Bid-Rigging is Illegal

What is bid-rigging?

Bid-rigging is when companies who *should* be competing for a contract instead secretly team up to raise prices during bidding. Governments or companies ask for bids on a project, and the bid-rigging competitors decide in advance who will win the bid. Because these bid-riggers are not really competing, prices go up, making projects more expensive than they should be. And bidders who are playing fair lose their bids to the bid-riggers.

There are a few methods bid-riggers use, including:

- **Complementary bidding:** One company puts in a fake bid with outrageous terms that the buyer would never accept, so that the buyer will choose the other company.
- **Bid rotation:**. Companies agree to take turns winning bids.
- **Subcontracting:** A winning bidder agrees to subcontract to a losing bidder.

How do I spot bid-rigging?

If you are involved with bidding, either as a customer or a competitor, here are some red flags:

Behaviors to Watch For

- A company bids even though it cannot do the job.
- Two or more bids look extremely similar.
- A company asks for bid forms for itself and a competitor.

Patterns to Look Out For

- The same company always wins.
- A group of suppliers seem to take turns winning.
- Bids are higher than usual.
- Fewer companies bid than normal.
- One company's bids are higher for no reason.
- All bids swing higher or lower when a new bidder joins.
- A losing bidder suddenly becomes a subcontractor.

Statements to Listen For

- Bidders talk about “industry prices.”
- Bidders have secret knowledge about their competitor prices.
- Bidders talk about a customer as “belonging to” a particular company.
- Bidders call a bid a “courtesy” or “token.”

What should businesses do if they suspect bid-rigging?

If you suspect bid-rigging, you should:

- call the Office of the Attorney General at (202) 727-3400, or
- email antitrust@dc.gov.