Screening public procurement data to detect bid-rigging: as practiced in Russia

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INTRODUCTION

1. The legal framework;

2. The system of electronic bidding;

3. Screening public procurement data in Russia;

4. An example of cases investigated by FAS Russia.

The FAS Russia has broad powers to control the observation of competition and reduction of collusion risks in public procurement.

The control of observation of the competition principles is made in two ways:

1. Control for the procedure of placement of state or municipal order;

2. Control over observation of competition legislation and ceasing various types of conspiracies in the course of a bid.

The single national web portal brings into action for publication information about state and municipal tenders – **www.zakupki.gov.ru**.

Electronic bidding procedure came into force, 6 specialized e-bidding platforms are established for placing state or municipal tenders.

Registration on e-bidding platforms is performed electronically.

Contracts in electronic form are signed by electronic signatures.

The FAS Russia takes an active part in developing and improving the Federal Contract System.

The screening tools developed by FAS Russia are based on a single unified electronic information system (EIS).

EIS allows to process large amount of information in the shortest possible time.

Using some specific indicators or combination of indicators we can determine the state of competition in public procurement sector, as well as in specific markets the supply of goods and services, in particular.

We can detect risks or signs of collusion. In the case of simultaneous detection of several features, the competition authority may initiate an investigation.

INDICATORS OF COLLUSION
WICH AVAILABLE IN OPEN PART OF EIS

1.	**What companies frequently win bids?**
2.	**Companies winning bids sequentially**
3.	**Bids with minimum number of participants**
4.	**Bids resulting in minimum reduction of price**
5.	**Presence of bid participants who never submitted their offers**
6.	**History of company participation in bids**

These indicators could be used by: control bodies, civil society organization, auditors, etc.
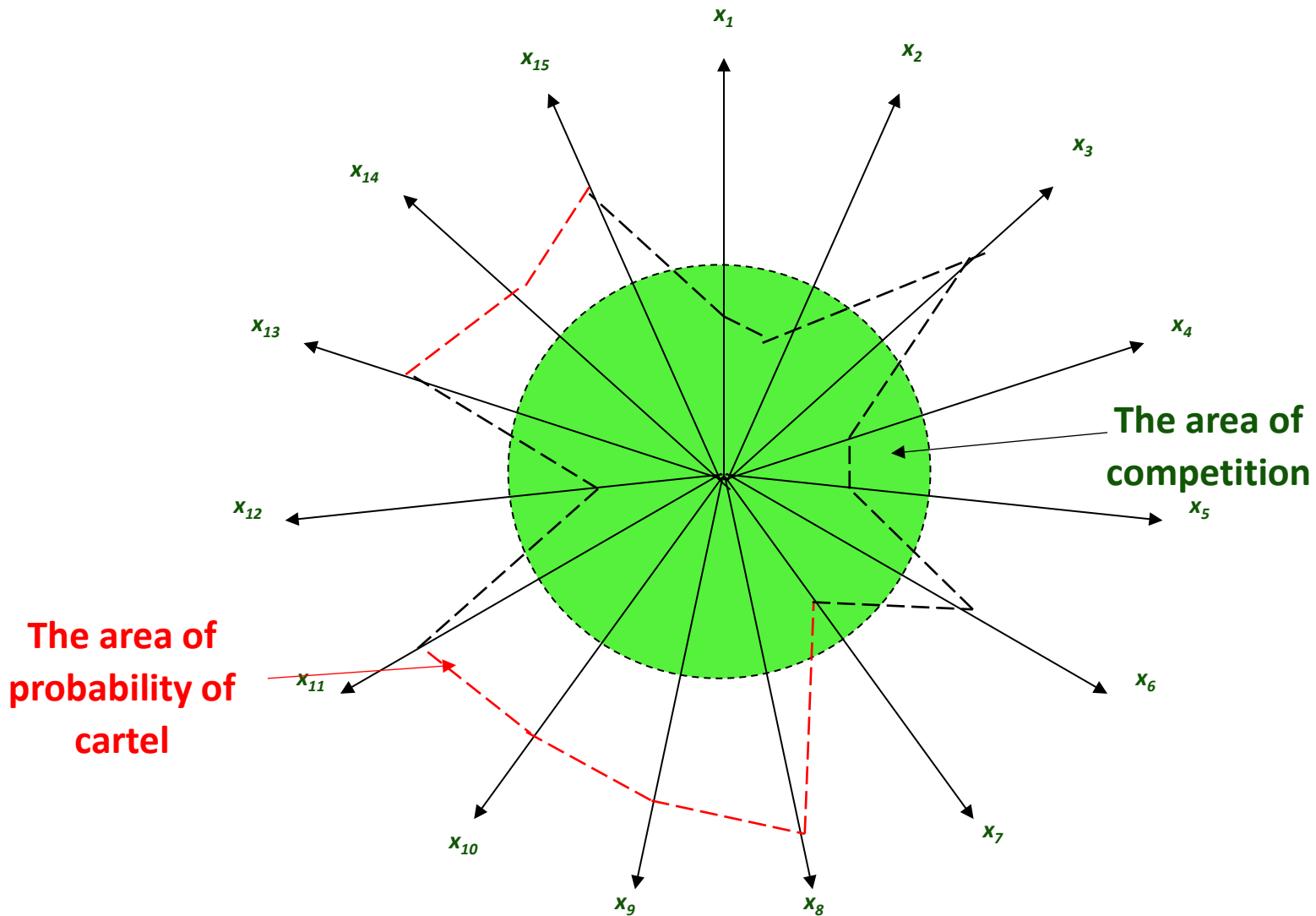
SCREENING PARAMETERS USING BY FAS RUSSIA

Parameter	Symbol Parameter	The value in competition	The value when the high potential of cartelization
Bids resulting in minimum reduction of price	x_1	high	low
The difference of prices at the auction and the market	x_2	low	high
Location of bid participants	x_3	no matches	match
The number of suppliers	x_4	large number	a small number
The availability of information	x_5	equal access	asymmetric access
The level of profitability	x_6	low	high
Restrictions of participation in the auctions by the public customer	x_7	no restrictions	there are restrictions

SCREENING PARAMETERS USING BY FAS RUSSIA

Parameter	Symbol Parameter	The value of the when market conditions	Values when the high potential of cartelization
The homogeneity of the product	x_8	high	low
The novelty of the subject procurement	x_9	low	high
The participation of enterprises systematically winning all the trades	x_{10}	low	high
Companies (several companies) winning bids sequentially	x_{11}	low	high
IP addresses of bid participants	x_{12}	no matches	match
Presence of bid participants who never submitted their offers	x_{13}	low	high

The possibility of ambiguous interpretation - the biggest obstacle in the use of data obtained with the use of economic analysis.
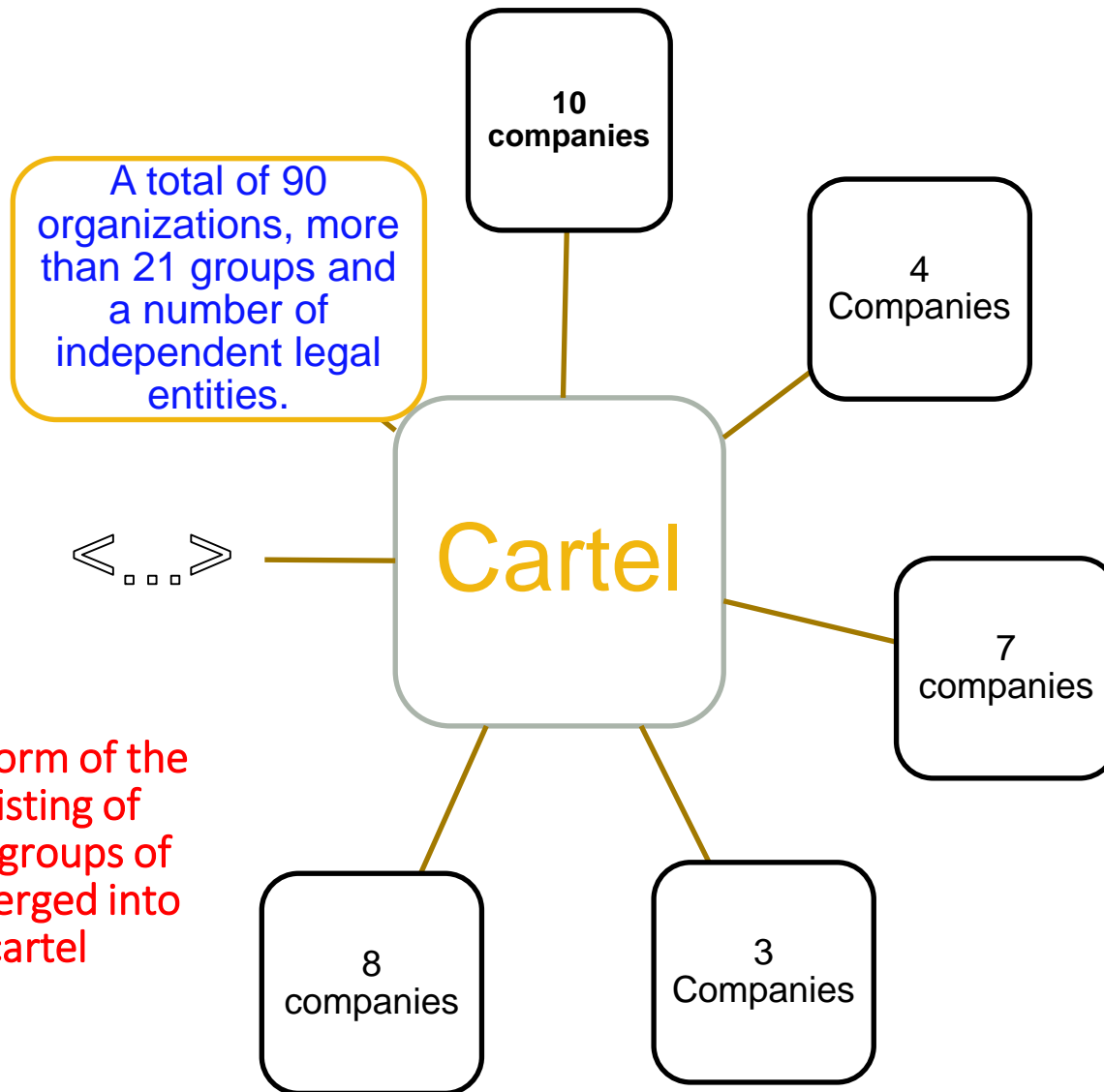
These data usually can be regarded as:

- Evidence of collusion among companies;

- Parallel conduct;

- Coincidence.

Only the body of evidence, which may include also the data obtained by the methods of economic analysis, can form the basis of finding a violation of antimonopoly legislation.

AN EXAMPLE OF CASES INVESTIGATED BY FAS RUSSIA

A total of 90 organizations, more than 21 groups and a number of independent legal entities.

10 companies

4 Companies

< ... >

Cartel

7 companies

The complex form of the cartel, consisting of independent groups of cartels and merged into one big cartel

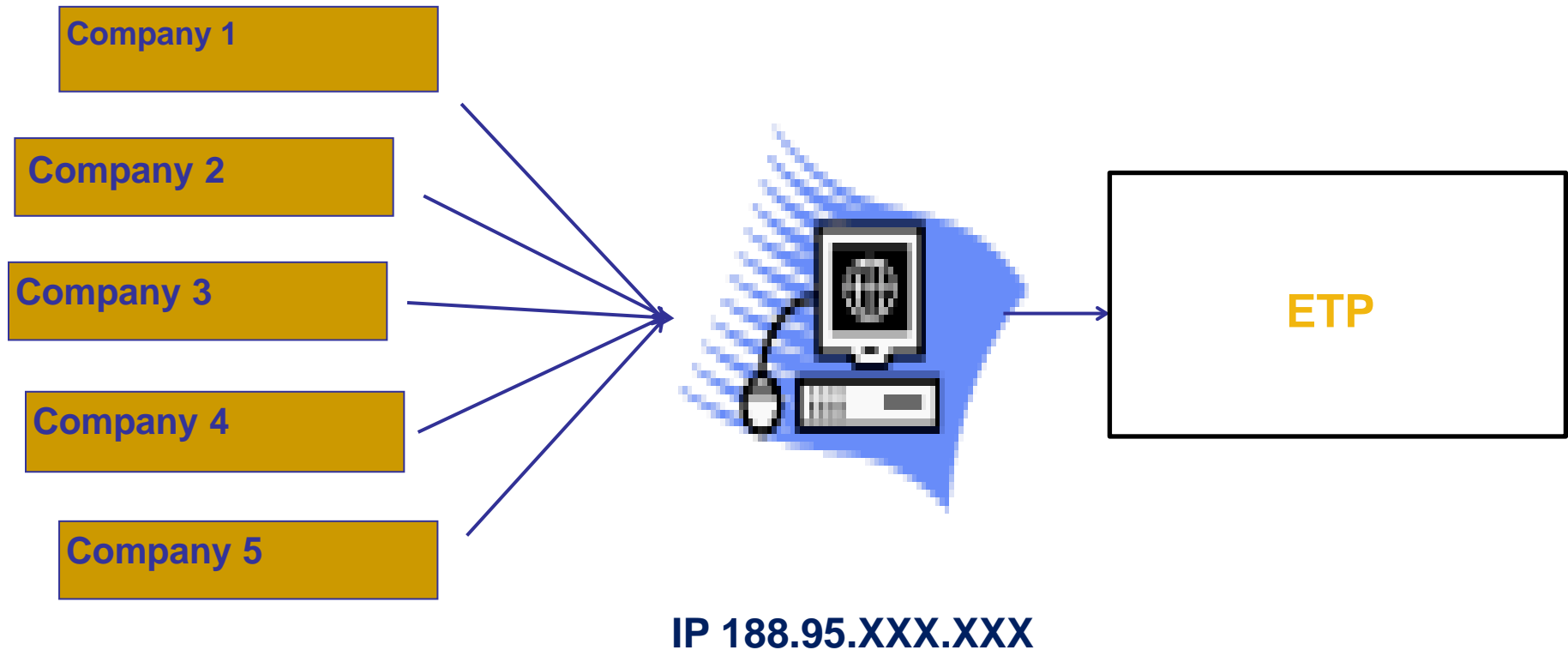8 companies

3 Companies

THE MILITARY EQUIPMENT CASE

Data received from the electronic trading platforms:

1) minimum price decline;

2) bids were usually submitted by a single organization, despite the fact that there were from 11 to 40 trading participants (depending on the auction);

3) uniform conduct of cartel members during the trading session;

4) tender participants sometimes used the same IP-addresses for submitting bids;

5) competitors took each other money for tender security for participation in tenders.

6) etc.

Cartel members developed the specific "quota" system; when the quotas were estimated in view of the original contract price pro rate to the number of the auction bidders. "Quotas" could be obtained, changed and accumulated. When a particular amount of the "quotas" was accumulated and arrangements with other cartel members were reached, one of the cartel participants became a "contract holder" for the auction.

THE MILITARY EQUIPMENT CASE

During the time of the auction, Defendants signed into the electronic trading platform, placed and changed documentation and filled out applications using the same IP address. Moreover, defendants performed change of auction documentation from similar log-ins.

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THANK YOU FOR THE ATTENTION!

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