

Aardwolf

BULLETIN

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STOP PRESS

Aardwolf Pestkare fined by CCS

Six leading pest management companies were fined by the Competition Commission of Singapore (CCS) for infringement of Section 34 prohibition of the Competition Act.

The six companies were Aardwolf Pestkare (s) Pte Ltd, Alliance Pest Management Pte Ltd, Elite Pest Management Pte Ltd, Killlem Pest Pte Ltd, PestBusters Pte Ltd and Rentokil Initial (S) Pte Ltd.

In 2002 eight companies were appointed Agenda Authorised Applicator by Bayer Environmental Science and its local agent Bentz Jaz Singapore Pte Ltd. A year later two companies lost their appointment for failing to meet their sales target. The remaining six have held on to their appointment to this day.

"Agenda" is a very good termiticide for termite-proofing properties, provided the manufacturer's specifications are adhered to. In order to ensure that this is done, a minimum recommended price was agreed to. This is to avoid the fiasco that resulted with the other brands of termiticide when prices fell from \$16 to below \$1 per square metre, resulting in corners being cut. The true losers are the property owners who believe they had a bargain for the treatment but they ended up with high rates of timber damage caused by termite re-infestation.

When the Competition Act came into effect in 2006, unfortunately all six companies continued with the practice of working with each other to ensure that the minimum price and the quality of treatment were maintained.

Acting on a complaint, CCS conducted an investigation and concluded that this was collusion and since it infringed Section 34 of the Competition Act, all six Agenda Authorised Applicators were fined for bid-rigging.

John H. H. Ho, managing director of Aardwolf Pestkare apologises to all our Clients if the media reports regarding this investigation have caused them unnecessary concern. He assures all our Clients that their interest was not compromised at any time because none of the tenders investigated by CCS involved our Clients.

Should any Client wish for more information or clarification, we invite you to contact our operations director Patrick Chong (Mobile 9679 6488).

The fine from all six companies total \$262,000. That is a lot of termites to eradicate!

Six pest-busting firms fined for bid-rigging

THE STRAITS TIMES THURSDAY, JANUARY 10 2008
By TANIA TAN

A WAYWARD e-mail that reached an unintended recipient blew open a multi-million-dollar cartel formed by six pest-busting firms here.

These firms will be fined a total of \$262,759.66 by the competition watchdog following a year-long probe.

What started it all: An e-mail accidentally received by the Raffles Hotel in September 2006 from Aardwolf Pestkare, which suggested that it was in cahoots with Rentokil and PestBusters to agree amongst themselves who was to snag Raffles' contract to rid of termites.

The others in the bid-rigging collusion scheme, which kicked in whenever a pest extermination contract came on the market, are Alliance Pest Management, Elite Pest Management and Killlem Pest.

The Competition Commission of Singapore (CCS), in its first infringement decision, is fining them between \$4,300 and \$92,600 each. It has also turned down appeals from the six for smaller fines.

The penalties make up less than 3 per cent of the companies' combined turnover of about \$33 million.

Commission chief Teo Eng Cheong

said: "We wanted the amount to be deterrent, but not unreasonable."

The size of the fine was pegged to each company's turnover and the extent of its involvement, he explained.

Under the Competition Act, firms can be fined up to 10 per cent of their annual turnover, up to a maximum of three years.

The CCS opened its probe regarding after Raffles filed a complaint against the contract, which involved using an anti-termite chemical called Agenda.

Surprise raids, interviews and seized e-mails from the six firms convinced senior management was involved.

One e-mail from Aardwolf Pestkare to PestBusters, for example, had a line saying "make sure you get this project and then you can buy me two beers in the morning."

Mr Teo said of the cartel: "It denied customers a fair bid. That cannot be tolerated."

MR TEO ENG CHEONG, chief of the Competition Commission of Singapore, on the cartel formed by the six pest control firms

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Industry insiders welcomed the decision, but some thought the fines were too small.

Mr David Gecko Santhansamy of pest-buster Gecko International said: "It's a good start by the commission, but the fines seem like a slap on the wrist."

He added that big companies reaped financial losses very quickly, and suggested that the commission instead temporarily suspend the errant firms from bidding for government contracts - usually the larger ones.

It is not known whether the firms' customers - among them Alexandra Hospital and Temasek Junior College - will take legal action against the six.

Three of the six companies that agreed to speak to The Straits Times said, however, that while they accepted the penalties, they thought the fines "harsh". They also pointed out that they had stuck to the recommended price of \$70 per m for treatment of the chemical.

PestBusters' managing director Thomas Fernandez said: "My conscience is clear."

But competition partner Ameera Ashraf of WongPartnership said bid-rigging denied customers value-added services that healthy competition would otherwise encourage.

"It's not just about the price," she said.

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The CCS will be holding a seminar to help companies understand and spot anti-competitive practices. For more information, visit www.ccs.gov.sg

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