



# Detecting Bid Rigging Conspiracies

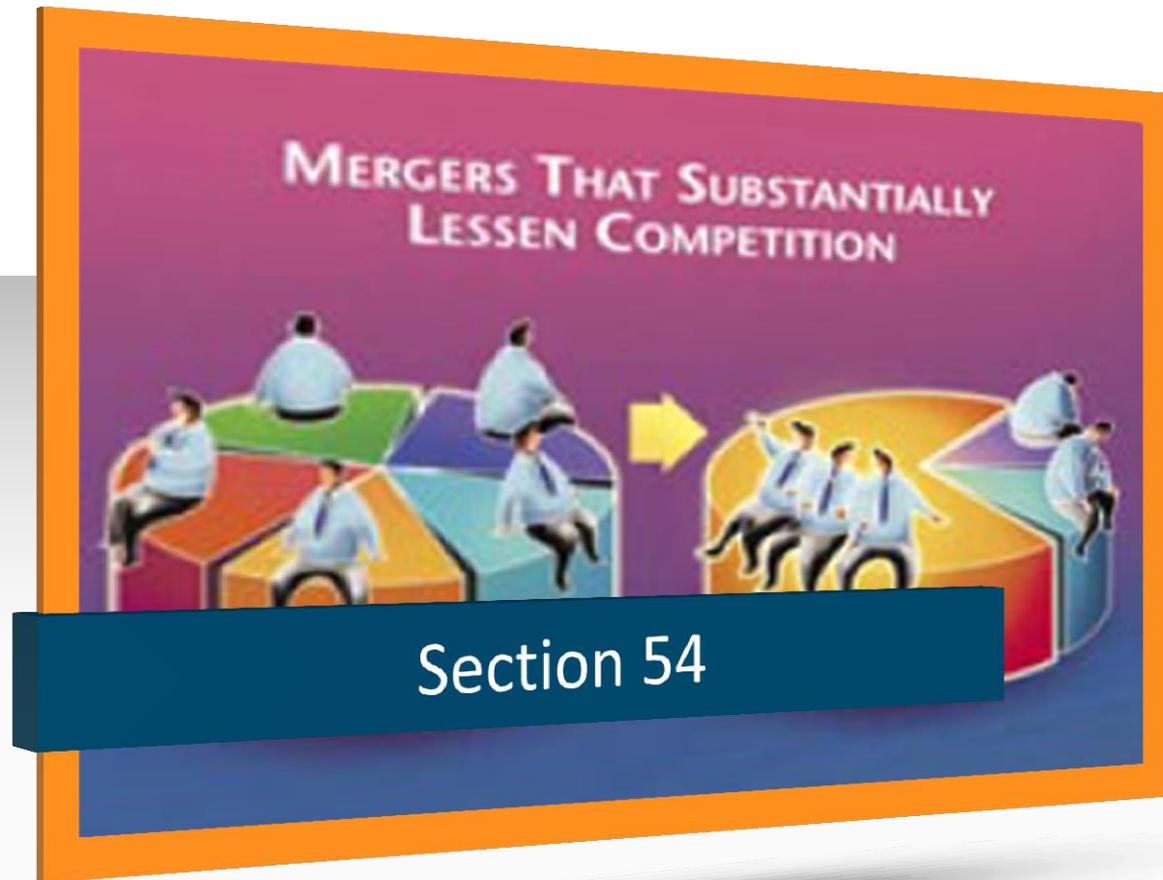
*Jonathan Chan, Assistant Director (Business & Economics),  
Competition Commission of Singapore*

# 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?



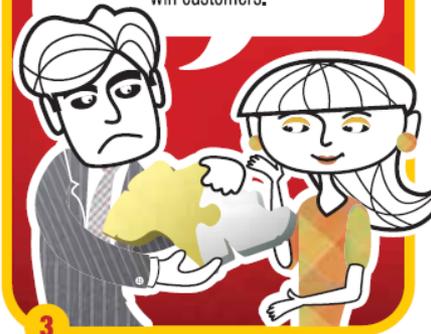
## Bid Rigging

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.



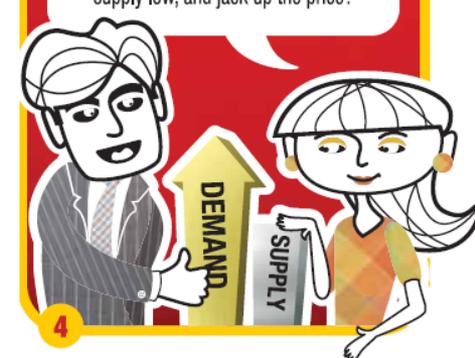
## Market Sharing

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.



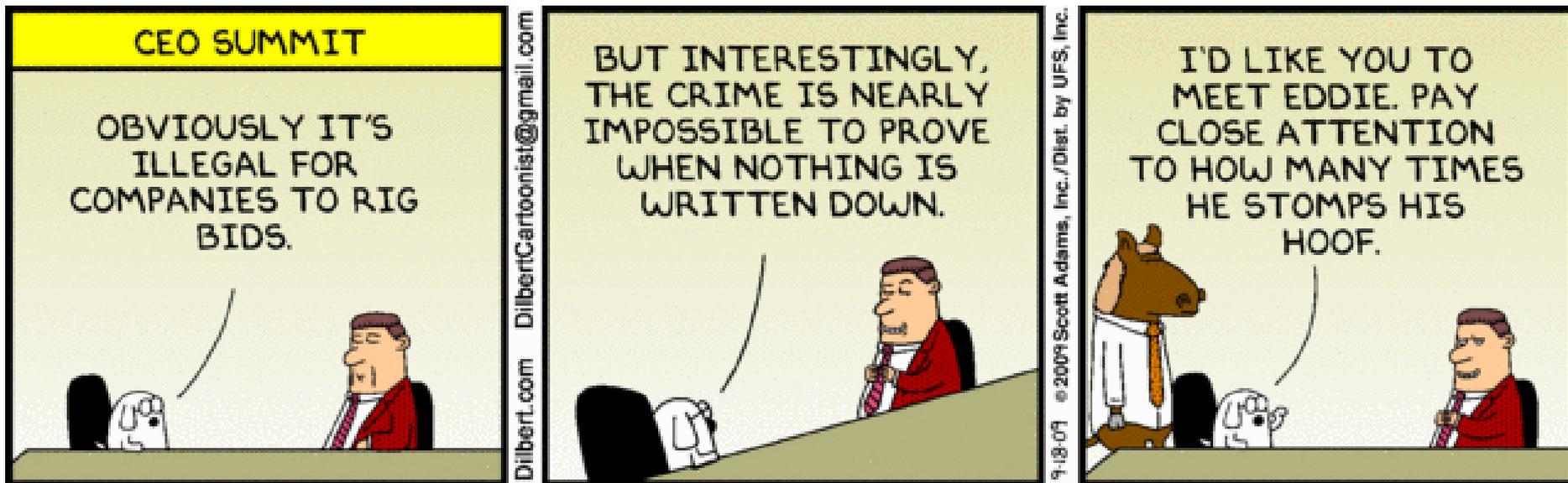
## Production Control

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.



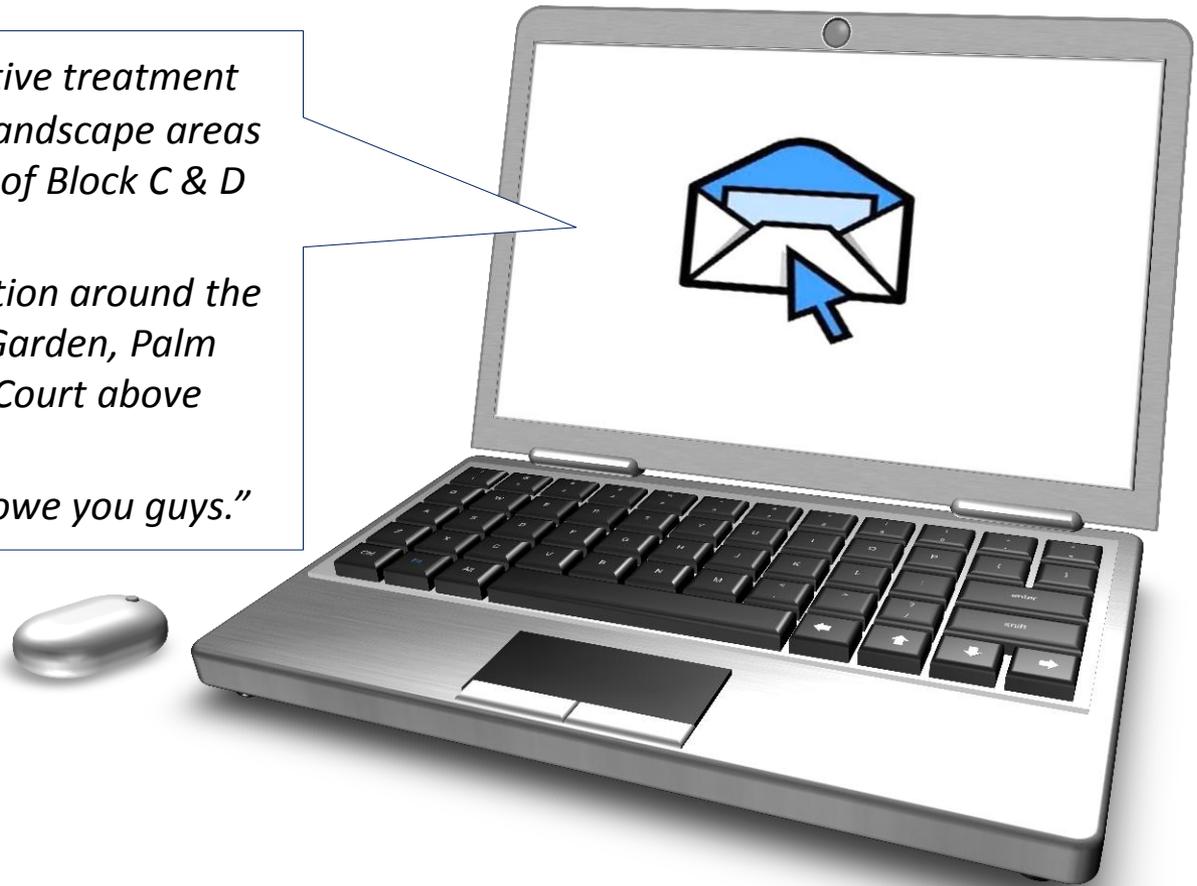
# Bid rigging by pest busters – busted.

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

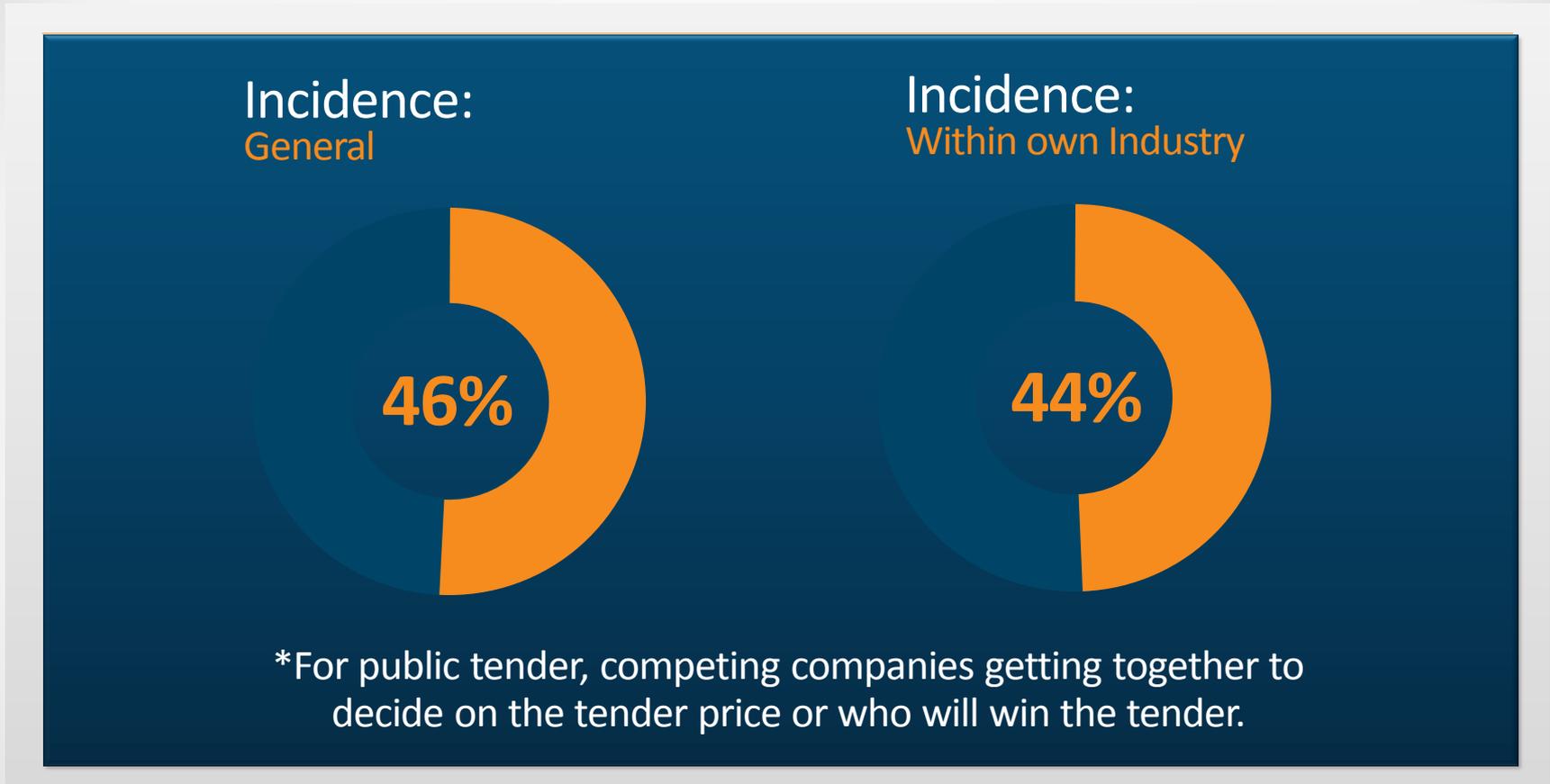
# Who suffered?

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.



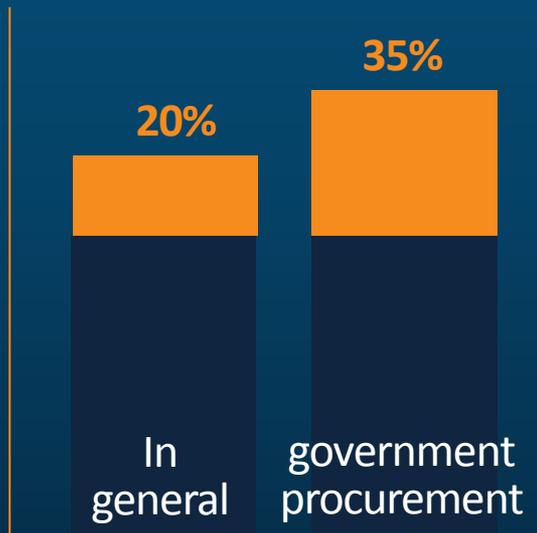
Source: Global Cartel Database (1990-2008)

# Bid Rigging is costly.

Especially if it affects government procurement

## Bid Rigging Overcharge

Median (1990-2008)



## Longevity

Median (1990-2008)



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.