



Measures to Improve Cartel Detection (Other than Leniency)

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I. Introduction : Importance of Detection in Cartel Regulation

- First Step of Cartel Regulation
 - Success of Cartel Regulation Depends on Successful Detection
- Detection is Extremely Difficult
 - Detection Rate in the US in 1961-1988 was 13%-17%
 - * OECD(2003) “Hardcore Cartels, Recent Progress and Challenges Ahead”
- Leniency Programmes are Very Effective Detection Tools
 - However, There are Other Measures to Enhance Detection

II. KFTC's Efforts to Improve Detection

'Hardware' of Improving Detection

- Dedicated Cartel Unit
 - Special techniques required compared to other antitrust violations
- Sufficient Human Resources
 - Simultaneous entry
- Investigative Power
 - Power to enter premise, take documents, etc.
- Policy such as Leniency Programme
 - A Powerful Tool to Enhance Detection

II. KFTC's Efforts to Improve Detection

'Software' of Improving Detection

- Investigators Need Expertise and Skill in :
 - Bid Rigging Indicator Analysis
 - On-the-spot Investigation
 - Collecting and Analysing Electronic Evidence
 - Interrogation
 - Using Media and Newsletter as Source

II. KFTC's Efforts to Improve Detection

KFTC's Need for Stronger Detection

- KFTC Sought to Improve both Hardware and Software
 - ➔ But, Detection is Still Difficult, Given that Cartels are Conducted in Secret
- KFTC Needed Stronger Detection Tools
 - ➔ • Detection Tools that Complements Leniency

1. Informant Reward Programme
2. Bid Rigging Indicator Analysis System
3. Institutional Changes
4. Capacity Building of Investigators

1. Informant Reward Programme

1) Background

- Leniency Breaks Up Cartel from Inside
- A Measure was Needed to Break Up Cartels from Outside
 - Market Players in Upstream/Downstream Market, Ordinary Citizens, Former Employees, etc.



Informant Reward Programme Introduced in 2002,
But, Not Very Successful at First Because of :

1. Negative Perception about Reporting
2. Fear of Retaliation from Breach of Confidentiality
3. Incentive Too Small (100M Won, Approx : USD 100K)

1. Informant Reward Programme

2) Major Contents

- New Informant Reward Programme of 2005
 - Higher Reward (Up to 1 B. Won, Approx : USD 1 M)
 - Protection of Confidentiality Guaranteed by Enforcement Decree of the MRFTA
- Reward is Determined by :
 - Seriousness of Violation (Amount of Surcharge)
 - Quality of Evidence Provided (High/Medium/Low)

1. Informant Reward Programme

3) Results

- Informant Reward Programme More Frequently Used

2002	2003	2004	2005(1Q-3Q)	Total
1	1	2	4	8

- Amount Given has Increased
 - Welding Rod Case : Over USD 68K Paid
- The Sheer Presence of Programme is a Deterrence

2. Bid Rigging Indicator Analysis System

1) Background

- Bid-rigging is Stealing Tax Payers' Money
- KFTC First Adopted 'BRIAS' in '97 Receiving Bid Information from Procurement Agencies
 - However, Had to Rely on Employees of Procurement Agencies to Provide Information



Need for Constant Monitoring of Bid Rigging

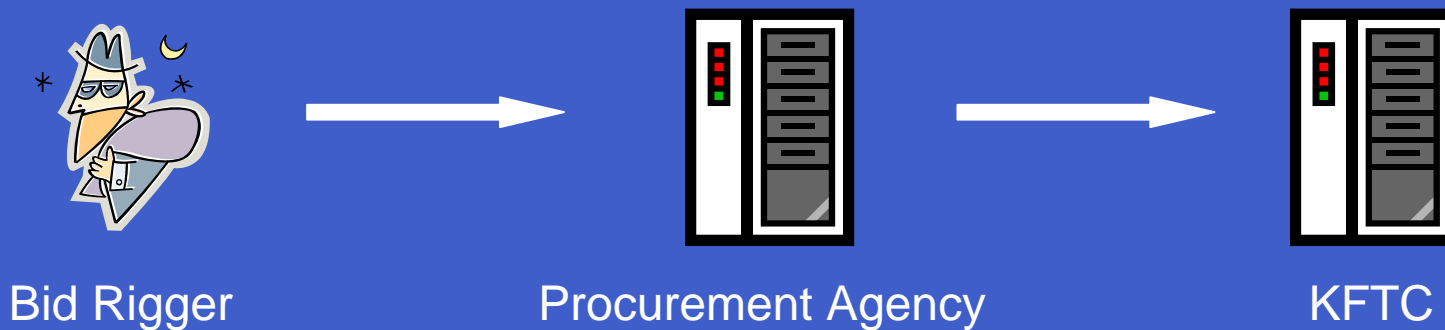


Devised "Bid Situation Board" for Automatic Monitoring

2. Bid Rigging Indicator Analysis System

2) Major Contents

- Suspicious Electronic Bids to Procurement Agencies Automatically Detected and Reported to the KFTC



- Applied to Construction Projects Over 5 B Won, Goods and Services Over 2.5 B Won
- Scores are Calculated by Analyzing 6 Factors and If Score Adds Up to be Over 80, the Bid is Reported to the KFTC On-Line

3. Institutional Changes for Better Detection

- A Bureau Solely Dedicated to Cartel Regulation will be Established in December, with 3 Divisions
- KFTC is Seeking Stronger Measures Against Obstruction of Cartel Investigation
 - Surcharge Aggravated if Employee Obstructs
 - Stronger Investigative Powers
 - Obstructing Company will be Closely Monitored for 3 Years

4. Strengthening Capabilities of Investigators

- Informant Reward Programme & BRIAS = Hardware Upgrade
- Capacity Building of Investigators = Software Upgrade

KFTC Investigators Improve Their Skills by :

Exchange Enforcement Experience in Cartel Study Group

Study Investigation & Interrogation Techniques of Other Enforcement Agencies (Police, Prosecutors, etc.)

Participate in ICN and OECD Meetings on Cartels

III. Conclusion

- In Korea, Informant Reward System and BRIAS Reinforce the Leniency Programme
- Enhancement of Detection Capability Requires Both Institutional Improvement and Human Resources
- Experience of Other Competition Authorities Very Important

Gamsahabnida!
(Thank you)



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