

Current Status of Operation of Bid Rigging Indicator Analysis System

1. Overview of Bid Rigging Indicator Analysis System

□ Concept of Bid Rigging Indicator Analysis System

- Bid Rigging Indicator Analysis System (hereinafter "BRIAS") refers to a system which carries out quantitative analysis of bidding information (e.g. successful bid rates, the number of bidders, etc.) on public projects electronically transferred from public organizations that issued the concerned projects so as to detect signs of bid rigging.

□ Background for Introduction of BRIAS

- With the aim of monitoring against bid rigging, from October 1997, the Korea Fair Trade Commission collected bid-related documents in hard copy from major public organizations that issue large-scale public projects (Public Procurement Service, Korea Expressway Corporation, Korea Electric Power Corporation, etc.) and analyzed them manually.

- In December 2004, in order to raise effectiveness in detecting signs of bid rigging, the KFTC established BRIAS through which to conduct quantitative analysis of bidding information collected from large scale project issuers such as the Public Procurement Service, Korea Electric Power Corporation, Korea National Housing Corporation, Korea Expressway Corporation and Korea Water Resources Corporation. As of January 1, 2009, the KFTC has completed linking BRIAS to all public organizations.

2. Target Organizations and the Scope of Information Collection

- A total of 322 public organizations are required to notify the KFTC of information on the bids that they issue.

<Table 1> Organizations required to notify bidding information

Organizations operating own bidding system(10)	Organizations without bidding system (312)
Public Procurement Service, Korea Electric Power Corporation, Korea National Housing Corporation, Korea Expressway Corporation, Korea Water Resources Corporation, Korea Railroad Corporation, Korea Gas Corporation, Korea National Oil Corporation, Incheon International Airport Corporation, Korea Racing Authority	<ul style="list-style-type: none"> - Central administrative agencies including the Ministry of Land, Transport and Maritime Affairs(51) - Metropolitan governments including Seoul Metropolitan Government(16) - Local governments including Jongro-gu of Seoul City and Suwon City(230) - Public corporations including Busan Port Authority(15)

- Where central administrative agencies, local governments, or public corporations issue a tender notice or the successful bidder in the given tender is determined, information regarding such matters shall be submitted to the KFTC pursuant to the Monopoly Regulation and Fair Trade Act which was amended in August 2007 and took effect on January 1, 2009.

- Scope of Information Collection

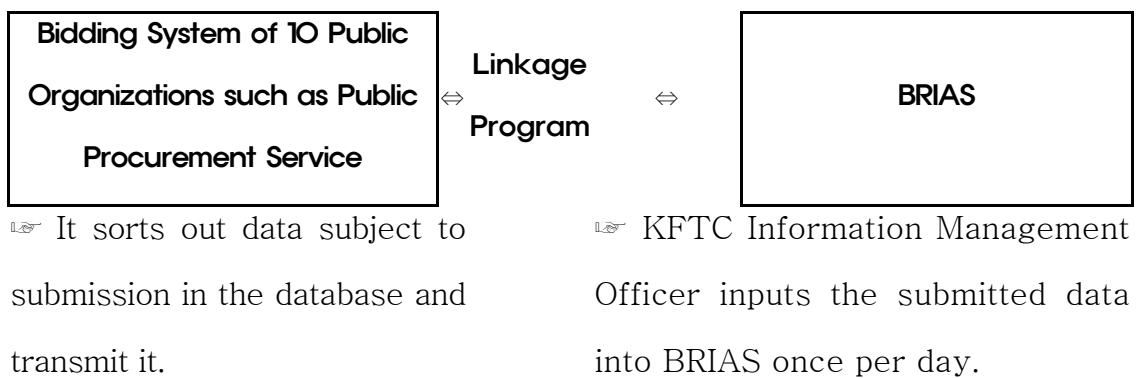
- Information on construction projects worth 5 billion won or more and tenders for procurement of goods and services worth 500 million won or more should be submitted to the KFTC.

3. The Mode of Operation of BRIAS

- BRIAS automatically converts collected bidding information into a set of indicators with different weights according to their value and the KFTC suspects that a certain bid has been rigged, if the resulting total score of the bid is high.
- BRIAS can be accessed at "ThinkFair," KFTC's internal network, only by the Cartel Bureau staff through electronic security system.

- Public organizations required to provide their bidding information should send related data into BRIAS within 30 days after they determine the successful bidder.
- Public organizations operating their own bidding system may transmit the bid result to the KFTC on a real-time basis as their system is linked to BRIAS.

*** How the system is linked**



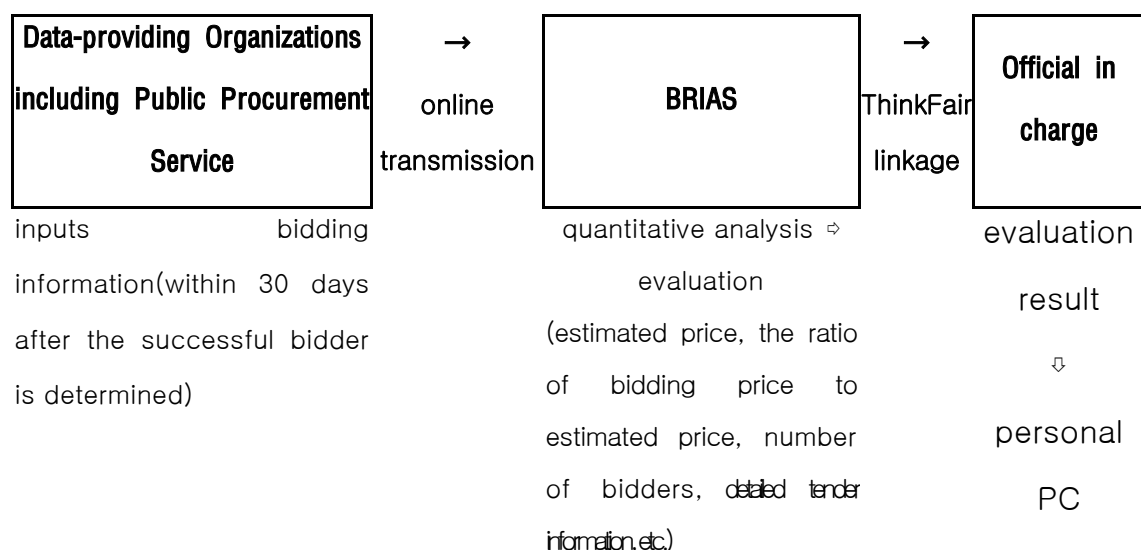
- Public organizations that do not have their own bidding system directly input their bid result and related data through the bidding information input system linked to KFTC's homepage.

**** How to input data**

Public Organization	Public Organization	KFTC (Information Management Officer)
gets ID and Password from KFTC	logs on to the website(http://csain.ftc.go.kr)and inputs data	inputs the submitted data into BRIAS

- The submitted bidding information is converted into a set of weighted indicators (according to a pre-set formula) and used to analyze quantitatively the probability of bid rigging.
- Bidding information : ①organizations that issued a project and organizations with actual demand of the project ②types and methods of tenders ③date and substance of tender notices ④estimated price set out by issuing organizations before tender notice, arranged price set out by issuing organizations to serve as benchmark for determining tender amount or successful bidder, the ratio of bidding price to estimated price ⑤ the number of bidders ⑥ bidder-based tender details ⑦ information on successful bidders ⑧ the number of unsuccessful bids ⑨ the number of estimated price raises, etc.
- The analysis result comes out in three types.
- An individual evaluation item has a score between 0 and 100, and the higher the score is, the more likely the concerned bid has been rigged.

〈Example of application of BRIAS〉



4. Application Case

- The bid rigging case involving 12 construction companies including Daelim Industrial Company Limited over Seoul Subway Line 7 construction project(May 6, 20086) : 5.108 billion won in surcharge was imposed.