

12 June 2020

CCP Press Release

**SCN Issued to Line Hardware
suppliers**

Power sector

CCP detects involvement of cartel in bid rigging

SOHAIL SARFRAZ

ISLAMABAD: The Competition Commission of Pakistan (CCP) has detected a cartel in the power sector, involved in bid rigging in the tenders floated by the power distribution companies for procurement of 50 line hardware products, with net worth of over five billion rupees.

The CCP has issued show cause notices to 47 suppliers of Line Hardware Material to the Electric Power Distribution Companies (DISCOs) for prima facie operating as a cartel and engaging in collusive bidding in violation of Section 4 of the Competition Act, 2010.

The CCP's enquiry report, available with the Business Recorder, stated that the evidence indicates a strong propensity among suppliers of line hardware to form, cartels/sub-cartels/consortiums etc with the direct involvement and facilitation of their association.

The apparent objective of such behaviour seems to be gaining control over the outcome of tenders for mutual benefit.

“This could inevitably have negative implications on efficient means of procurement, wherein only efficient firms survive, while non-performing ones phase out of the market. An idea of the damage caused by a rigged tender can be gauged from a research by the International Monetary Fund (IMF) that shows a 30 percent efficiency gap in terms of quality vs cost balance in infrastructure development of various projects. The foregoing implies, on an average, a 30 percent deterioration in quality in concomitance with a 30 percent increase in price in such procurements,” said the enquiry.

The evidence suggests that under the umbrella of their association, line hardware suppliers have developed strict SOPs that divide tender quantities, manipulate tenders by identifying when and who will participate in bidding, among other things.

This whole process is executed in a sophisticated fashion, so as to give semblance of competition in the market. This, apparent manipulation of tenders that rotates contracts, divides quantities, adjusts and re-adjusts tender allocation and orchestrates the outcome of a tender by determining aspects such as who would participate, who would quote a false bid (supporting bid) and whether there will be a single or several winners requires strict cooperation among the line hardware suppliers as against the latter competing with each other for any given tender.

This evident tendency of collusive tendering on the part of line hardware suppliers, manifested in various forms such as agreements, SOPs/association's decision, ostensibly have the object or effect of preventing and restricting competition in the relevant market, therefore, constituting a prima facie

contravention of Section 4(1)(e) of the Act.

In view thereof, the enquiry committee recommends that the commission may consider initiating proceedings under Section 30 of the Act against the Contractors and Manufacturers Association, its member undertakings as well as any other undertakings that as per evidence, seem to have indulged in coordinated behaviour as discussed above.

A press release issued by the anti-trust watchdog stated that the CCP initiated a formal enquiry on a tip off from an informant regarding, prima facie, collusive activities of line hardware suppliers/manufactures participating in the procurement tenders called by the DISCOs.

Line hardware items are components used in transmission lines for electricity distribution. During the enquiry, procurement data from the DISCOs was sought. In addition, inspection of the premises of two undertakings engaged in the supply of line hardware material was carried out to gather evidence against the suppliers engaged in collusive activities.

The scrutiny of the impounded record revealed collusive arrangement among the suppliers of line hardware in terms of allocation of tender, division of tender quantity, and tender manipulation through decisions involving aspects such as who will participate as against surrendering tender documents, who would place a higher bid and whether there will be a single winner or multiple winners with tender quantity divided among themselves as per pre-determined shares.

The undertakings appear to be part of an association, Manufacturers and Contractors Association. This association, prima facie, is used to discuss and make strategy for tenders invited by the DISCOs for procurement of line hardware material.

In the enquiry report it is estimated that that public procurement of line hardware products amounted to more than PKR five billion for period enquired (2015-2018).

As per findings, the evident collusive bidding on the part of line hardware suppliers and the association, manifested in various forms such as agreements, SOPs/association's decision having the object or effect of preventing and restricting competition in the relevant market, therefore, constituting a prima facie contravention of Section 4(1) read with Section 4(2)(e) of the Act.

The objective of such behaviour appears to be gaining control over the outcome of tenders for benefit of all. On the recommendations of the enquiry report, show cause notices have been issued to Manufacturers and Contractors Association and 46 firms engaged in the supply of line hardware material.

According to official estimates, Pakistan spends approximately 20 percent of its GDP on public procurement.

Therefore, the CCP's top priority is to enforce the provisions of Competition Law against the instances of bid rigging. To improve its detection and investigation of bid rigging, the CCP has developed a Bid Rigging Analysis and Detection (BRAD) system, which will soon be inaugurated and implemented.

CCP issues show-cause notices to 47 suppliers of line hardware material

ISLAMABAD - The Competition Commission of Pakistan (CCP) has issued show cause notices to 47 suppliers of line hardware material to the Electric Power Distribution Companies (DISCOs) for prima facie operating as a cartel and engaging in collusive bidding in violation of Section 4 of the Competition Act 2010. The CCP initiated a formal enquiry on a tip off from an informant regarding, prima facie, collusive activities of line hardware suppliers/manufactures participating in the procurement tenders called by DISCOs. Line hardware items are components used in transmission lines for electricity distribution. During the enquiry, procurement data from DISCOs was sought. In addition, inspection of the premises of two undertakings engaged in the supply of Line Hardware material was carried out to gather evidence against the suppliers engaged in collusive activities.

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As per enquiry's findings, the evident collusive bidding on the part of line hardware suppliers and the association, manifested in various forms such as agreements, SOPs/Association's decision having the object or effect of preventing and restricting competition in the relevant market, therefore, constituting a prima facie contravention of Section 4(1) read with Section 4(2)(e) of the Act.

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UrduPoint

12-June-2020

Online

Competition Commission Of Pakistan Issues Show Cause Notices To 46 Suppliers Of Line Hardware For Bid Rigging In Tenders

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STAFF REPORTER

ISLAMABAD

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ب ڈری گنگ میں ملوث لائن ہارڈویئر سپلائرز ایسوسی ایشنوں دیگر 46 کمپنیوں کو شوکاز نوٹس

اسلام آباد (ارشاد انصاری سے) مسابقتی کمیشن آف پاکستان (سی سی پی) نے ب ڈری گنگ میں ملوث لائن ہارڈویئر سپلائرز ایسوسی ایشن اور دیگر 46 کمپنیوں کو شوکاز نوٹس جاری کر دیئے ہیں۔ ب ڈری گنگ ڈسکوز کے 5 ارب مالیت کے ٹینڈروں میں کی گئی۔ اس حوالے سے سی سی پی کی طرف سے جاری کردہ اعلامیہ میں بتایا گیا ہے کہ الیکٹرک پاور ڈسٹری بیوشن کمپنیوں (ڈسکوز) کو لائن ہارڈویئر میٹریل فراہم کرنے والی 46 کمپنیوں اور لائن ہارڈویئر سپلائرز ایسوسی ایشن کو ہادی النظر ب ڈری گنگ میں ملوث ہونے پر شوکاز نوٹس جاری کیا ہے۔ شوکاز نوٹس کمپنیشن ایکٹ کے سیکشن 4 کی خلاف ورزی کے زمرے میں جاری کیا گیا سی سی پی نے کمیشن ایکٹ 2010 کے سیکشن (2) 37 کے تحت ایک انفارمنٹ کی اطلاع پر لائن ہارڈویئر سپلائرز کی ہادی النظر ڈسکوز کے پروکیورمینٹ ٹینڈرز میں غیر مسابقتی سرگرمیوں کے حوالے سے باضابطہ انکوائری شروع کر دی ہے لائن ہارڈویئر میٹریل بجلی کی تقسیم کے لئے ٹرانسمیشن لائنوں میں استعمال ہوتے ہیں تحقیقات کے عمل کے دوران ڈسکوز سے خریداری کا ڈیٹا طلب کیا گیا اور اس کے علاوہ لائن ہارڈویئر میٹریل کی فراہمی میں شامل دو کمپنیوں کے دفاتر کا معائنہ بھی کیا گیا تاکہ غیر مسابقتی سرگرمیوں میں ملوث سپلائرز کے خلاف ثبوت اکٹھے کیے جاسکیں ریکارڈ کی جانچ پڑتال کے بعد کمیشن کی انکوائری سے یہ پتا چلا ہے کہ لائن ہارڈویئر سپلائرز کمپنیاں غیر مسابقتی سرگرمیوں میں ہادی النظر ملوث رہی ہیں