Bidding behaviours associated with bid-rigging

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Results

Individual-level characteristics
- General remark: Low main effects
- Specific remarks:
  - "In line with hypothesis": companies that submit a high number bids, set up temporary associations to compete in a public procurement, submit exactly the same offer as others are more likely to be part of a cartel
  - "In contrast with the hypothesis": the higher the number of times of company is excluded from a competition as a result of excessive discount, the less is the probability of being part of a cartel
  - Interesting interaction effect vs main effects: companies frequently playing as subcontractors are more likely to rig tenders if they have a high winning success (possible rotational bidding)

Relational-level characteristics
- General remark: Higher main effects
- Specific remarks:
  - "In line with hypothesis": bidding more than 20 times with the same set of companies greatly increase the likelihood of being a colluding company; submitting offers very similar to the same group of companies increase this probability as well

Conclusions

Many economic behaviours can be interpreted as competitive and collusive at the same time, as it is difficult to distinguish them (Marx and Marshall, 2012, chap. 4). For example, the submission of exactly the same offer in a procurement is usually seen as typical colluding behaviour, but this may be the effect due to the fact that companies have similar costs. What makes the difference is whether these behaviours are repeatedly carried out by the same group of individuals in a somehow coordinated way.

The results of this work show that is worth focusing on the relational dimension of bid-rigging to better understand the phenomenon. Examining interactions among bidders participating in a procurement provide a more nuanced picture of potentially collaborative patterns.

References

Firth, Robin. 2007. 'The Economics of Collusion in Public Procurement'. Paper presented at the third annual conference of the European Competition Network, Lisbon.