# Bids and Buses

How public spending rules affect competition

**E.C.2.4** "Explain the costs and benefits of government fiduciary policy and regulations including the impact both have on competition."

NAME _____ DATE _____

## 1 READ AND MARK

Read it twice

**YOUR JOB** Underline two benefits to the public and circle two costs to businesses; then write 1 beside a sentence showing how a city purchasing policy changes competition and 2 beside a sentence showing how a state regulation changes competition.

### Who Gets the Bus Contract?

1. When a city replaces its aging public buses, officials must spend residents' tax money carefully. The city adopts a fiduciary purchasing policy: it posts the bus contract publicly, sets a price ceiling, and requires written bids by one deadline. Officials score bids using the same published criteria, including price and repair service. Open bidding can draw more sellers than a private deal with one familiar company, which may lower costs. The shared criteria also make it harder to favor a friend. Still, preparing detailed bids takes time and money, especially for small companies.

2. The city also requires each bidder to place a refundable $20,000 deposit. If the winner backs out, the city may keep its deposit to cover some costs of restarting the search. That rule protects public funds, but a small company might not have $20,000 available while its bid is reviewed. Fewer small bidders could leave large firms with less pressure to offer low prices. A deposit does not automatically save money: officials must weigh the risk of a failed contract against the competition lost when firms cannot afford to bid.

3. State regulations add another layer. Every bus company must show that its buses pass annual safety inspections and meet emissions limits before operating. Inspections can prevent dangerous breakdowns, while cleaner buses reduce pollution for people along the route. Companies must pay for testing and equipment; those costs can raise fares or discourage a new firm from entering the market. Yet the same rules apply to every operator, so a company cannot win simply by skipping required safety work. The city must compare these benefits with the costs, rather than assuming that every rule either helps or hurts competition.

## 2 ANSWER WITH EVIDENCE

Use the passage

1. How could the city's open bidding policy benefit taxpayers by changing competition for the contract?

2. What does the bid deposit protect the city from, and how might it reduce competition?

3. How do the state regulations benefit people along bus routes, and what costs might limit competition?

4. How can the same state regulations make competition fairer while also reducing the number of competitors?

## 3 YOUR TURN

Your own words

Imagine your town hires companies to collect recycling. In five or six sentences, propose one policy for how the town spends public money and one regulation for how companies operate; explain one benefit, one cost, and a possible effect on competition for each.

ANSWER KEY

# Bids and Buses

HIGH SCHOOL · E.C.2.4

## PART 1 · READ AND MARK

Underline two benefits to the public and circle two costs to businesses; then write 1 beside a sentence showing how a city purchasing policy changes competition and 2 beside a sentence showing how a state regulation changes competition. Accept any marking that follows this job and points at the right text.

## PART 2 · ANSWERS

| # | QUESTION | ANSWER |
|---|---|---|
| 1 | How could the city's open bidding policy benefit taxpayers by changing competition for the contract? | **Open bidding can attract more sellers, whose competition may lower the city's cost.** |
| 2 | What does the bid deposit protect the city from, and how might it reduce competition? | **The city may keep a winner's deposit if it backs out, helping cover the cost of restarting the search. Small firms unable to set aside $20,000 may not bid.** |
| 3 | How do the state regulations benefit people along bus routes, and what costs might limit competition? | **Inspections can prevent breakdowns, and emissions limits reduce pollution. Testing and equipment costs may discourage new firms from entering.** |
| 4 | How can the same state regulations make competition fairer while also reducing the number of competitors? | **Every operator must meet the same requirements, so none can underbid by skipping required safety work. Compliance costs may keep new firms out.** |

## PART 3 · YOUR TURN (SAMPLE ANSWER)

I would have the town pay recycling contractors only after it checks monthly pickup records. This protects tax money from paying for missed pickups, but checking records takes staff time. Smaller companies may struggle with the paperwork, leaving fewer bidders. I would require every recycling truck to cover its load. Covered loads reduce litter, but buying covers adds costs for companies. The rule may deter small firms from entering, although it also prevents a firm from underbidding by skipping covers.

Accept other passage-supported explanations of how a benefit or cost affects competition. For Part 3, look for a distinct public-spending policy and operating regulation, with a plausible benefit, cost, and competition effect for each.