Why construction sector prone to collusion?

Commissioner Kamser Lumbanradja
KPPU Indonesia
Construction sector plays important role in Indonesia, challenges do exist.

Investment components’ contribution to real investment growth yoy, percentage points

On going challenges:
- high price of building materials
- human resources
- rapid increase in minimum salaries
- competition problem

Note: * Other includes domestic machinery, equipment and transportation
Source: BPS; World Bank staff calculations
5 Reasons why there is too much collusion in construction

- Construction is an overwhelming market
- Lots of market player, few are specialized
- They fish from the same lake
- Less innovation
- High profit margin
How technology affect the enforcement?

• Indonesian government introduced the application of e-procurement to any procurement. The procurement service institution called independent e-procurement unit (LPSE) is established. There are 1176 e-procurement independent units throughout Indonesia.

• Is the implementation of e-procurement reduces collusion in the construction? Not yet, number of complaint in collusion is still high. No significant change in the use of technology with a reduction of collusion.

• The introduction of technology do help competition authority to find or gather evidences or necessary documents. Acquisition of documents is needed because all the information or documents can be downloaded from the procurement unit (LPSE).