

# Market Matters

## Stamp Swap of the Century

I have been writing stamp columns for 25 years, and this is the very strangest stamp story I have ever heard.

As I reported last month, the plate block of 4 1918 24¢ USA 'Inverted Jenny' airmail stamps was hammered down October 19 in New York for \$US2.97 million, which at that time was almost exactly \$A4 million.

This was easily the highest price ever paid for any USA stamp item of any era. As I also reported last month the same block last sold for \$US1.1 million in 1989. The new auction price nearly trebled that figure.

### The plot thickens

Soon afterwards the buyer of this block swapped it with a New York dealer for a single USA stamp he wanted!

Only in the USA could stamps worth \$4 million be swapped like trading cards.

The buyer at the October auction was Bill Gross, a collector of USA classic stamps. He has won top international awards each time he exhibits his collection.

Gross is not a poor man it seems. His PIMCO bond firm manages investment assets worth \$US500 BILLION!

I have done some research and discover Gross had been the under-bidder in October 1998 when the USA 1868 1¢ "Z Grill" single was last sold in New York as part of the Zoellner collection.

### Mr Patience

Gross regretted being outbid, and waited 7 years to get his hands on the stamp. He needed it to have the ONLY complete collection of USA 19th Century stamps in existence, as per the current Scott catalogue listings.

As I reported in my column at the time, the sale of that "Z" Grill stamp caused a sensation. The stamp is illustrated nearby.



Sold for \$4 million

That stamp, Scott #85a set a price record of \$US935,000 for the most expensive USA single stamp ever sold. Only one other copy exists, and that is owned by the New York Public Library, who it is claimed have resisted all attempts at examination by experts as to its authenticity. It was bequeathed to them in 1928 by Benjamin Miller.

The only thing that makes these 2 stamps different from the very common normal 1c blue is that a waffle like metal "grill" of 11mm x 14mm has been at some time impressed into the back of the stamps. This broke the paper fibres and allowed cancelling ink to be better absorbed and thus "cleaning" off cancels almost impossible.

Forgeries of course of such a simple thing are rife on other US stamps that have a higher catalogue value as "grilled" versus normal "ungrilled". The Gross example has two expert Certificates.

Anyway the \$US935,000 was paid with much American showmanship by Mystic Stamp Company of Camden New York. P.T. Barnum could not have stage managed it better! Mystic derived great worldwide media attention when the winning bid was

made by Zachary Sundman, the son of the President of Mystic Stamps.

### 11 year old bidder

Zachary was only 11 years old! Great for the TV cameras with a 11 year junior school kid calmly bidding then about \$A1,500,000 for America's most valuable stamp! Great publicity for the hobby, and we can all use a LOT more of that.

With true American marketing pizzazz, Mystic Stamps then decided to offer this stamp for sale via a full page ad in "Linn's Stamp News" in July 5, 1999 - seven months after they purchased it. Not for a 10% profit, or a 50% profit, or even a 100% profit on the \$US935,000 purchase price of just over a year before.

They were asking a rather "full" figure of \$US2,500,000 for the stamp.

The bit I love best is the coupon attached to all these ads. It is illustrated nearby - my thanks to Linn's for the scan. It says rather dryly: "My check or money order for \$US2,500,000 is enclosed. NY State residents please add correct sales tax".

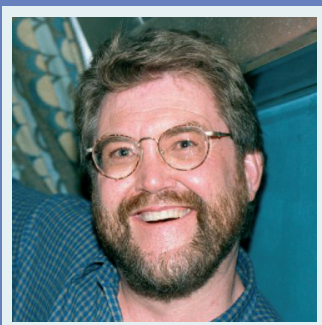
But hey Mr Sundman ... what about Visa or MasterCard or American Express cards? They were not mentioned ANYWHERE on the coupon.

Think of all the frequent flyer points you would have got on \$US2.5 million! A DOZEN Round World award tickets First Class with Qantas, that's literally how many it would have secured in those days.

### No longer for sale

There were no takers. In a further "Linn's" ad in April 19, 2004, Mystic Stamps announced that the "Z" grill was no longer for sale at \$US2.5 million.

The ad said in part: "The strong demand for all collectibles, stamps in particular - combined with increasing national wealth means the 1¢ Z Grill stamp is worth substantially more than our original (\$2.5m) asking price.



# Glen Stephens

Accordingly we are withdrawing our offer to sell. When the stamp is offered again for sale, it will be Price On Request."

Donald Sundman from Mystic was quoted as saying if he were to sell the "Z" Grill, he would need to buy something just as exciting.

That is how things stood until just before the auction of the Inverted Jenny block of 4 illustrated nearby in October 2005.

Shortly before the auction by Siegel's, dealer Charles Shreve floated the idea to Sundman that if Bill Gross bought the block, Gross would swap it with Sundman for the "Z" grill.

Sundman at first declined the offer, as he was in two minds as to whether he might also bid on the Inverted Jenny plate block for stock or investment.

### "A good deal"

Sundman later agreed to the trade realising: "it was a good deal for both parties". Never under-estimate the power and appeal of pizzazz and chutzpah for any large USA collectible business. Mystic will dine out for decades on this bizarre story.

It is not as if Gross will weep in sorrow at parting with his inverted plate block. He still owns 4 other blocks of the "Inverted Jenny" from the 6 still intact! This plate block meant he owned 5 of the 6. As I reported in my last column, this stamp is not so much 'rare' - as legendary.

When I attended 'Pacific 97' in San Francisco I took a photo (and published it here) of dealer Harry Hagendorf holding up one of **three BLOCKS of 4** of this stamp on his stand for sale! Another dealer had 2 copies, and a European dealer displayed yet another block of 4.

Eighteen examples on sale in one place does **NOT** make it 'rare' by any definition. Scarce - yes, famous - yes, but many stamps are known with only 1 or 2 copies existing. THEY are "Rare".

**The One-Cent Z Grill**

Please reserve America's Rarest Stamp for me.

My check or money order for \$2,500,000 is enclosed.

• NY State residents add correct sales tax.

Name \_\_\_\_\_

Street \_\_\_\_\_

City/State/Zip \_\_\_\_\_

Please call toll-free 1-800-770-7050 to reserve your stamp or send payment with coupon to Mystic Stamp Company, Attn: Richanda Bulson, 9700 Mill Street, Camden, New York 13316

*Don't forget to add tax!*

Nonetheless, this "glamour" stamp always gets high prices wherever offered.

The worldwide publicity BOTH pieces have achieved will do enormous good for the stamp hobby.

The stamp "swap" on November 2 was covered in the New York Times. Reuters newsagency had a story on the swap, and many outlets picked it up including CNN. Three TV crews were at the "swap" at Charles Shreve's Manhattan offices.

There were also several newspaper reporters and philatelic VIP's present.

The good news is that BOTH the existing 1¢ "Z" grills will be on display at the



*The \$4 million stamp*

National Postal Museum in Washington DC in 2006.

This is the first time both existing "Z" grills have been on display side by side. Both will be housed in a specially designed display case that allows visitors to view both sides - the impressed "grill" of course being the only reason both are not very common 1¢ stamps.

Mystic will also display the Inverted Jenny \$4 million block at their booth at the Washington International in May 2006.

The Gross 1¢ blue will also be on display at the Washington 2006 International Exhibition.

### World's priciest stamp

On the face of it - the 1¢ "Z" Grill is a **\$4 million stamp**. And right now that is a great deal more than the British Guiana 1856 1¢ black on magenta, or the Sweden Tre Skilling Yellow have ever sold for. Both are unique.

In 2006 my hunch is the Sweden stamp will change hands for more than this figure. See my column from May 2005 for my reasons why.

Who got the best part of this recent trade? In my view the tax man.

Under US law Mystic will need to pay tax on the final profit. i.e. the sale price they eventually obtain for the Inverted Jenny block (say \$5 million) less the price paid for the Z grill (\$US935,000) = so count on Federal tax on \$4 million or so being due at some point. Ouch.

### How to LOSE \$3000

Many collectors assume placing scarce items into auction will ALWAYS bring them the best price.

This is of course often true. Although many forget that they and the buyer BOTH typically pay about 15%-20% each in commission and fees and taxes, and many do not take either into account!



*Lost \$3000 on this*

The “hammer” price is nothing remotely like what you as the seller will eventually receive. Most sellers blissfully disregard this reality.

Place a scarce item at auction and attract several keen bidders and the fun certainly begins, and high prices often result.

Place a big ticket stamp into an auction for which there is only one or two lukewarm bidders and the result can often be a financial disaster and huge disappointment.

One such recent case I will outline here as a crystal clear example of why auctions are NOT always the best course of action.

A collector phoned me on September 13 asking would I be interested in buying a KGV head 2d orange with inverted watermark.

This is a scarce stamp, and this copy was a new discovery. I asked what price he wanted and he said \$12,000. The ACSC catalogue value is only \$3,500 for this stamp, but I knew it was a sought after error.

I contacted a client, who offered me a clear \$1,000 profit over my actual cost, and this was agreed between us as a firm sale. I always prefer a fast sale even at way under 10% profit, than no sale at all. The “K-Mart” trading mentality.

This stamp had a scan sent to me and had unattractive “fluffy” perfs at base and was poorly centred - both evident on nearby photo. I however agreed to pay the \$12,000 asked, despite catalogue value being only \$3,500 - as my client would pay about 4 times catalogue.

A day later when I chased up delivery of this stamp the “seller” emailed me to say: *“sorry the stamp is now committed elsewhere. I am trying to assist my 73 year old Dad here and he keeps flip flopping on me.”*

This angered me as I had clearly assumed we had a firm deal.

He had contacted me to sell it after reading my buying website - [www.glenstephens.com/buying.html](http://www.glenstephens.com/buying.html) - had named his asking price of over treble catalogue value, and I had not haggled one cent. I

had taken the time to arrange a quick sale, and thought we were signed and sealed.

I had the feeling the seller was going to “experiment” with auction. I sent seller an example of many rare items that have been placed at auction in recent times where the bidding opened at 70-75% of estimate - and stayed there. Giving the vendors a very poor return.

Time marches on and I next see the same stamp in a Melbourne auction late November 2005 with an estimate of \$12,500.

It does not matter which auction, and they are not at issue here, and made about \$3,000 in commissions on the sale, so will not care one jot - the vendor’s \$\$\$\$ return is the entire point of this story.

The owner seems to have been happy to run to auction with an “estimate” of \$12,500 rather than accept my same day cheque for \$12,000.

#### Russian Roulette

This is dangerous. It is like playing ROULETTE. You are simply gambling and hoping on a better nett \$\$\$\$ return than the VERY full cash offer on the table. If there are just one (or no) book bids stamps usually ‘open’ in the auction room at just 75% of estimate.

Even if the stamp had sold in the room at the estimate \$12,500 he was well out of pocket as vendor commission and GST would usually take his final figure to around \$1,500 less than my firm cash offer.

The sale ended and the stamp was sold for \$10,500. A quite disastrous outcome for the vendor.

With normal taxes and seller commissions the vendor will get around \$9,000. And get his cheque sometime in 2006, as Auctions never mail cheques too rapidly after sales. A cheque three months after the sale is my personal recent experience with the same Auction.

The vendor lost a clear \$3,000 by sending this stamp to auction, and not selling to me. And took about 5 months longer to get his money.

Sure he MAY have cleared more than the \$12,500. However common sense dictates that values of these scarcer stamps are not helped when new examples are discovered. If this is the 6th copy recorded, the perceived “value” of them all often drops, as it is now clearly about 15% less hard to secure for any collector.

Discover 6 more and the value of them all may well go down to \$5000-\$6000 apiece. It is all related to numbers known.

#### Green With Envy!

The KGV 1d green stamp illustrated nearby would not attract a second glance from most readers. Not from me anyway.

Please look at it carefully before you read any further and decide whether you



*Sold for \$1,048*

would you looked twice at it in a stock-book, or in a cigar box of duplicates etc.

The stamp has an unattractive vertical roller cancel.

It is the 1926 small multiple watermark perf 14 - SG #86. It just sold at Auction for \$1,048 after all the buyer fees and taxes etc were added.

It was auctioned by Millennium Auctions in their December 6 sale in Sydney.

#### Why the high price?

The stamp has the solid white plate flaw “Saddle On Emu”. This is quite scarce on this perforation, but on the same watermark in p12½x13½ perforation is a more common error, and I sold a nice one of that 2 weeks back for just \$10.

Full ACSC catalogue value for the used error in perf 14 is \$300, so the buyer clearly decided the catalogue price was irrelevant to him, (as happens a lot lately on KGV!) and cheerfully paid several times that.

Heck you can buy a used £1 brown and blue Kangaroo for that kind of price! Check your 1d Greens. I mentioned this realisation to a dealer friend today who said he had a mint copy in stock that he’d only had priced at a few \$100 until I mentioned this new level! He is now thinking 4 figures.

#### Season’s Greetings!

Merry Christmas and Happy New Year to all readers of this column - and their families and their loved ones.

Stamp-wise this has been a very exciting and interesting year. Thanks to all readers for the many phone calls and emails with comments for AND against what has been written here!

### Glen Stephens

4 The Tor walk, Castlecrag, NSW, 2068

Phone: 02 9958 1333

email: [glen@glenstephens.com](mailto:glen@glenstephens.com)

Website: [www.glenstephens.com](http://www.glenstephens.com)