



INDEPENDENT CONSUMER AND COMPETITION COMMISSION

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MEDIA RELEASE

The ICCC discusses impacts of Bid Rigging in Public Procurement with NPC

At the recently concluded PNG Consumer, Competition and Economic Regulation Forum (“**PCCERF**”), the Independent Consumer and Competition Commission (“**ICCC**”) and the National Procurement Commission (“**NPC**”) discussed the impact of bid rigging in public procurement and how to detect and deter such illegal conduct by bidders. The discussion was joined by private sectors and competition law experts from New Zealand Commerce Commission (“**NZCC**”) of New Zealand and Australian Competition and Consumer Commission (“**ACCC**”) of Australia.

The discussions acknowledged that one of the possible reasons for poor contract output is anti-competitive collusion in public procurement. Contractors are expected to compete in bidding for State contracts when tendered. However, if they collude, the State pays more, poor quality works are delivered which does not last long; and State resources that could have been otherwise used in other priority areas are diverted for maintenance. The bottom line is big rigging in public procurement exploit State funds and citizens are deprived of better-quality goods and services. Competitive tender increases public confidence in the State tender process, and encourages investment.

Mr. Grant Chamberlain of NZCC and Ms Melinda McDonald of ACCC shared that bid rigging cartels operate in their respective countries. If bid rigging cartels exist in Australia and New Zealand, PNG is not immune from it; and State officials should be weary of the existence of it in State Contract tenders. The Organization for Economic Co-operation and Development (“**OECD**”) reported that that elimination of bid rigging would reduce procurement prices by 20% or more. One key suggestion was for tender documents to have a place for declaration that the bidders did not collude in submitting their bids, which would force bidders not to lie; and there should be serious penalties for lying.

The private sector was represented by Institution of Engineers PNG, Hebou Construction, and Sun Engineering. They expressed that the tender process should be transparent and everyone is on the fair playing field when it comes to bidding for contracts. They expressed that lower price should not be the key factor if the State wants quality works. When assessing the bids, the focus should be on how capable the contractor is to deliver quality works within reasonable time.

The NPC discussed one of its new projects it is progressing with the assistance from the Asian Development Bank (“**ADB**”). The project is called Electronic Government Procurement (e-GP) System. The aim is to digitize the entire government procurement process – from planning to contract management – to make it more efficient, transparent, and accountable. NPC stated that this project was in line with the recent announcement by the Prime Minister to digitize contracts.

The ICCC discussed some recent developments it has initiated to curb cartels in public procurement. The ICCC recently introduced Leniency Policy for cartel members to report their own big rigging activities and be rewarded by facing lenient or no penalties; the development of Whistle Blower Program to encourage anyone to report any suspected bid rigging, introducing anonymous web-based reporting platform for cartels and bid rigging, the

inclusion of specific prohibitions against bid rigging, bid suppression, market sharing in the new *Competition and Consumer Protection Bill* (soon to be released for public consultation).

The session ended with the signing of a Memorandum of Understanding between the ICCC and NPC to collaborate and partner in fight against bid rigging in public procurement. The ICCC Commissioner and Chief Executive Officer, Mr. Roy Daggy said that this signing is a significant milestone in our collaborative efforts to strengthen good governance and protect public resources in PNG.

“Through this partnership, the ICCC and NPC will work together more effectively by:

- Sharing critical information and procurement data;
- Conducting joint audits and investigations into suspected bid rigging;
- Building capacity among our officers; and
- Raising public awareness to promote transparency and integrity in the public tender process,” Mr. Daggy said.

Authorised by:



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MR. ROY DAGGY

Commissioner and Chief Executive Officer
