

*Korea Fair Trade Commission*

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**KFTC sanctioned bid riggings in construction projects of natural gas pipelines and management offices**

- The KFTC imposed remedies and fines of 182.689 billion won in total against 23 construction companies

The Korea Fair Trade Commission (hereinafter referred to as KFTC) decided to impose remedies and fines of 174.612 billion won in total against 22 companies for agreeing in advance on winning bidders, sidekicks, and bidding prices in each of 27 bids for constructions of natural gas pipelines and management offices.

The KFTC also decided to impose remedies and fines of 8.077 billion won in total against three companies for agreeing in advance on bidding prices in a bid for construction project of Metropolitan High Speed Railway Section 4 (Suseo-Pyeongtaek).

**1. Facts of the law violations**

A. Bid riggings in construction projects of natural gas pipelines and management offices

- (Summary) The 22 companies rigged a total of 27 bids for pipeline projects in 2009 (17 cases) and from 2011 to 2012 (10 cases).

a. Agreement and execution of the agreement in 2009

- (Agreement) The 21 construction companies including Hyundai E&C agreed in advance on who will be a successful bidder in each of the 16 bids for natural gas pipeline and management office construction projects placed on April 10, 2009 by Korea Gas Corp.(KOGAS).

The 22 conspirators agreed that 12 companies that previously had the right to bid and four companies that recently won the right shall be prime contractors and the other six companies shall be joint sub-contractors in the 16 construction projects.

- In order to avoid suspicion of collusion, the conspirators set the bid ratios within the range from 80% to 83% by lots.

Meanwhile, Tongyoung-Geoje undersea pipeline construction project had only three qualified bidders. One of them was agreed to be designated as the winning bidder and another as the sidekick company.

- (Execution of the agreement) In the bids placed on May 21, 2009, the designated winning bidders disclosed their bid prices to the sidekicks so that the sidekicks would submit higher bids, or wrote the sidekick companies' bid proposals and sent them to the sidekick companies.\*

\*In order to cover the collusion, before bidding, the designated winning bidders sent their employee to the sidekick companies and had him or her change the file information of bid proposals stored on a USB flash drive and did not leave the record that the employee had visited the sidekick company.

b. Agreement and execution of the agreement from 2011 and 2012

- (Agreement) In 10 bids for the construction projects of natural gas pipelines and management offices placed from 2011 to 2012 by KOGAS, the 22 contractors decided to designate winning bidders by lots until all of them win a contract.

They agreed that 12 companies that had won the right to bid on the contracts before 2009 and the other 10 companies shall fall in different classes, based on which the right to the lots and portion are set.

\*The 12 companies shall be given the right to draw for the prime contractor or sub-contractors qualifying for 35 % of the work. The other 10 companies shall have the right to draw for sub contractors qualifying for 35% of the work or those qualifying for 15% of the work.

They also agreed that companies who won a contract shall not be given the right to draw lots until all of the conspirators win contracts. These companies agreed to help designated winning bidders win the bid by not bidding or submitting losing bids.

- (Execution of the agreement) Each designated winning bidder set by lots executed the agreement by disclosing its bid prices to sidekicks or by writing bid proposals for the sidekicks in advance.

B. Bid Rigging in construction project of Metropolitan High Speed Railway Section 4 (Suseo-Pyeongtaek)

- (Agreement) Three construction companies participated in a bid for construction project of Metropolitan High Speed Railway Section 4 (Suseo-Pyeongtaek). They agreed in advance on the bid ratio (bidding prices) to avoid price competition.

They avoided price competition by fixing bid prices, competing only in terms of design.

- (Execution of the Agreement) The three companies submitted the bid prices as agreed on Aug 10, 2010. As a result, a company won the bid with a high bid ratio of 94.68% (195.91billion won).