

**PRICING OPALS:
AN APPLICATION OF THE HEDONIC METHOD**

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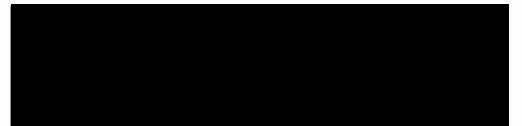
BA.Phil.(cum laude)(Ga.State),Dip.Fin.Mangt.(U.N.E.)

A dissertation submitted in partial
fulfillment of the requirements for
the degree of Master of Economics
at The University of New England.

August 1985

CERTIFICATE

I certify that the substance of this dissertation has not already been submitted for any degree and is not being currently submitted for any other degree. I certify that the sources of information used in preparing this dissertation have been acknowledged in the dissertation.

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Barbara Cornelius

ABSTRACT

This study examines the pricing of opals using the hedonic method. The study has been undertaken because there has never previously been a systematic analysis of price determination for opals. Additionally, the opal industry is a significant part of the Australian economy. This justifies the development of a pricing formula based on a consistent opal nomenclature in order to provide a means for improving the efficiency of the opal industry.

The study briefly outlines the current opal market structure emphasizing the inefficiencies that are a result of a poor information flow within the industry. The fact that information is not readily available to all interested parties is reflected in the lack of literature on the economics of opal production. A comparison of estimated valuations performed by retailers and wholesalers confirms the existence of this informational deficiency. The deficiency is further confirmed in tests of non-expert value and preference rankings when compared to the estimated valuations of the experts.

The selected logarithmic model for wholesale prices is developed through the use of a multiple regression analysis of fifty-seven gems which were assessed on fourteen different characteristics. The model is then illustrated using only four gems and proves adequate in these cases.

Finally the implications of the study, for the pricing of opals and for further research, are discussed.

ACKNOWLEDGEMENTS

This study would not have been undertaken without the encouragement and support of a number of individuals. Most important, among these, are my supervisors John Trueman (Accounting and Financial Management) and Prasada Rao (Econometrics). John provided the original idea for a study of opals, and stood behind me with encouragement and a careful eye on my progress. Prasada patiently explained the econometric techniques I would have to utilize and oversaw the analysis of data, helping me pick the best model from all those we developed.

Because the information required to develop this model was not publically available the cooperation of many individuals within the industry is gratefully acknowledged. The merchants who spoke with me, filled out certificates of appraisal, appraised gems, or otherwise supported my efforts are listed below:

Juanita Addeo, Addeo Jewelers, Inc.
 Barry Allen, Strand Souvenirs and Opals
 Denes Berta, Opal Fields Pty. Ltd.
Bola Jewellers
 G. Brooks, Department of Mineral Resources, N.S.W.
 Henry Chan, Australian Opal House
 Michael Costello, The Opal Centre
 W.O. Cudlipp, Flame Opals
 Mike Duncan, Opals Australia
Filigree Jewellery
 A.S. Gerogiannis, miner
 Tom Groover, The Opal Mine
 Walter Huber, Opal Miners and Cutters Pty. Ltd.
 Mr. Iskenderian, The Iskenderian Brothers
 Dag Johnson, Opex Opal Inc.
 Evan Lewis, Evan J. Lewis
 Elizabeth Lloyd, Elizabeth Lloyd's
 Mr. Marks, Percy Marks
Opalloyd Gems and Jewellery
Perri Fine Jewellery
 Noni Primrose, Allied Jewellery Services
 Ellis Ryan, miner
Gemttec
 Gregory Sherman, Sherman Opals Pty. Ltd.
 Peter Sherman, Sherman Opals Pty. Ltd.
 Lee Kwok Shing, The Sapphire and Opal Centre
Seiders Jewelers
 Tom van Brugge, Opal Search Pty. Ltd.

I must also thank Gary Slocombe for his assistance with the Minitab and SHAZAM computer programs as well as Helen Sutherland for her assistance with the SPSSx program. Lowan Turton of the University of Sydney photographed the “master-set” of opals and JADON of Sydney developed the pictures included herein. Both Robin Everingham and Rosey Hockey arranged for groups of their peers to assess the “master-set” as non-experts. Rosey, additionally, provided a haven of sanity during my numerous and hectic trips to Sydney. These trips could not have been made without the financial support of the Accounting and Financial Management Department at the University of New England.

Finally, my gratitude is extended to my parents, Dr. and Mrs. James D. Head, and to my grandmother, Mrs. Florence Rose, who made it possible to undertake uninterrupted study and who encouraged me to do so.

Barbara Cornelius
August 1985

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