



## **AUCTIONS MYTHS AND MYSTERIES**

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## 1. Auction myths and mysteries

- 1.1. The stigma traditionally associating auctions with the disposal of distressed estates is the single biggest misconception about auctions. It is a myth that auctions are all about the disposal of distressed estates; be it liquidations, sequestrations, deceased estates and bank repossessions.
- 1.2. The perception that auctions offer bargains is also baseless.
- 1.3. The thinking which most people are conditioned to, suggesting that **“If it can’t sell, submit it to auction”** is flawed. The principles of supply and demand clearly refute the current thinking that only the slow moving and non-selling stock should be submitted to the auction method.
- 1.4. On the contrary, the auction method represents the true fundamentals of the economic forces of supply and demand. Prices diminish when supply is abundant and they increase when supply is scarce.
- 1.5. Therefore, the principle of the auction method is simple, **“Competition increases when demand is strong and prices go up”**.
- 1.6. Apart from the stigma associating auctions with distressed sales and bargains, the auction method is also shrouded in mysteries and myths, which most people who are not educated about the auction method unfortunately believe.
- 1.7. Among others, these mysteries and myths include the belief that auctioneers are crooks who knock bids to unsuspecting buyers merely scratching their noses or waving at someone during the auction.
- 1.8. Although bidders should be aware that auctioneers and bid spotters scan the auction floor during live auctions and gestures such as scratching of noses and waving can distract auctioneers, it is a fallacy that auctioneers are tricksters who knock assets to unsuspecting bidders.

## 2. SAPAA's resolve to instil confidence in South Africa's auction industry

- 2.1. To a large extent, the auction principles of supply and demand have been successful in South Africa and across the world.
- 2.2. Auctioneers; including South African auctioneers, consistently fetch market related and even record prices from the hundreds of auctions conducted daily involving diverse categories of assets including movables (sedans and commercial vehicles), residential and commercial property, farms, undeveloped land, livestock (domestic animals and game) and art work.
- 2.3. Unfortunately, South Africa's auction industry has done very little to instill confidence in the auction method.
- 2.4. A lot needs to be done to regain the trust of an already skeptical public in the auction method.
- 2.5. Ideally, the public should see auctions as a friendly, open, transparent and competitive marketing and sales process conducted by scrupulous professionals with integrity.
- 2.6. Therefore, SAPAA undertakes to instil confidence in South Africa's auction industry, auctioneers and the auction method, by implementing the principles enshrined in SAPAA's Constitution, particularly the '**Preamble**' and the '**Purpose, Aims and Objectives**'.
- 2.7. Extracts of SAPAA's '**Preamble**' and '**Purpose, Aims and Objectives**' are reprinted hereunder for ease of reference:

## PART A

### 1. PREAMBLE

- (1) **REALIZING** that South Africa's auction industry lacks professionalism, ethics, equitableness, accountability, credibility and respectability;
- (2) **AND REALIZING** that South Africa's auction industry remains one of the most untransformed and inequitable industries more than twenty years after the dawn of democracy;
- (3) **AND REALIZING** that opportunities exist to grow the auction industry by educating and introducing auctioneering to previously disadvantaged individuals (PDIs) and masses;
- (4) **NOW THEREFORE**, the founders of SAPAA resolved to establish a voluntary association not for gain with a mandate to achieve the purpose and objectives outlined in this Constitution.

## PART B

### 5. PURPOSE, AIMS AND OBJECTIVES

- (1) The broad purpose of SAPAA is to establish a professional, ethical, equitable, accountable, credible and respectable auction industry.
- (2) SAPAA's aims and objectives are to:-
  - i. promote and advance the business conditions affecting the auction industry and auctioneering profession;
  - ii. professionalize the auction industry and auctioneering profession by; among other things, establishing minimum entry requirements into the auction profession, including educational qualifications, experiential requirements, occupational designations and continuous professional development;
  - iii. build the institutional capacity of its members by providing business and career development opportunities; including educational and training programs;
  - iv. transform the auction industry by; among other things, creating conditions conducive to the entry and participation of PDIs, and promoting the equitable distribution of auction work;
  - v. achieve a substantial change in the racial and gender composition of ownership, management and control structures as well as in the skilled and specialist positions of new and existing auction enterprises;
  - vi. influence the enactment of legislation, regulations, policies and programs conducive for the advancement of its purpose, aims and objectives; including but not limited to the regulation of the auction industry and the promotion of preferential procurement;
  - vii. represent and coordinate the several and joint interests of its members;
  - viii. promote ethical conduct within the auction industry by ensuring adherence to a code of conduct and only permitting *'fit and proper'*, honest and competent individuals and companies to practice as auctioneers;
  - ix. educate and inform the public about the advantages of auction selling and buying; and
  - x. provide platforms for networking opportunities among SAPAA members, with the broader auction industry in South Africa, with the international auction community and other relevant stakeholders through engagements such as seminars, conferences as well as inbound and outbound trade missions.