

Competition Bureau warns of bid-rigging as Ottawa set to spend on infrastructure

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The federal Competition Bureau is warning governments to be on the lookout for signs of bid-rigging and other shady activity as Ottawa opens the floodgates to spend billions on infrastructure projects across the country.

In an interview with The Globe and Mail, Commissioner of Competition John Pecman said his office is planning to double the number of training workshops it provides to public-procurement officials this year on ways to prevent fraud. There will be training events for federal, provincial and municipal managers, as well as for the private sector, on how to identify and prevent collusion and corruption.

“Knowing what we do, that the construction sector and the whole infrastructure sector is susceptible to bid-rigging – and studies have shown that, including the OECD – it was incumbent on us to prioritize our awareness work to help deter this type of conduct from happening,” he said.

Mr. Pecman said the speed of decisions being made this year about infrastructure projects is another reason to remind officials of potential risks. Ottawa’s March budget pledged to spend more than \$120-billion on infrastructure over the next 10 years, and provincial governments are planning to hand out billions on infrastructure over the same period.

“I think it’s fair to say that when procurement is done in haste and perhaps the competitive bidding process is done quickly and there’s not a lot of care taken, it increases the likelihood of bid-rigging,” he said. “We encourage all procurement officials to keep in mind potential bid-rigging. There are some clear red flags that they could look for and it’s our goal to try to make as many of these officials aware of bid-rigging as possible.”

The Organization for Economic Co-operation and Development has issued several reports in recent years with advice on how countries can avoid fraud in relation to the awarding of infrastructure contracts.

Examples of bid-rigging can include several companies colluding in advance so that only one of them submits a price that fits with the requested criteria set by the government tender. The conspiring companies may rotate among themselves as to which one would submit a qualifying bid.

The bureau says these types of schemes can be difficult to detect and sometimes require a whistleblower to come forward. A bureau report notes that possible red flags include cases in which a winning bidder subcontracts the work to unsuccessful bidders or the use of similar language in bids from different companies.

Ottawa and the provinces are expected to soon announce lists of projects that have been approved under the first phase of federal financing, which will focus on the repair of existing assets. Consultations are under way related to a second phase, which will launch next year and include major spending on new projects.

The bureau normally holds between 20 and 30 workshops a year for public-procurement officials but Mr. Pecman said the organization is looking to reallocate spending in order to double that amount this year.

The federal government unleashed a flurry of infrastructure spending in the 2009 and 2010 budgets in response to the global financial crisis, but Mr. Pecman said no specific issues came to mind related to that period. However, he pointed to the 2015 report of the Charbonneau Commission in Quebec, which found widespread cases of abuses in public procurement in the province's construction sector.

Mr. Pecman, an economist who has worked for the bureau since 1984 in various positions, including as an investigator, also noted that the bureau's own investigative work has uncovered cases of bid-rigging in relation to government infrastructure contracts.

Criminal charges were laid in 2014 after a bureau investigation into allegations of a bid-rigging conspiracy in connection to information-technology contracts at Library and Archives Canada.

Three other bureau investigations in recent years have also exposed cases of bid-rigging related to municipal contracts in Quebec.