressed with the sincere and methodical efforts of the staff and contributing members. The newsletter had much emphasis on appraising and I would like to begin participation in the AGA by contributing some of my thoughts and experience as they pertain to a most severe problem, APPRAISING.

The re-print from the "Ruff Times" on the gems-for-land swindle was interesting, but by no means new to me. As the former director of what was the only truly INDEPENDENT appraisal and gem lab in our state, I have had exposure to just about every kind of crooked deal and boiler room operation anyone can possibly imagine in respect to gems. I might add that the majority of my time in the firm was spent dealing with these problems. In fact, I ended up spending so much time dealing with these related problems, i.e., answering hundreds of phone calls per week, talking to clients who had been "ripped off" by "get-rich-quick" gem deals, making regular court appearances in legal suits (usually subpoenaed and not compensated), that my legitimate appraisal clients who wanted insurance and estate valuations were not getting the attention and service they deserved. We found it necessary to maintain a full-time legal staff, carry excessive insurance (both liability and malpractice), and "beef up" our security system to the point of absurdity... all as a direct result of the crooks involved in gem deals. This all made a major contribution to my decision to resign and sell my interest in what would otherwise have been a very worthwhile business.

I cannot overemphasize the extreme severity these problems pose to us, the professional gemologist and, especially, the appraiser. The more the public becomes aware of the concentrated portable form of wealth gems represent, and the more these economic hard times persist, the worse the problems of appraising will become. As they say, "a little knowledge is a dangerous thing" and this could not be more true when it comes to gems.

As long as any John Doe can hang up a shingle, put "GIA" this, that, and everything else all over his forms and office, put in some fancy-looking equipment and call themselves appraisers, we as ethical professionals who have spent years learning and training are in real trouble!

Problems in appraising do not go unrecognized within the many organizations, including the AGA-dedicated to bettering the quality and standards of our profession. However, by now I feel there are just so many organizations (American Gem Society, Jewelers Vigilance Committee, Appraisers Association of America, American Society of Appraisers, International Appraisers Association, etc.), that we are all starting to pull, tug, and fight each other rather than become more cohesive.

We need uniform standards, rules, regulations and some very stiff penalties for violation of same, both on procedures and ethics and on overall general format in gem and jewelry appraising. The BIG QUESTION is: can we, as a group, put aside our differences, work together, and be quick, consistent, and effective at self-regulation, or will we fall prey to the millions of miles of red tape and bureaucratic regulation as so many other professional bodies have done?

The time to act is NOW!

I have a few suggestions:

The first problem is schooling, i.e., legitimate graduate credentials as they pertain to appraising offered by a recognized, sanctioned, independent, non-profit institution.

As many of you are well aware, just because someone has earned the GG, FGA, or PG status, it does not mean that he or she can appraise. They may have the technical skills in gemology, but accurate identification and accurate pricing are two entirely different issues, although certainly inter-related.

There are, by now, several fine educational facilities teaching gemology, but is there one single institute anywhere teaching appraising? Not appraising technique, but how to put a right-now, real-world, current dollar-and-cent value on a particular gem or jewelry item? GIA has, understandably, made a hasty retreat from making any commitment as to actual pricing guidelines, fearing the anti-trust and ten thousand other possible lawsuit implications. So where do we turn?

By now most related organizations in the field are trying to publish guidelines on appraising, and soon we will have as big a mess as we do in the realm of establishing uniform standards for a full colored stone grading system. But even with all the guidelines being issued, no one is addressing themselves to pricing. Do we really want to admit that the "school of hard knocks" is the only way to learn how to price an item?

I suggest we use our organization, the AGA, and contact all

the others struggling in this mess, including the IRS, state and federal agencies, and take steps to initiate a proper schooling institute of appraisers. A place where one can actually learn how to put a current value on a particular item.

I know, from training appraisers in my own lab, that with some thought and real effort I was able to reduce most of what were once my own, "Ch, I just know because I've been around it for so long" answers and valuations to some very precise scientific and mathematical formulae which can be used with a great deal of accuracy and consistency. Therefore, I know it is possible and am sure that many of you have just as numerous tricks and formulae. Let's share them and organize. IT CAN BE DONE!

Next, let us consider what it is we represent with that dollar-and-cent figure (bottom line) we put on an appraisal. What, exactly, is retail replacement, wholesale, estate, and, especially, this mysterious "fair market value" the IRS is always talking about? Most of these terms have become as meaningless as "blue-white and perfect".

Let's take one small example: Mrs. X's ring is brought in to us for an insurance appraisal. (Anyone who has done any extensive insurance appraising knows that the insurance company always has an option to repair or replace. See small, fine print, if you can find it). Most of these companies have 10% above wholesale buying privileges with a wholesaler somewhere. Now, Mrs. X's ring is appraised at a retail replacement value of \$100.00. The ring is later lost, somehow, and she submits a claim for her item, which had been scheduled on a floater policy, and for which she had been paying premiums based on the \$100.00 value. The company sends her to a local wholesaler and tells her to pick out a replacement with a \$100.00 retail value. However, this new ring is only going to cost the insurance company \$55.00 (wholesale plus 10% - not including any additional under-the-table kickback arrangements we all hear about.). So, what happened to the premiums Mrs. X paid on the other \$45.00 in the value of her ring? You tell me! If we had originally valued her ring at the \$55.00 value the insurance company would actually pay for replacement, Mrs. X would want to know how come we appraised it for just over half of what she just paid for it. We would either have to reveal deep, dark secrets of retail markup ("THE KEYSTONE DILEMMA"), and justify our prices or worse, explain in court why we under-valued our competitors merchandise. And, if we can't back up our valuation in court by saying "that's what I would have sold that item for", we've likely got some real problems on our hands.

Obviously, I could go on and on with the pitfalls in terminology we attach to qualify our bottom line value. The problems are massive! Isn't it about time we, as professionals, begin to address ourselves to the mess we help perpetuate and constantly dread dealing with?

My example only scratches the surface of problems inherent to appraising. Although much less complicated, real estate and automobile ("the blue book") appraisers seem to have devised a system, over the years, which offers a fairly high degree of consistency. It is time we do the same or, sure as I am writing this letter, someone else out of our field will do it for us.

We need some of our own kind also trained or aided by those trained in legislative lobbying, etc., to help represent us as WE draw up our own format and requirements for appraising licenses, governing rules, and penalties for violation of the same. But, even if we were to set these procedures in motion today, how many of us would feel good just letting the technically-skilled gemologists with only GG, FGA, or PG credentials and virtually no practical exposure to appraisal-pricing experience, qualify for a certified appraising license or status? It's like letting an Aerospace Technology graduate who has never flown, fly the commercial jet you are about to board.

I believe there are enough of us either in need of formal appraising schooling or the resulting credentials, that an institute is certainly feasible. Just look at GIA's enrollment over the past few years.

The second portion of my letter is inter-related to the first and concerns those of us who have struggled to operate within INDEPENDENT appraisal formats as a sole business.

Last summer, I met and visited with some AGA members (Jack Lanier and Suzanne Anderson of Independent Jewelry Appraisers in San Diego). They were in the initial phases of getting their service rolling and had a number of questions concerning surviving financially while selling a professional service. We talked about enticing insurance companies and local jewelers, and, had I been able to answer all their questions, I might have been able to make a significant rescue attempt at my own business. Since that time, I seem to have stumbled onto a new twist to a very old idea.

By the time my lab folded, apparently a number of insurance companies and retail jewelers had "become accustomed to my face" and had, unknowingly, been quite spoiled by our service. Apparently, by closing my lab, I had left a void.

Having been contacted by an old and well-respected jewelry firm for help in alleviating their heavy appraising load, and knowing full well that I would not be compensated commensurate with my qualifications, a new idea came to mind... operation as a "free lance appraiser". Everything I needed in the name of equipment was portable except for a microscope and what fine jewelry store is without a microscope?

The format is rather simple. I had a contract drawn up that spells out my liabilities as well as that of the jeweler (which incorporates the AGA Professional Code), and the charges -- on a by-the-piece flat fee (except where the hourly rates are quoted for more involved items) so the jeweler can keystone on my work.

Obviously, the advantages to this arrangement are quite significant. For the jeweler, they can offer their customers the highest degree of technical expertise and appraising without adding expense to their payroll. (The fee can, in fact, be treated the same as an accountant, attorney, etc.) You only work when there is work to be done and the jeweler pays you with "free money", as it were. The jeweler doesn't need to spend thousands on fancy equipment and doesn't use his precious time on appraisals, yet still maintains control over the appraisal service.

For the appraiser, it is seventh heaven! NO MORE OVERHEAD! One works at the store, therefore, no more insurance, security system, office rent, payroll, etc. The jeweler uses their own letterheads and employees to take in the item, type the appraisal, and deliver the item. Pay has been consistently over \$50.00 per hour net - be sure to keep records for tax time.

And so, the birth of my new title, "Independent Gemological Consultant". Now, instead of fighting, frightening, and hassling with the retailer (which happened too often in my former role), I now work for the retailer under his or her control, but still work for myself and set my own schedule. Strangely, by sticking to retailers' types of appraisals, I've gotten away from the swindles, scams, and crooks who have a dreaded fear of retail jewelers. All too often, we tend to discount the importance of the retailer, but let's face it, without them there simply would be no need for the gemologist and appraiser as we know it. They are, after all, the backbone of the industry and, in my opinion, need to get back in the "driver's seat" and become, once again, the respected members of the community that they once were.

But the retailers have limits. Most simply cannot afford to pay a \$30,000.00-and-up professional salary for appraisers and gemologists, let alone the capital layout for complete laboratory equipment.

Admittedly, the retailers I now free lance for would not have been so quick to accept my new idea, were it not for the previous establishment of six years of skill and unalterable ethics as director of my former service.

At this point, let us tie in with my first concept outlined. An honest-to-goodness degree in appraising, offered by an institute with impeccable standards, ethical codes, and prerequisites in technical skill which is sanctioned and aided in design concept by representatives from retail, wholesale, appraisal societies, and government organizations, with resulting appropriate credentials and degrees, would go a long way in persuading the retailer to move to a new solution (free lance work) in the appraisal dilemmas. Further, we can boost the entire concept of returning us, as professionals, to a level of respect deserving of our work and efforts.

We really need to organize, modernize, and work hard together to solve our common problems. If anyone cares to share their thoughts on my ideas, please feel free to write or call. Needless to say, I shall make myself available in any reasonable capacity to work with any of you willing to implement, add to, or modify my suggestions, but PLEASE LET'S START NOW BEFORE IT'S TOO LATE!

* * *

NOTE: If you did not receive your certificate and (voting members) wallet I.D. card, it is due to non-payment of dues which were to be paid in January, 1982. Please remit your payment at your earliest opportunity.

Associate Member certificates will be mailed as soon as they are lettered. Thank you for your patience.

NOTE: Survey on next page!

AGA SURVEY

The Accredited Gemologists Association (A.G.A.) is conducting an ANONYMOUS survey to determine ranges of percentage markups that various levels of the gem trade charge their public customers for individual loose gemstones sold at certain per stone price levels.

Please help us by indicating the type of your business and what percentage markups you might take over your cost for the stone, with separate percentages for inventory goods versus those sold from memo.

To participate in the survey, fill out the attached form and mail to:

Accredited Gemologists Association - Survey Response
36 N.E. 1st Street, #419
Miami, Florida 33123

This survey will appear in several publications. Please submit one response to the main office only. Thank you for your cooperation.

- Independent Dealer/Broker without office/staff
- Wholesale dealer/ broker with office/staff
- Investment company with office/staff
- Retail jeweler
- Other _____

Stone Cost	\$2,000	\$5,000	\$10,000	\$25,000	\$50,000
Inventory:	_____ %	_____ %	_____ %	_____ %	_____ %
On Memo:	_____ %	_____ %	_____ %	_____ %	_____ %