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15 builders banned from state projects

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A government procurement agency has banned 15 construction firms accused of price fixing from bidding on state-initiated projects for up to 15 months.

They include major builders, such as Hyundai Engineering & Construction, Samsung C&T, Daewoo E&C, Hyundai Development Company, Daelim and GS E&C, according to the Public Procurement Service, Wednesday.

All 15 builders are accused of colluding to secure orders for the four-river refurbishment project under the previous Lee Myung-bak administration. The prosecution claimed last month that their price fixing cost taxpayers a total of 3.8 trillion won (\$3.57 billion).

The ban could deal a blow to the construction sector, which has already remained in a protracted slump amid sluggish home sales here, sources said.

Hyundai E&C, Samsung, Daewoo, Daelim and GS are all restricted from taking part in bidding for 15 months. This could cost each of them trillions of won in revenue. The restriction period on the other firms ranges from three to nine months.

"The punishment was tougher than we had expected. It will surely dampen our efforts to make a turnaround," a company official said, asking not to be named. "That's also a matter of our reputation overseas. The measure will make it more difficult for Korean builders to win orders overseas."

The construction firms will file a complaint with the court soon to nullify the government's decision, according to the Construction Association of Korea.

The measure came after the state-run Korea Land & Housing Corp. banned a total of 35 builders from joining bids for its development projects earlier this year for their involvement in price fixing. Analysts say that the measures against builders represent the government's toughening stance on illegal business practices committed by conglomerates.

Earlier, the prosecution indicted 22 former and incumbent executives of construction firms for their involvement in price rigging to win orders for the river project. They include former Hyundai E&C CEO Kim Joong-kyum and former Daewoo E&C CEO Seo Jong-uk.

According to the Fair Trade Commission, the builders colluded during the bidding for 14 reservoir construction orders between January and September 2009 following the government's announcement of bids for construction contracts.

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