Auctions

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By Richard Brewster

If the Federal Government adopts the Cooper Review recommendations to ban art and collectibles from self-managed superannuation funds, many leading auction houses believe it will sound the death knell of the Australian art industry.

While the review, headed by former ASIC chairman Jeremy Cooper, is not due to hand over its recommendations to government until June 30, it has already released its "self-managed super solutions" proposals - sending shockwaves amongst buyers and sellers alike.

Many auction houses, galleries, art dealers and valuers lay the blame for what they see as a clumsy stuff-up squarely on the makeup of the review panel.

"Seven of the eight panel members represent retail and industry super funds - with only one coming from the self-managed funds sector," explained Lowensteins Arts Management head Tom Lowenstein, a well-known accountant and art industry guru who has started a Save Super Art campaign (savesuperart.org.au) to help fight the recommendations.

Apart from the fact that there has been little or no consultation with the art industry, art experts are livid that self-managed funds, which at $400 billion comprise one-third of all money invested in superannuation in Australia, were not better represented in the review.

Of this, 0.1 percent or $400 million is invested in art and collectibles with many of this country's 400,000 self-managed funds .

Sotheby's Australia chief executive officer Gary Singer said the recommendations discriminated heavily against people who had developed the knowledge and skills to invest successfully in what was an excellent assets class.

"If this legislation goes through, they won't be able to use these skills to further their retirement funds," he said. "Instead, they will need to rely on a stockbroker or funds manager for improving their superannuation position."

A glaring exemption from the recommendations is retail and industry funds - which will still be able to invest in art and collectibles on behalf of their members if they wish to do so.

Examples of art and collectibles that would be affected by the Cooper Review recommendations: The bracket clock sold recently at auction for $14,500 - likewise John Coburn's The Performance (far left) for $37,200 - both self-managed super fund potentials, and the famous 1930 penny ($30,000) is typical of the type of rare coin to be included in self-managed super funds.

However, art experts say this will not significantly help an industry that relies heavily on personal choice for its existence - and will have an adverse multiplier effect on all those involved.

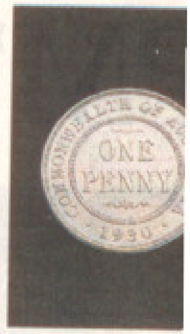
For many of the auction houses, up to 30 percent of their sales go directly to super funds, while for art galleries it can be up to 50 percent.

Menzies Group executive chairman Rod Menzies believes removing art and collectibles from self-managed super funds will be enough for many galleries to close and dealers to take early retirement.

"This is the crowning blow (following on from the five percent artists resale royalty tax introduced on June 9) for an industry that is already seeing hundreds closing their doors," he said.

"It is an outrageous attack on sellers (who under the recommendations will be forced to sell their superannuation art by 2020) and will sound the death knell of the industry."

Deutscher and Hackett executive director Damian Hackett said several clients (having heard about the recommendation) had already contacted the auction house to sell their entire art collections because the government was making it "just too much bother". Another had decided against purchasing a picture because of the uncertainty of the super rules.



While others were calling for a tightening of the legislation controlling the conditions for including art and collectibles in self-managed super funds, rare coins expert and Coinworks head Belinda Downie said it was another example of the Federal Government eliminating choice in investment alternatives.

"Instead, they should be encouraging diversification for investment potential," she said. "This will have a huge impact on our industry."