

## **Rio Grande Comments on Proposed FTC Rule Changes on Quality-Marking Jewelry**

With the best interests of both the jewelry consumer and the jewelry industry in the United States uppermost in our minds, we submit the following comments and recommendations for your consideration.

### **Issue 1: Gold Quality Standard**

In this discussion, 14K is used as an example, but the points made apply to all gold and other precious metals. We suggest that the United States should adopt the parts per thousand quality mark and minimum gold content that matches that used in other countries with absolute minimums, i.e. 585, minus nothing. The current Plumb Gold statute allows a .003 tolerance below plumb—58.03% vs. 58.33%. If the regulating rules required 58.5% gold there would be a level playing field. Being on a 585 standard has not harmed the jewelry industry in other countries as far as we can tell. The difference in gold cost is small. It is more difficult to explain to a consumer that even though 14K is  $14/24 = 58.333\%$  it is permissible, in current circumstances, to short them 3 tenths of a percent. Explaining that it is legal does nothing to make them feel they got a good deal.

The current standard allowing a .003 tolerance below plumb can no longer be justified technically. We have plumb gold solders as well as laser and other welding equipment that allow items to be fabricated without lowering the karat. What other industry is permitted to give their customers less than full measure? The implication of this is that, in order to be competitive in the retail market place, makers must control their production to the lowest legal standard. This affects the small manufacturer and the designer goldsmith (who make one-of-a-kind, bespoke pieces and who might like to give their customers full measure in terms of gold content) because large users demand the lowest possible price, which forces manufacturers to produce to the lowest legal standard, making it very difficult to find all the component parts they need (such as mass-produced chain and findings) that are plumb.

Under the current FTC rules, U.S. makers in general are disadvantaged because they must maintain two inventories in order to be competitive in the U.S. and also sell their goods to buyers in other countries, where 585 is already the minimum required, and it is not economical to make and stock two 14K qualities. Having to do so is particularly damaging to small designer craftsmen who market using the Internet and can reach potential customers around the world but have difficulty buying components that can be legally imported by customers abroad. Here in the U.S., the consumer would not be damaged by U.S. rules that conform to global standards because a) these rules provide assurance that consumers are getting what they pay for and b) the difference between 58.3% and 58.5% is only a few cents per gram. We would like to point out that many countries now adhere to the 585 standard and doing so has not adversely affected sellers or consumers.

The U.S. should adopt rules that give consumers full measure and allow U.S. jewelry makers to compete globally without having to bear the burden of inventory duplication.

Ultimately, economies of scale can be passed on to consumers and, as we all acknowledge, unnecessary cost burdens already get passed on to the consumer.

Any rules that are adopted must be forward-looking and, in this case, that means recognizing that we are increasingly dealing in an international market place.

Therefore, for all the reasons stated above, the U.S. should adopt what is fast becoming a global standard for gold content: a minimum gold content of 58.5% (for 14K). Makers should have the option of using a “14K” or a “585” mark, but the 14K mark should come to guarantee a minimum of 58.5% fine gold content. This would require a phase-in period and a grandfathered inventory clause.

### **Issue 2: Made in America**

A special provision should be made for custom bespoke jewelry items. In the context of mass-produced products, the proposed rules may be acceptable but We don't think they are fair to a designer craftsman (goldsmith) who designs, fabricates, sets the stones and finishes the object. If an item of precious metal jewelry or other art is conceived, designed, fabricated and finished in America how is it not made in America? The relationship of the cost of their labor relative to the market price of metals and gemstones should not cause them to be required to market their product as being less than made in the USA (as if anyone could just go buy the parts and assemble the same object). We feel this is a terrible injustice because it discounts the creativity, artistry and craftsmanship that made the piece possible. Imagine a painter having to market an oil painting as “assembled” in the USA because the paint was made in France and the canvas was woven in India. Is a goldsmith less an artist because his paint is gemstones and canvas is gold?

### **Issue 3: Metals in the Platinum Group (PMG)**

We fail to see how the consumer is protected by the current quality mark regulation for platinum or palladium products that may contain less than 85% of one of these metals. Having to list all the elements in an alloy is physically impractical and confusing without substantial benefit.

We strongly believe that, in the case of gold, having the choice of gold content has not hurt consumers; on the contrary, it has made gold products often stronger and, additionally, affordable for those with smaller budgets without diminishing the perceived value for those seeking high-karat luxury goods.

Technically, it has been shown that having more flexibility in the amount of alloy that can added to platinum and palladium, and having a wide choice in the elements that are used in the alloy, would make it possible for metallurgists to formulate compositions that serve consumers better in terms of strength and hardness.

We understand that Palladium Alliance International supports qualities that contain 50% or more of these metals, and allowing these alloys to be marketed just as gold is marketed—without having to include a list of every element in the alloy composition.

Most importantly, for FTC evaluation, We have never heard of a consumer who was interested in anything other than the truthful disclosure of the primary precious metal content. That content should be expressed in parts per thousand (e.g. 500 Pd).

Respectfully yours,

Eddie Bell

VP Manufacturing

Organizer of ***The Santa Fe Symposium on Jewelry Manufacturing Technology***, now in its 27<sup>th</sup> year.