



Detecting Bid Rigging Conspiracies

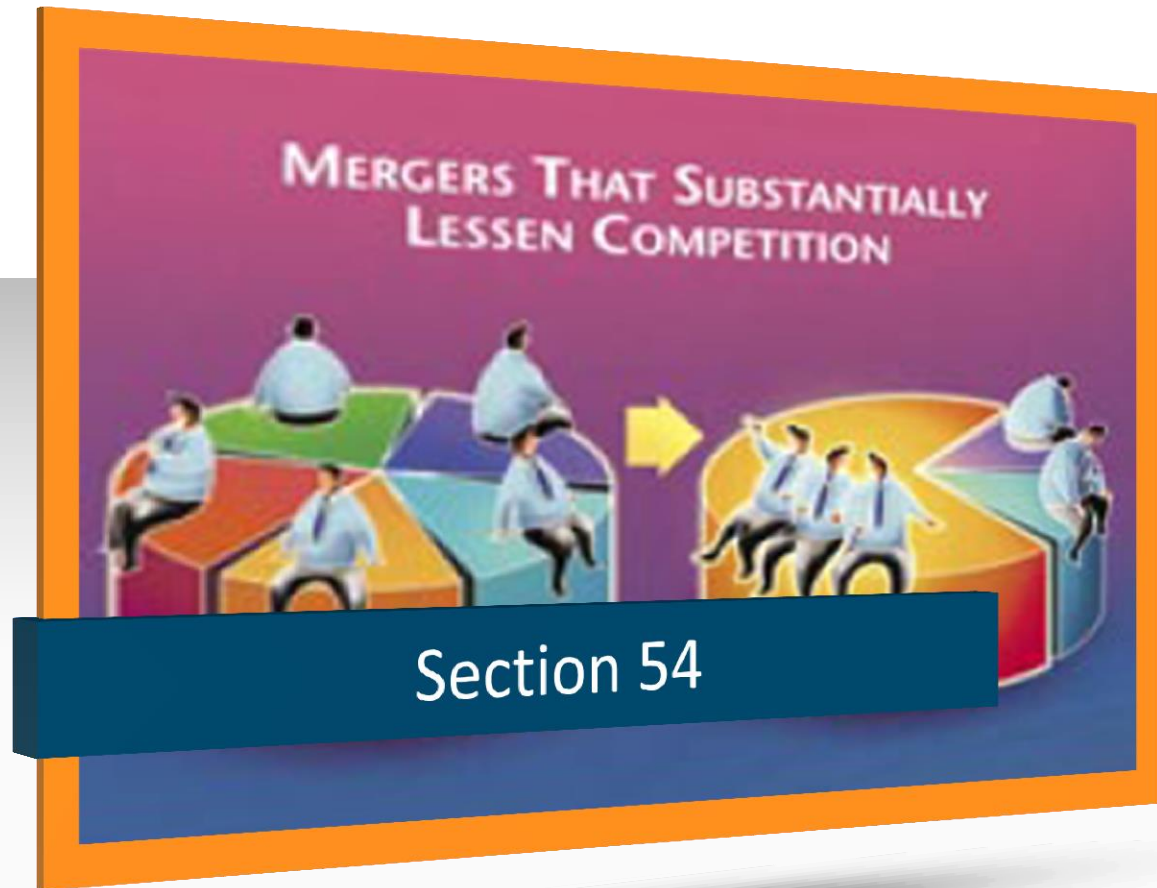
*Jonathan Chan, Assistant Director (Business & Economics),
Competition Commission of Singapore*

About CCS



- **Competition Commission of Singapore (CCS)**
 - Statutory body under Ministry of Trade and Industry
 - Implement and enforce the Competition Act
- **Enforcement powers**
 - Investigate any infringement
 - Decide on infringements
 - Impose sanction
- **Advise government on competition matters**

The Competition Act – 3 Major Prohibitions



What are anti-competitive agreements?

- Any agreement between competing firms that prevents, restricts or distorts competition in Singapore
- Agreements may be written or oral, formal or informal, direct or through third parties
- CCS will assess benefits of the agreement versus harm to competition, except for “cartels”:



Price Fixing

Pssst! Shall we agree to charge the same price? This way, we won't have to compete among ourselves on prices?



Bid Rigging

Hey, what if we all decide who should win this tender and at what price? This way, we can make sure that the tender is awarded at a high price.



Market Sharing

Shall we just share out the market by deciding who gets which customer? Then we won't have to work so hard to win customers.



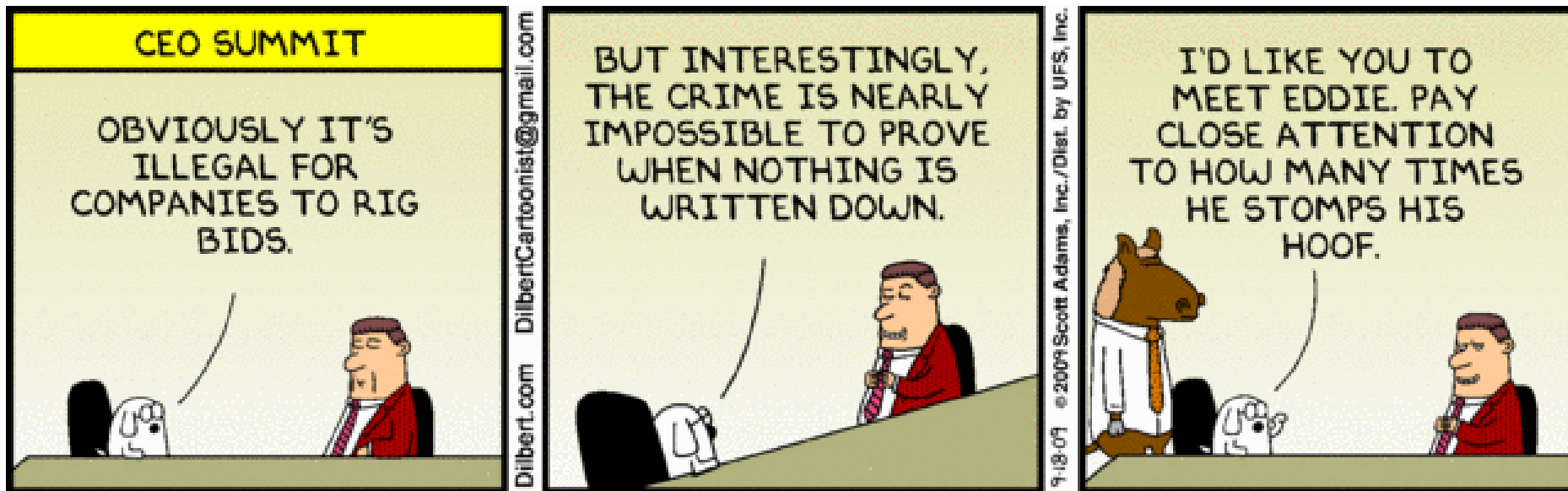
Production Control

And instead of producing so much and letting the consumers decide how much they want to pay, how about we keep supply low, and jack up the price?



Bid rigging – What is the big deal?

- Government procurement process is designed for suppliers to submit bids independently to provide choice and the best price (i.e. value for money) for procuring agencies.
- When suppliers rig your bids, you pay more, have fewer choices and lower quality.
- Bid rigging do happen in Singapore, and is costly.



Bid rigging in public auction of motor vehicles

- LTA, Singapore Customs, SCDF, SPF and NEA conduct regular public auctions to dispose decommissioned vehicles or motor vehicles taken into custody.
- On May 2010, CCS received information on alleged bid rigging activities at these public auctions.
- CCS found that 12 motor vehicle traders have agreed to refrain from bidding against one another at the auctions. After each auction, they adjourned to a nearby location to conduct their own “private” auctions. The difference in prices are evenly distributed among themselves.
- About 700 motor vehicles were affected in 53 auctions, with winning bids amounted to slightly more than \$1.2 mil.
- On Mar 2013, CCS imposed penalties totaling \$179,071.



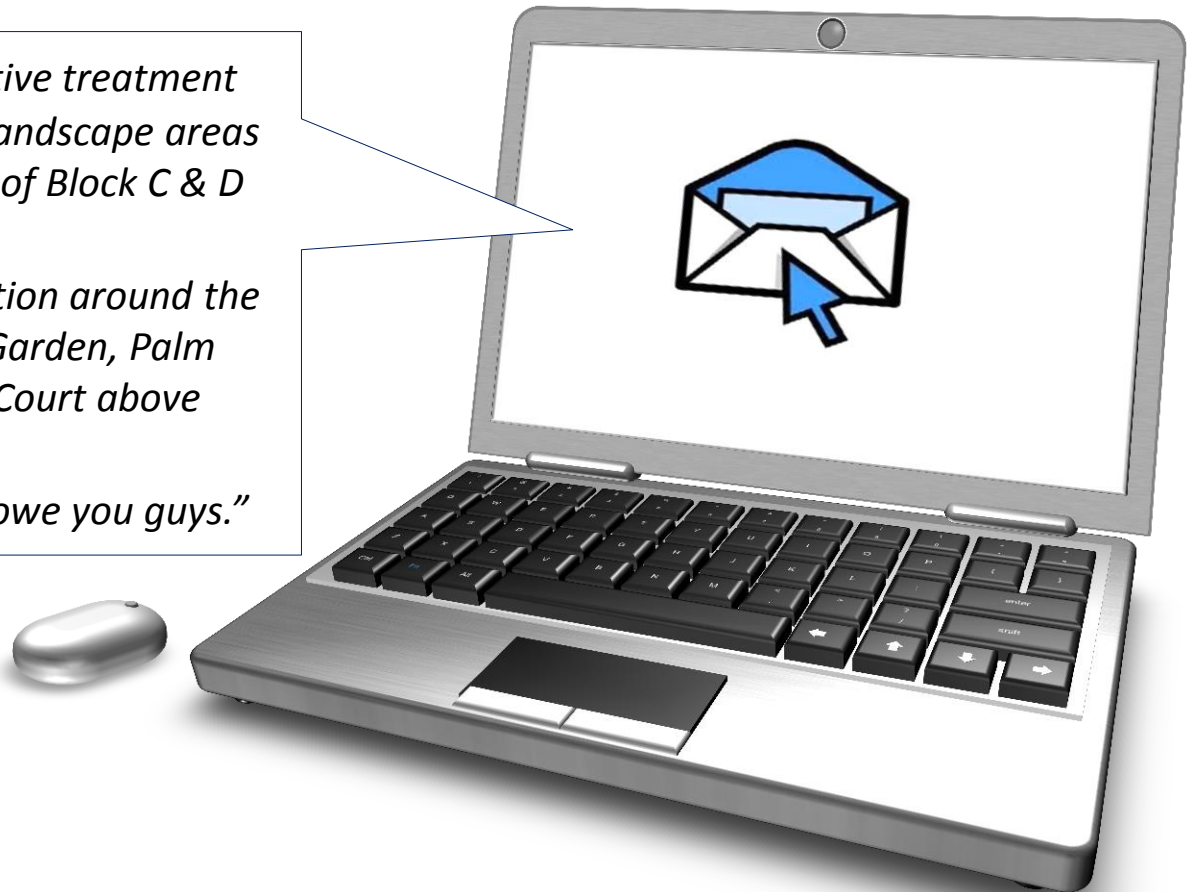
Bid rigging by pest busters – busted.

In 2006, a procurement officer discovered a suspicious email attachment...

“Could you quote for corrective treatment with Agenda for entire landscape areas ... including crawl space of Block C & D above \$120,000...

To install termite baiting station around the planters areas at Palm Garden, Palm Court, the Lawn & Fern Court above \$48K...

Thank you for your support owe you guys.”



Six pest-busting firms fined for bid-rigging

singapore news

Busted by tell-tale emails

6 bid-rigging pest control firms fined in competition watchdog's first catch



In a probe led by six investigators, CCS officers made surprise visits to the companies' offices, ordering them to produce information and documents and interviewing staff.

After a year, the commission returned a guilty verdict and gave the firms



ANTI-COMPETITIVE

"It denied customers a fair bid. That cannot be tolerated."

MR TEO ENG CHEONG, chief of the Competition Commission of Singapore, on the cartel formed by the six pest control firms

- ▶ The 6 firms supported one another in 6 tender projects between since 2006.
- ▶ In 2008, CCS imposed penalties totalling S\$263k

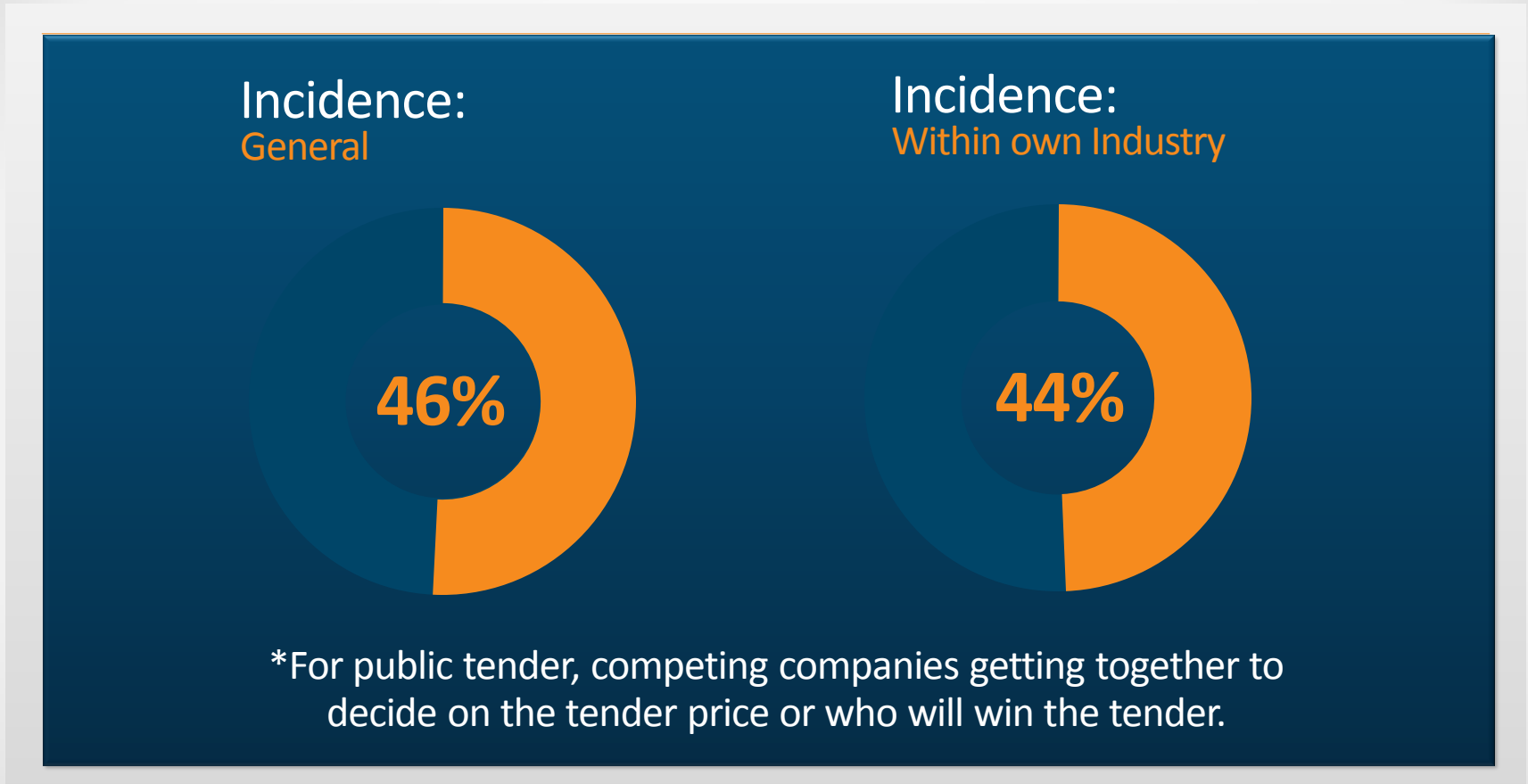
Who suffered?

Temasek JC, Alexandra Hospital and Raffles Hotel among others



There are likely more rigged bids out there...

Almost 1 in 2 businesses perceived bid rigging to happen in Singapore.



Source: CCS Perception and Awareness Survey 2009

... and many of them in government tenders.

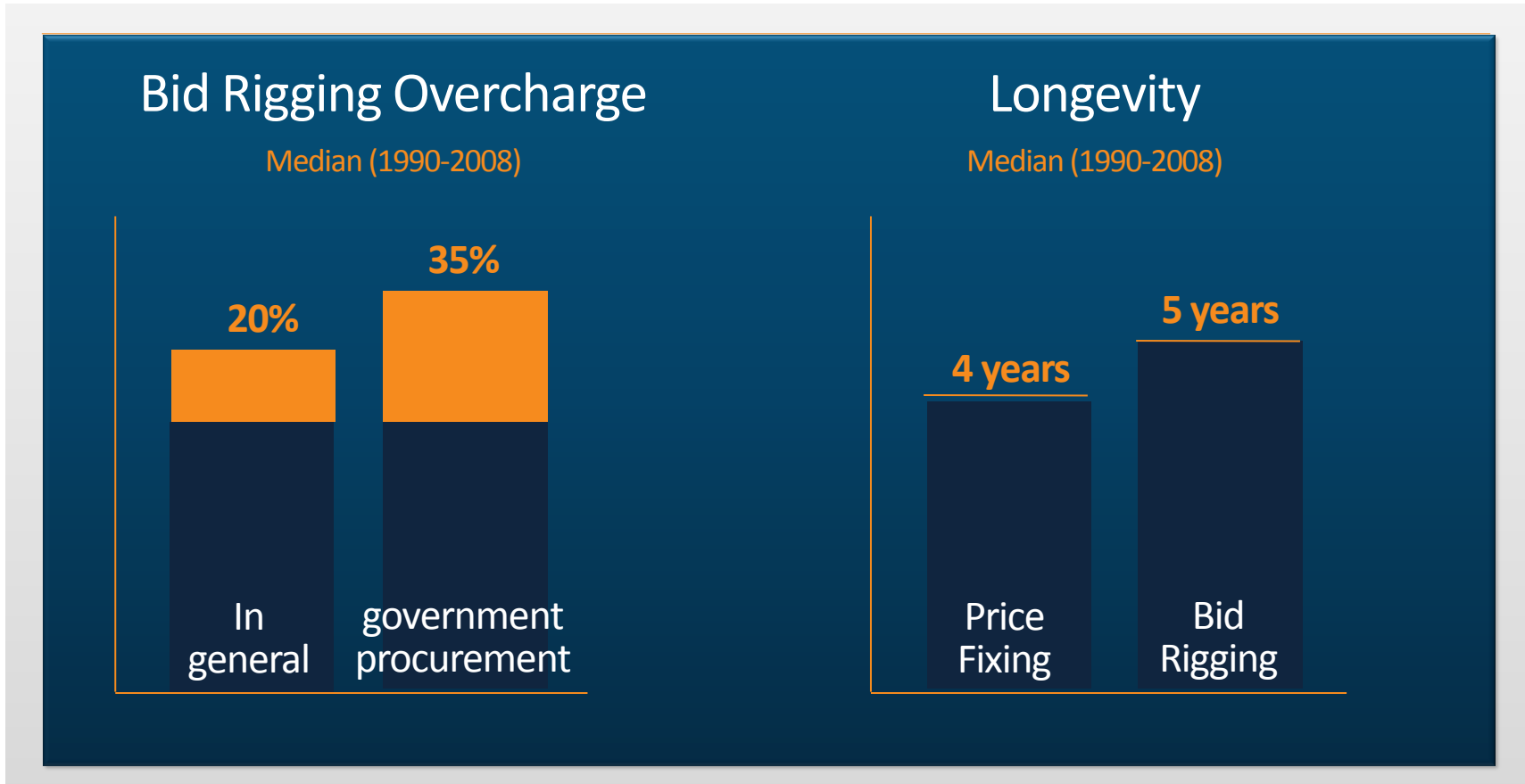
More than 2 in 5 bid rigging cases uncovered worldwide in the last 25 years involve government procurement.



Source: Global Cartel Database (1990-2008)

Bid Rigging is costly.

Especially if it affects government procurement



Source: Global Cartel Database (1990-2008)

Structural Screening (Understanding the market)

- Analysis of markets and their characteristics that could influence the potential gains and costs, and therefore the rationality and stability, of collusion
 - Size of the market
 - Sector structure, characteristics, trends & dynamics
 - Types of products and services
 - Position in the value chain, suppliers and customers
 - Barriers to entry and exit
 - Substitutes
 - Players and their market shares
 - Mavericks, new entrants and parties leaving the industry

Structural Screening (Factors that ease collusion)

➤ Structural factors

- Small number of competitors
- High entry barriers
- Frequent interaction opportunities between firms
- Market transparency
- Industry associations

➤ Demand-related factors

- Stable demand conditions
- Low demand elasticity
- Buyer power

Structural Screening (Factors that ease collusion)

➤ Supply-related factors

- Maturity stage of the industry
- Lack of technological changes
- Symmetry of costs and capacities
- Product homogeneity
- History of anti-competitive conduct
- Frequent contractual relationships between competitors

Behavioural Screens

- Behaviour of markets and the market participants
 - Unusual events can be a sign of conspiracy if these events cannot be explained but for industry coordination
 - Comparing behaviour of individuals or groups in similar situations may reveal that one particular group's behaviour is subject to conspiracy

How to detect bid rigging - Checklist

Warning Signs:

1. **Bidding Pattern and Pricing**
2. **Bid documents**
3. **Suspicious Statements**
4. **Suspicious Behaviour**



Note: Do not prove bid rigging,
but indicate further
investigation is warranted.

1. Bidding Patterns and Pricing

Look for patterns such as:

- Same bidder often wins;
- Certain bidders fail to bid, withdraw bids or always bid but never win; and/or
- Pattern in awards suggesting bid rotation or geographical allocation.

Also, check bid prices for:

- Unexplained identical prices or terms;
- Unexplained price increases (or loss of discounts);
- Unusually large price differences between winning bidder and other bidders; and/or
- price differences between geographic areas or procurer.

2. Bid Documents

- Identical mistakes, fax numbers, postmarks, forms or cost estimates
- Indications of last-minute changes
- Indications bid is not genuine, such as lack of detail or failure to comply with required terms

3. Suspicious Statements

- Indication of communication or agreement among bidders.
- Mention of “industry” or “standard” bid prices.
- Indication that certain customers or areas belong to a certain bidder.
- Indications a bidder does not expect to win, or knows who will win.
- Concerns about having to sign a Certificate of Independent Bid Determination.

4. Suspicious Behaviour

- Competitors meet privately, such as at trade association meetings
- Bidder requests or submits competitor's bid
- Bidder tries to determine who else is bidding, and then, perhaps, changes bid
- Several bidders make similar enquires or requests of procurer
- Unnecessary joint bids or subcontracts

Summary of Detecting Bid Rigging

- Structural and behavioural screens are not mutually exclusive. They complement each other.
- Proceed with behavioural screens if structural screens yield positive results
- Warning signs may not prove bid rigging, but indicate further investigation is warranted.