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For Immediate Release

Joint Press release: Competition Commission and ICAC conduct second joint operation against bid-rigging and corruption over building maintenance

The Competition Commission and the ICAC conducted a joint operation code-named “Shotgun” for two consecutive days on August 21 and 22, following the two agencies’ first collaborated action in mid-April against a newly-rising syndicate engaging in bid-rigging and corruption. After a four-month in-depth investigation and detailed analysis of evidence collected, the two agencies discovered that the syndicate might have been involved in other suspected bid-rigging and corruption activities and therefore took further enforcement actions.

In the joint operation, search warrants were executed by the Competition Commission and the ICAC to conduct searches at around 20 premises, including the offices of various project contractors, consultancies, as well as residences of the individuals concerned. Various exhibits were seized. The Competition Commission has also exercised its compulsory powers in the operation, requesting relevant companies and individuals to produce documents and information, and to attend before the Competition Commission to provide information relating to the case.

The ICAC further arrested five persons and interviewed 22 persons during this operation, including project contractors, project consultants, middlemen, members of property management companies, and members of Incorporated Owners (IO).

The companies and individuals concerned were alleged to have engaged in anti-competitive activities and solicited and accepted bribes in order to manipulate the tendering exercises of building maintenance projects. They were also alleged to have exaggerated contract sums and assisted associated contractors in securing contracts of maintenance projects.

The investigation conducted by the Competition Commission concerned renovation projects of 38 residential estates / buildings, and industrial buildings in Hong Kong Island, Kowloon and the New Territories. The value of the relevant renovation contracts totaled over \$1 billion, with individual contracts worth as much as \$260 million. Some of the renovation contracts concerned have yet to be awarded and some had been overturned, while works of individual projects had commenced prior to the commencement of the Competition Commission’s investigations.

During the tendering of renovation projects for the 38 aforementioned buildings, the companies and individuals concerned had allegedly manipulated the tender results by exchanging and coordinating bidding prices, either directly or through intermediaries, while some contractors had submitted cover bids. Such conduct would amount to bid-rigging, price-fixing and exchange of competitively sensitive information, contravening the First Conduct Rule of the Competition Ordinance.

Meanwhile, the investigation of ICAC mainly targeted renovation projects of two residential estates in Hong Kong Island, whereby corruption was suspected. The value of the two renovation project contracts was worth about \$140 million in total. It is alleged that the backbone members of the syndicate, through a middle man, might have offered advantages to the IO members in order to ensure that the associated project contractors controlled by the syndicate would be awarded the renovation contracts of the two residential estates respectively, thus contravening section 9 of the Prevention of Bribery Ordinance (POBO). The renovation projects concerned have yet to be executed.

As investigation is ongoing, no further comment on the case will be made by the Competition Commission and the ICAC at this stage.

The series of joint operations conducted by the Competition Commission and the ICAC demonstrate the determination of the two agencies in safeguarding a clean and level-playing field for the building maintenance industry, and that no anti-competitive conduct and corruption will be tolerated. The two agencies will continue to maintain close collaboration with other law enforcement agencies and related authorities to crack down on illegal activities and to safeguard the rights of property owners.

The Competition Commission calls on anyone who can provide information on the matter or the relevant practices to contact the Competition Commission as soon as possible by telephone on 3462 2118 or by e-mail at complaints@compcomm.hk. Those who consider that they may have engaged or been involved in cartel conduct should approach the Commission as soon as possible for leniency or co-operation (Leniency Hotline: 3996 8010; e-mail: leniency@compcomm.hk). The ICAC calls on property owners and members of the public that, should they suspect corruption is involved in building maintenance, they should make enquiries or report to the ICAC without delay. The ICAC's report corruption hotline: 25 266 366.

Apart from enforcement actions, the Competition Commission has been actively launching publicity and educational initiatives to raise public awareness of bid-rigging and other anti-competitive conduct, and to assist procurers in strengthening their preventive efforts. In addition to rolling out a series of educational resources on its website, the Commission also spares no effort in engaging with the community. Over the past year, the Competition Commission has attended 19 briefings on building maintenance and management, reaching out to property owners and property managers in various districts, as well as relevant government departments and public bodies, to promote the message of combatting bid-rigging.

Separately, the Competition Commission has also published a set of model "Non-collusion Clauses" for procurers to incorporate into their invitation to bid documents and contracts, with a view to reducing their exposure to anti-competitive conduct during procurement exercises. In essence, the "Non-collusion Clauses" serve to warn bidders of the prohibition against, and consequences of, entering into anti-competitive arrangements, as well as to provide a clear and straightforward contractual remedy for procurers in the event that these clauses have been breached. Both Chinese and English versions of the model clauses are available for downloading at www.compcomm.hk.

The ICAC has all along been taking stringent enforcement action against corruption in the building management sector. The ICAC also actively supports flat owners and building management bodies (BMBs) in enhancing their anti-corruption capability through corruption prevention and education. The ICAC will continue to proactively approach BMBs and adopt an early intervention strategy, as well as to encourage flat owners to stay vigilant against corruption in renovation works through active participation in building management. To address the corruption risks in building maintenance projects, the ICAC has compiled and distributed the “Corruption Prevention 101 – Building Maintenance Tips” leaflet to provide corruption prevention suggestions and relevant information for owners. Members of the public can download the leaflet from the ICAC Corruption Prevention Advisory Service webpage (cpas.icac.hk).

In collaboration with different government departments, regulators, professional bodies and trade associations, the ICAC will continue to organise integrity training to enhance practitioners’ professional conduct and resistance to bribery temptations. The ICAC has also produced a wide range of practical education resources which are available in the Integrity and Quality Building Management website (bm.icac.hk). Citizens are also welcome to call the Integrity Building Management Enquiry Hotline at 2929 4555 for ICAC services.

(Photo attached)



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Photo Caption:



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