# CMA provisionally finds illegal cartels in construction industry

- Bid rigging conduct relates to 19 contracts worth over £150 million
- 8 of the firms involved admit participation
- Met Police Training College, Selfridges and Oxford University among those affected

Following an investigation launched in 2019, the Competition and Markets Authority (CMA) has provisionally concluded that the firms colluded on prices through illegal cartel agreements when submitting bids in competitive tenders for contracts. These bids were rigged with the deliberate intention of deceiving the customer that they were competitive when that was not the case.

The bids were rigged by one or more construction firms which agreed to submit bids that were deliberately priced to lose the tender. This practice, known as 'cover bidding', can result in customers paying higher prices or receiving lower quality services.

The CMA is proposing to impose fines on the businesses concerned if it reaches a final decision confirming that they have broken the law.

In addition, the CMA has provisionally found that 7 of the firms, on at least one occasion each, were involved in arrangements by which the designated 'losers' of the contracts were set to be compensated by the winner. The value of this compensation varied but was higher than £500,000 in one instance. Some firms produced false invoices in an attempt to hide this part of the illegal behaviour.

The CMA has provisionally found that the collusion affected 19 contracts for demolition work in London and the Midlands, including contracts for the development of Bow Street's Magistrates Court and Police station, the Metropolitan Police training centre, Selfridges, Oxford University, shopping centres in Reading and Taplow, and offices on the Southbank, London. Not all of the firms were involved in colluding in each of these contracts, and not every contractor who submitted a bid for these contracts was involved in the illegal collusion.

Eight of the firms have admitted their involvement in at least one instance of bid rigging between January 2013 and June 2018: Brown and Mason, Cantillon, Clifford Devlin, DSM, J F Hunt, Keltbray, McGee, and Scudder.

Two other firms, Erith and Squibb, have not admitted their involvement in any bid rigging and it should not be assumed that they have broken the law.

Michael Grenfell, the CMA's Executive Director for Enforcement, said:

> The construction sector is hugely important to Britain's economic

well-being. Bid rigging can result in worse deals, which can leave businesses – and sometimes taxpayers – out of pocket.

This is unacceptable, and the CMA won't hesitate to come down hard on these activities and impose appropriate fines.

The CMA's findings are provisional, and it should not be assumed that any company has broken the law at this stage. The final total of any fines to be paid will also be determined at the end of the investigation.

The CMA's "Cheating or Competing" campaign has advice for businesses to help them spot, report and deter illegal anti-competitive practices such as market sharing, fixing prices and bid-rigging.

More information on this case is available on the Supply of construction services case page.

1. The 19 contracts affected by the suspected cartel activity were at the following sites: Bishop Centre; MPS Training and Operations Centre, Hendon; Southbank, London; Bow Street, London on 2 separate occasions; Station Hill, Reading; Lots Road Power Station, London; Duke Street, London; Lombard House, Redhill; 18 Blackfriars Road, London; Underground car park, High Wycombe; 33 Grosvenor Place, London; Wellington House, London; Ilona Rose House, London; 44 Lincoln's Inn Field, London; 57 Whitehall Old War Office, London; 135 Bishopsgate, London; Civic Centre Scheme, Coventry; Tinbergen Building, Oxford.

2. The 7 firms provisionally found to have been involved in compensation arrangements as well as cover pricing are: Brown and Mason; Cantillon; McGee; Scudder; DSM; Erith; and Squibb. Erith and Squibb are contesting the finding.

3. The Statement of Objections in this case was addressed to the entities listed below on 23 June 2022. In some cases it was addressed to entities who are either the economic successor or parent companies of those directly involved in the conduct: Brown and Mason Group Limited, Cantillon Limited, Cantillon Holdings Limited, Clifford Devlin Limited, DSM Demolition Limited, DSM SFG Group Holdings Limited, Nobel Midco Limited, Nobel Topco Limited, Erith Contractors Limited, Erith Holdings Limited, John F Hunt Limited, John F Hunt Group Limited, Keltbray Limited, Keltbray Holdings Limited, McGee Group (Holdings) Limited, MFCOIL Limited, T. E. Scudder Limited, P.J. Carey Plant Hire (Oval) Limited, Carey Group Limited and Squibb Group Limited.

4. A party under investigation by the CMA may enter into a settlement agreement if it is prepared to admit that it has breached competition law, and is willing to pay a penalty and agree to a streamlined administrative procedure for the remainder of the investigation.

5. A statement of objections gives parties notice of a proposed infringement decision under the competition law prohibitions in the Competition Act 1998 or the TFEU. Parties have the opportunity to make written and oral representations on the matters set out in the statement of objections. Any such representations will be considered by the CMA before any final decision is made. The final decision is taken by a 3-member case decision group, which is separate from the case investigation team and was not involved in the decision to issue the statement of objections.

6. Under the CMA's leniency policy, a business that has been involved in a cartel may be granted immunity from penalties or a significant reduction in penalty in return for reporting cartel activity and assisting the CMA with its investigation. In this case, Scudder and McGee reported their involvement in the conduct under the CMA's leniency policy and will benefit from a discount on any fine, provided they continue to co-operate and comply with the other conditions of the CMA's leniency policy. Individuals involved in cartel activity may also, in certain defined circumstances, be granted immunity from criminal prosecution for the cartel offence under the Enterprise Act 2002 and from competition disqualification proceedings. The CMA also operates a rewards policy under which it may pay a financial reward of up to £100,000 in return for information which helps it to identify and take action against cartels. For more information can be found on the CMA's leniency and informant reward policies.

7. For more information on anti-trust investigations, visit the CMA's procedures in Competition Act 1998 cases.

8. Anyone who has information about a cartel is encouraged to call the CMA cartels hotline on 020 3738 6888 or email cartelshotline@cma.gov.uk.

9. Media enquiries should be directed to the CMA's press team: press@cma.gov.uk or 020 3738 6460.