

# **CIVIL ENGINEERING IN RAIL AND ROAD MARKET STUDY**

**Statement of scope**

19 June 2025

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*Website:* [www.gov.uk/cma](http://www.gov.uk/cma)

The Competition and Markets Authority has excluded from this published version of the final report information which the inquiry group considers should be excluded having regard to the three considerations set out in section 244 of the Enterprise Act 2002 (specified information: considerations relevant to disclosure). The omissions are indicated by [X]. Some numbers have been replaced by a range. These are shown in square brackets. Non-sensitive wording is also indicated in square brackets.

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# Statement of scope

## 1. Introduction

### Why we are launching a market study

- 1.1 The Competition and Markets Authority (CMA) has launched a market study into the design, planning and delivery of railway and public road infrastructure by the civil engineering sector across the UK.<sup>1</sup> This will examine whether there are opportunities to improve interactions in this market so both the public sector and industry are incentivised to build more cost-effective infrastructure and enable economic growth.
- 1.2 This review is particularly timely given the publication today of the UK Government's 10 Year Infrastructure Strategy. This sets out a long-term plan for the country's infrastructure and a forward pipeline of priority infrastructure projects.
- 1.3 This review will support growth and investment in the sector by helping the market to operate as effectively as possible. Pro-growth and pro-investment interventions such as this are key priority areas for the CMA, as referenced in the UK government's strategic steer to the CMA and the CMA's 2025/26 Annual Plan.<sup>2</sup>
- 1.4 The economic infrastructure delivered by civil engineering is fundamental to economic growth. ONS data shows that construction is the 7<sup>th</sup> largest sector in the UK economy<sup>3</sup>, with civil engineering itself adding around £23bn to the UK's Gross Value Added.<sup>4</sup> When functioning well, it has the potential to create a multiplier effect on growth: boosting the civil engineering sector itself, bringing people together and improving connectivity of business activities throughout the UK.
- 1.5 The UK will need to deliver larger, more complex infrastructure over the next decade, in order to meet objectives around decarbonising the economy and improving economic resilience. The National Infrastructure Committee (NIC), now part of the National Infrastructure and Service Transformation Authority (NISTA), estimated that both public and private sector infrastructure investment will need to increase by 30%-50% over the next decade.<sup>5</sup>
- 1.6 However, previous studies indicate that the sector is not currently operating as effectively as it could. For example, in October 2024, the NIC identified four interrelated factors that are holding back infrastructure projects in the UK: the

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<sup>1</sup> The scope of the market study is set out in the [Market Study Notice](#).

<sup>2</sup> The CMA, [Annual Plan 2025 to 2026](#)

<sup>3</sup> [Regional gross value added \(balanced\) by industry: all ITL regions - Office for National Statistics](#)

<sup>4</sup> [Non-financial business economy, UK: Sections A to S - Office for National Statistics](#)

<sup>5</sup> National Infrastructure Commission, [Second National Infrastructure Assessment](#)

absence of a long-term and stable infrastructure strategy; client and sponsorship challenges (including overlapping roles); inefficient consenting and compliance processes; and a constrained supply chain. Furthermore, the NIC estimated that harnessing system-wide improvements across these areas could translate to savings of 10%-25% across infrastructure projects.<sup>6</sup>

- 1.7 This market study will focus on the rail and road sectors. Together rail and road, excluding High Speed 2 (HS2), accounted for around 70-75% of government expenditure on economic infrastructure in 2022.<sup>7</sup> As such, this will enable us to consider a high proportion of economic infrastructure activity.

## **What we are proposing to focus on**

- 1.8 Through this market study we aim to look at how the civil engineering market will best be able to design and deliver large and complex infrastructure projects in the future. We expect to identify opportunities to improve outcomes in this market.
- 1.9 In carrying out this market study, the CMA is particularly well-placed to look across the UK, including taking account of different national and regional perspectives, to form a holistic and impartial view about how the market operates and make clear, focused recommendations to drive genuine improvements. This draws on our rigorous, evidence-based processes; collaboration with all players in the market; and expertise on developing positive steps to improve competition and markets. The UK government has committed to consider and respond to any recommendations we address to it within 90 days.
- 1.10 A market study does not give the CMA the power directly to intervene in markets and, in this case, the CMA does not currently expect that this study is likely to result in a market investigation reference.<sup>8</sup>
- 1.11 We currently consider that a well-functioning civil engineering market would be expected to have the following characteristics, thereby serving the interests of consumers of those services, including public bodies:
- (a) Appropriate project budgeting and design specification, including input from potential suppliers, to test the viability of different options in advance of launching a procurement.

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<sup>6</sup> National Infrastructure Commission, [Cost drivers of major infrastructure projects in the UK](#), October 2024

<sup>7</sup> National Infrastructure Commission, [Second National Infrastructure Assessment](#)

<sup>8</sup> A market study can result in a range of outcomes including a finding of no material competition or consumer concerns, action for the benefit of consumers, recommendations to business or government, action to investigate and enforce consumer and competition law, acceptance of undertakings in lieu of a reference (UILs) or a market investigation reference (MIR).

- (b) Effective procurement design, which balances quantitative and qualitative criteria, and incentivises suppliers to participate in tenders, submit accurate cost estimates and articulate any quality / cost trade-offs.
  - (c) Proportionate planning and regulatory processes that minimise cost, complexity and unwarranted delays for both the procuring body and participating suppliers.
  - (d) Predictable and shorter timescales for the delivery of infrastructure projects, underpinned by a productive supply chain.
  - (e) Ultimately best value projects that deliver an efficient unit cost of infrastructure, meet high quality standards and underpin growth.
- 1.12 We propose to draw on these characteristics throughout the market study to gauge current performance and test whether potential recommendations could help realise meaningful improvements.
- 1.13 It is clear that in this market public bodies play a very significant role in shaping market outcomes, both through the legal, regulatory and policy frameworks they create and through the way they interact with the market as procurers of economic infrastructure. We are particularly mindful of the role that public bodies can play in shaping market outcomes, including through public procurement and regulation. Our analysis will therefore pay particular attention to the role of public bodies and, where appropriate, we will make direct recommendations to drive improved market outcomes.
- 1.14 We intend to address the following questions:
- (a) How can public authorities access and assess the right information to make well-reasoned decisions when procuring roads and railways, and how can they effectively work with the market to deliver projects on time, to a high quality and within anticipated budgets?
  - (b) Do any procurement, planning or other regulatory processes create significant unnecessary barriers which limit companies' ability and incentive to enter, expand, invest and innovate in this market?
  - (c) In light of (a) and (b), what changes to the way this ecosystem operates would best incentivise and support civil engineering firms to deliver public roads and railways in a way that best delivers UK productivity and growth?
- 1.15 Once the CMA has carried out the necessary evidence-gathering and analysis, we will identify options for where we consider the functioning of the market could be improved. Although our evidence-gathering and analysis will focus on the rail and

road sectors, our findings may identify lessons that may be equally as informative for civil engineering in other areas of economic infrastructure.

## **How we will approach the market study**

- 1.16 The CMA has powers under the Enterprise Act 2002 (EA02) for ensuring that markets work well for consumers. In the case of a market study, the CMA examines the causes of why a particular market may not be working as well as it could be, taking an overview of the regulatory, government and other economic drivers and patterns of behaviour.
- 1.17 The CMA recognises the potential concerns that a formal market study can create market uncertainty and burdens for businesses. The CMA is committed to undertaking this market study in a way that supports the UK government's priority focus on economic growth and in line with the government's strategic steer to the CMA. For that reason, we will maintain a strict focus on the pace, predictability, proportionality and process of this market study, in line with the CMA's wider "4Ps" approach.
- 1.18 Launching a market study triggers statutory time limits, with a requirement to publish a market study report within 12 months, setting out our findings and the actions (if any) we propose to take. We will endeavour to complete this work as quickly as possible. With prompt and constructive engagement from market participants, from both the private and public sectors, we intend to publish our final report within 10 months. Section 4 provides further details on our approach and a guide to how to engage with us is available on our website.<sup>9</sup>
- 1.19 We plan to work with the following market participants through the study to ensure we can benefit from a broad range of perspectives, covering the full life cycle of infrastructure design and delivery:
  - (a) Civil engineering contracting firms operating at all tiers of the supply chain (i.e. Tier 1, Tier 2 and Tier 3).
  - (b) Civil engineering consultants, typically involved in the design phase.
  - (c) Public authorities that are responsible for procuring rail and road infrastructure (procuring clients). This includes bodies such as Network Rail, National Highways, Transport Scotland, the Welsh Government and the Department for Infrastructure and Translink in Northern Ireland, and local authorities that maintain and enhance local roads.

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<sup>9</sup> [How to engage with our civil engineering market study roadmap.](#)



- (d) Rail and road regulators, including the Office of Rail and Road (ORR), which is the independent safety and economic regulator for Britain's railways and monitor of National Highways; and the Department for Infrastructure, which is the Rail Safety Authority for Northern Ireland.
- (e) Bodies involved in assessing planning applications, including local authorities the Planning Inspectorate and statutory consultees (e.g. the Environment Agency (in England) and Scottish Natural Heritage (in Scotland)).
- (f) UK government and the devolved governments which set the policy and funding and act as the project sponsor for infrastructure procurement.

1.20 In developing our approach, we have had a close focus on potential costs to businesses and public authorities. We will ensure our approach, including when requesting information, is proportionate and targeted to the issues outlined in this statement of scope.

1.21 The rest of this document:

- (a) explains the context of this work;
- (b) sets out the proposed scope of the market study and the themes we intend to explore;
- (c) sets out the market study process; and
- (d) sets out the topics where we are seeking your views via an invitation to comment, and next steps.

## 2. Context

- 2.1 Economic infrastructure delivered by civil engineering firms has been the subject of considerable research, and reform, by government and others. This reflects both its importance to UK economic growth and longstanding concerns about observed market outcomes. This market study will seek to build on this previous work in the sector. We will consider the extent to which there are transferable findings and how our findings could work with current reforms, including if we identify specific recommendations for governments and other public bodies to improve the way the market is functioning. Here we briefly summarise some of the most recent contributions and reforms, which we have drawn on when scoping this market study.
- 2.2 In 2023, the National Audit Office published its lessons learned report on competition in public procurement.<sup>10</sup> The review found that, whilst the benefits of competition were well understood, existing structures to promote the use of competition were not working as well as intended. For example, government departments were often uncertain on how to engage with the market prior to a contract being awarded, and did not consistently apply central guidance.
- 2.3 The NIC published a report on the cost drivers of major infrastructure projects in the UK in 2024.<sup>11</sup> It reported the following poor outcomes in the market:
- (a) persistent issues around high cost and slow delivery of infrastructure projects, with construction costs having risen by around 30% more than GDP per capita since 2007;
  - (b) evidence of high procurement cost on big infrastructure projects compared with other countries, specifically in nuclear power and rail; and
  - (c) broadly flat labour productivity since 2008, in part driven by fragmentation and small size of firms.<sup>12</sup>
- 2.4 As shown in Figure 1, the ONS also highlights that weak productivity growth means that real output has increased slowly in construction compared with the rest of the economy, and this has contributed to the view that infrastructure is becoming relatively more expensive.

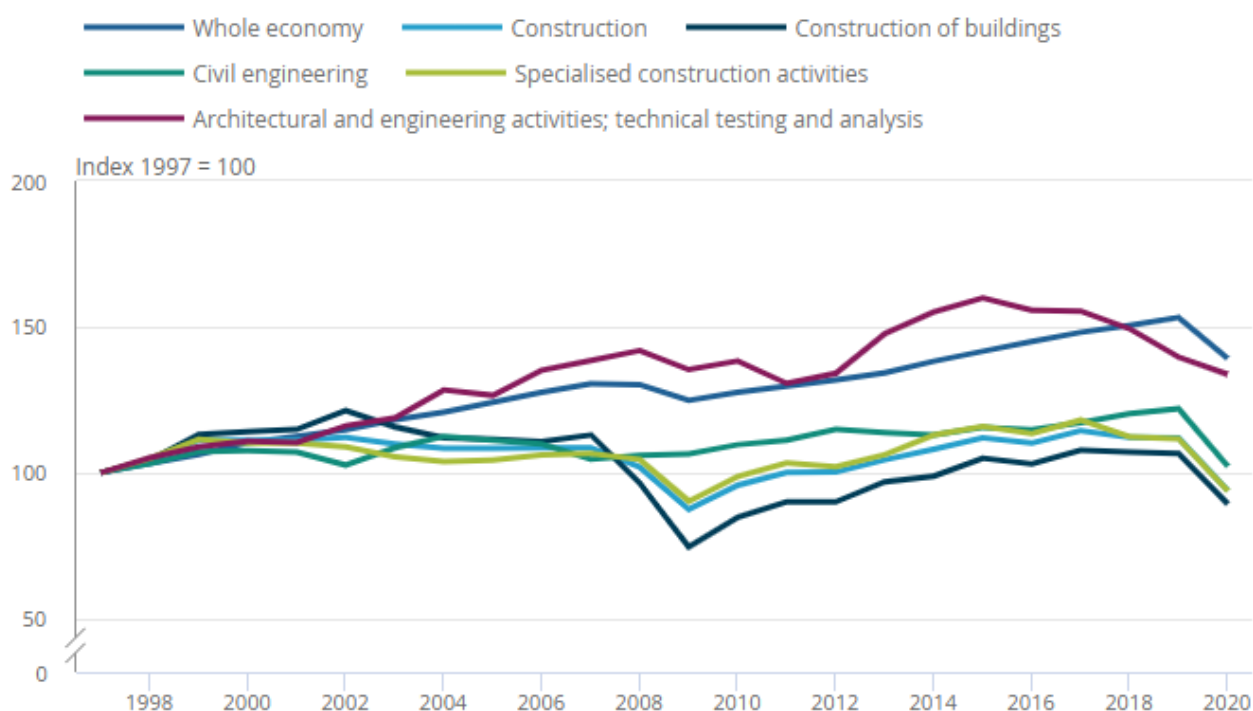
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<sup>10</sup> [Competition in public procurement: lessons learned - NAO insight](#)

<sup>11</sup> National Infrastructure Commission, [Cost drivers of major infrastructure projects in the UK](#), Oct 2024

<sup>12</sup> National Infrastructure Commission, [Cost drivers of major infrastructure projects in the UK](#), Oct 2024

**Figure 1: Output per hour worked in construction, civil engineering and other sectors (index 1997 = 100)**



Source: ONS analysis of productivity in the construction sector: [Productivity in the construction industry, UK - Office for National Statistics](#)

- 2.5 These findings have been reinforced in other research. For example, EY Parthenon looked at fiscal constraints in delivering infrastructure projects in the UK, and estimated that £1tn could be added to the shortfall if the cost overruns of the last decade are repeated. International benchmarking by the Boston Consulting Group also found that, whilst the UK's overall performance was somewhat mixed, it had higher unit costs in rail and road infrastructure than all other peer countries in the dataset.<sup>13</sup>
- 2.6 The UK government has identified growth as its number one mission. Economic infrastructure is fundamental to growth, and the 10 Year Infrastructure Strategy, published today, aims to provide more stability to markets involved in infrastructure delivery. It has also made commitments to invest transport infrastructure, with £15.6 billion of funding for local transport projects announced in June 2025.<sup>14</sup> This will complement the UK government's upcoming Industrial Strategy which will focus on tackling barriers to growth and creating the right conditions for increased investment and high-quality jobs.
- 2.7 The UK government is pursuing substantial policy reforms around infrastructure plans, planning, procurement and rail ownership, aimed at improving the delivery of infrastructure.

<sup>13</sup> Improving Infrastructure Delivery in the UK | BCG UK

<sup>14</sup> Biggest ever investment in city region local transport as Chancellor vows the 'Renewal of Britain' - GOV.UK

- (a) The Planning and Infrastructure Bill, introduced to Parliament in March 2025, will seek to speed up and streamline planning processes to deliver high quality infrastructure for major economic infrastructure projects. This includes removing some statutory consultation requirements for major infrastructure projects.<sup>15</sup> The Bill's core provisions for planning reform primarily apply to England and Wales (with some provisions regarding electricity infrastructure projects applying to Scotland).
- (b) The Procurement Act 2023 came into effect on 24 February 2025 and applies to all regulated contracts whose procurement commenced on or after this date<sup>16</sup> in England, Wales and Northern Ireland. It sets out the rules for how goods and services are procured and aims to streamline procurement processes to make it easier for businesses to bid, negotiate and work in partnership with the public sector<sup>17,18</sup>
- (c) The UK government has set out its plans to establish Great British Railways (GBR) through the Railways Bill.<sup>19</sup> The government intends for GBR to bring together responsibilities for the rail network and publicly owned passenger services that run on it. It will be responsible for owning and managing rail infrastructure, including delivering enhancements, that Network Rail does today.<sup>20</sup>

2.8 The Devolved Nations have also identified investment in infrastructure as a priority. In 2018-19 the Scottish Government set out its National Infrastructure Mission, increasing infrastructure investment to £34.2bn between 2021/22 and 2025/26.<sup>21</sup> £26bn of this planned investment was translated into a spending plan, Infrastructure Investment Plan for Scotland.<sup>22</sup>

2.9 The Welsh Government published the Wales Infrastructure Investment Strategy in December 2021, which set out the outcomes which investment in infrastructure should enable over the next 10 years.<sup>23</sup> The strategy committed to publishing

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<sup>15</sup> [Planning reforms to slash a year off infrastructure delivery - GOV.UK](#)

<sup>16</sup> Contracts whose procurement was commenced before 24 February 2025 will continue to be regulated by the Public Contracts Regulations 2015.

<sup>17</sup> The Cabinet Office has published guidance for businesses supplying goods or services to public authorities, see [The Procurement Act 2023: A short guide for suppliers](#) and guidance for government departments on contract procurement and management of works throughout the lifecycle of major infrastructure projects, see [The Construction Playbook](#)

<sup>18</sup> The Procurement Act 2023 is the primary legislation governing public procurement in England, Wales and Northern Ireland and applies to contracting authorities such as government departments and local authorities, as well as suppliers who are bidding for contracts in England, Wales and Northern Ireland. It also applies to Scotland for reserved matters i.e. procurement by public bodies whose powers are governed by the UK Government.

<sup>19</sup> [Great British Railways and the public ownership programme - GOV.UK.](#)

<sup>20</sup> [A railway fit for Britain's future - GOV.UK.](#)

<sup>21</sup> [Investing in Scotland's infrastructure](#), Audit Scotland, Sept 2023, p.8.

<sup>22</sup> [Executive Summary - A National Mission with Local Impact: Infrastructure Investment Plan for Scotland 2021-22 to 2025-26 - gov.scot](#)

<sup>23</sup> [Wales infrastructure investment strategy 2021 | GOV.WALES](#)

yearly Infrastructure Finance Plans to translate the one-year capital budget into a delivery plan.

- 2.10 In Northern Ireland, in October 2024 the Department of Finance committed to implementing multi-year budgets where possible.<sup>24</sup> The Northern Irish Government has published a consultation on its Investment Strategy for Infrastructure which will take a forward view up to 2050.<sup>25</sup>

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<sup>24</sup> [Budget Sustainability Plan](#), Department of Finance, pp.13-14.

<sup>25</sup> [Infrastructure-2050-draft-Investment-Strategy-for-Northern-Ireland-FINAL.pdf](#)

### 3. The scope and focus of this market study

- 3.1 The UK will need to deliver larger, more complex economic infrastructure over the next decade. The UK government and the Northern Irish, Scottish and Welsh Governments have all set out plans for infrastructure investment and delivery.
- 3.2 The CMA's market study will complement and support these reforms by seeking to identify opportunities to further improve how the civil engineering market for rail and public road performs. Specifically, we will focus on how market interactions between public bodies and the business supply chain could best incentivise cost-effective delivery of rail and road infrastructure and whether public procurement and other regulatory processes could make it easier for firms to enter, expand, invest and innovate.

#### Scope of this market study

- 3.3 The scope of this market study is the full project life cycle of railway and public road infrastructure, as set out in the market study notice. Where relevant, we may also draw comparisons with other economic infrastructure sectors.
- 3.4 We consider that these are the economic infrastructure subsectors where the CMA can provide the most insight and greatest impact. Together, rail and road, excluding HS2, accounted for 70-75% of government expenditure on economic infrastructure in 2022.<sup>26</sup> This scope will allow us to explore issues in depth and at pace while still drawing comparisons across a range of practices. As such, the scope of this market study will enable us to consider areas representing a high proportion of economic infrastructure and civil engineering activity.
- 3.5 In particular, the scope includes:
- (a) the full project life cycle from pre-project identification of needs and funding requirements, initial design and procurement, through to planning and construction.
  - (b) roads procured by the public sector nationally and locally;
  - (c) rail procured by the public sector nationally and locally; and
  - (d) the enhancement, renewal and maintenance<sup>27</sup> of public roads and railways.
- 3.6 To keep this project manageable, we propose that the scope excludes:

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<sup>26</sup> National Infrastructure Commission, [Second National Infrastructure Assessment](#)

<sup>27</sup> In relation to maintenance, this market study focuses on large-scale infrastructure projects designed to detect and rectify major faults to ensure safe and serviceable use of roads and railways rather than day-to-day, routine maintenance activities such as pothole repair.

- (a) tram networks;
- (b) all light rail, including underground rail networks; and
- (c) upstream raw materials that input to the construction of roads and railways.

- 3.7 We plan to focus our analysis on strategic and substantial infrastructure projects that involve capital investment, which may, for example, lead us to focus on projects that involve substantial earthworks and ground engineering to increase capacity or wholesale replacement and upgrades of existing parts of the network. Consequently, we do not propose to study small maintenance activities and procurement of roads entirely by the private sector. Nor do we plan to focus on the procurement of railway signalling, as this has been examined recently by ORR, or ancillary elements, such as telecommunications.
- 3.8 As part of our evidence-gathering, we intend to look at case studies of specific infrastructure projects. We intend to exclude HS2 from these potential case studies as it has been subject to multiple reviews already and the unique scale of the project would limit the applicability of any lessons more broadly. In selecting our case studies, we are interested in considering projects from across the nations and regions of the UK that delivered a range of outcomes.
- 3.9 We propose that the geographical scope of the market study is the UK. We note that infrastructure policy and strategic road network maintenance and development are devolved. The market study will seek to understand how the market works in all four nations of the UK as well as different regions and any recommendations (if needed) to governments, local or combined authorities in the UK will take this into account.

## **Themes this market study will focus on**

- 3.10 Unlike many other studies that have focused on challenges with infrastructure delivery, we propose to undertake a more forward-looking assessment of how this market could operate to realise its potential to support economic growth.
- 3.11 We have drawn on research in previous studies, alongside our own initial analysis, to ensure our assessment will be focused on how market features and the process of competition can help drive the outcomes of a well-functioning market that we set out in Section 1.
- 3.12 As a preliminary step, we will set out the nature and functioning of the civil engineering market across the infrastructure project life cycle to better inform our understanding of potential issues and areas of improvement. We then propose to gather evidence and undertake analysis to assess the market dynamics and address the following questions:

- (a) How can public authorities access and assess the right information to make well-reasoned decisions when procuring roads and railways, and how can they effectively work with the market to deliver projects on time, to a high quality and within anticipated budgets?
- (b) Do any procurement, planning or other regulatory processes create significant barriers which limit companies' ability and incentive to enter, expand, invest and innovate in this market?
- (c) In light of (a) and (b), what market structures and features will best allow the civil engineering market to deliver roads and railways that supports UK productivity and growth?

3.13 We will use this analysis to develop a clear understanding of the demand and supply interactions, and to what extent the market currently falls short of delivering the desired outcomes. Where we identify concerns over how well the market is functioning, we will seek to identify potential measures to improve it. This will include an assessment of their effectiveness, including their practicability, and any unintended consequences.

3.14 Subject to the results of our analysis of the evidence we gather on how public authorities procure rail and road infrastructure projects and the impacts of different approaches on the ability and incentives of firms to compete and grow, we currently expect to make recommendations to governments and public authorities regarding how public procurement is undertaken. This could include making changes to processes with the aims of reducing barriers to entry and/or expansion, driving operational efficiencies and supporting good decisions by improving the accuracy of budgets and estimates of delivery timescales.

3.15 Given that the market study concerns matters that are devolved, throughout we will actively understand relevant differences by nation and in regions in the functioning of the market. We will also take these differences into account when developing options for any areas that could be improved.

### **Nature and functioning of the civil engineering market**

3.16 A well-functioning civil engineering market is one where the process of competition drives good outcomes for economic infrastructure, in the interests of consumers, while serving as an engine for productivity, innovation, and growth. As part of our assessment of how the market is working, we will seek to understand the main characteristics of the market and nature of competition.

3.17 Our assessment of how the market currently operates, and could potentially function better, will include the following:



- The roles of key participants in the delivery of rail and public road infrastructure projects, and the interactions between them.
- The nature of public sector procurement, including the role of competition and the key factors that influence choice of supplier.
- The market structure, such as trends in the number and size of market participants and underlying drivers of these.
- The main parameters of competition such as price, quality, and delivery timescales.
- Other key aspects of how the market operates including financing, risk sharing, and the planning and regulatory framework.

## **Public procurement**

- 3.18 Public sector procurement plays a fundamental role in shaping the market structure and outcomes. Our initial research and stakeholder engagement indicates that public authorities face challenges in accessing the right information, assessing different options, and making well-informed choices when designing and implementing their public sector procurement strategies. We discuss each of these in turn.
- 3.19 First, we will consider the extent to which public authorities can effectively scope infrastructure projects, including their ability to:
- provide clarity on the long-term pipeline of projects;
  - source relevant technical expertise (eg civil engineering and procurement specialists); and
  - engage with the market early to inform the development of options.
- 3.20 The focus of our evidence-gathering will be through stakeholder engagement with public authorities, local authorities, and businesses, as well as the use of case studies, to explore how structural and behavioural barriers may impact on decision-making and result in less choice and higher costs. This will allow us to identify the factors that need to be overcome when developing any recommendations to improve transparency and openness in the market.
- 3.21 Second, we will explore whether public authorities' approach to procurement may impede the functioning of the market by:
- relying on procedures that could limit the degree of competition (whilst noting that the Procurement Act 2023 aims to make commercial frameworks more open); and

- focusing on a narrower set of outcomes (eg cost over quality and innovation) when designing evaluation and assessment criteria.
- 3.22 For this topic, we will gather data to assess the proportion of contracts awarded under different mechanisms, as well as information on the criteria that are commonly used to evaluate bids. This will aid our understanding of the role public procurement has in shaping the current market structure, and consider whether different approaches could drive a better set of outcomes.
- 3.23 Third, we will assess whether public sector buyers can exercise effective choice given:
  - the information and advice available to support their decisions (eg authorities may not be fully informed when weighing up risk and reward in their choice of supplier); and
  - any other constraints that may influence their choices.
- 3.24 In this case, we will seek views and gather information to understand the drivers of choice, including potential biases and how they impact on behaviours, and the information that is available to public sector buyers to support decision-making.
- 3.25 Fourth, we will examine whether public procurement contracts create the right incentives for suppliers given:
  - the approach to risk allocation and choice of pricing mechanisms (eg fixed price or cost plus contracts); and
  - any other aspects of contract design that influence behaviour, such as the use of contract extensions or variations which may result in low initial bids but encourage suppliers to pursue revenue uplift over the duration of the work.
- 3.26 We will undertake research, and gather information, to understand the different models that are commonly used in this market, including case studies that offer insights on different practices. This will allow us to assess the role of incentives in driving the current market structure and outcomes, and reflect on whether alternative approaches could enable greater growth.

## **Barriers in the market**

- 3.27 Barriers can impede the operation of a well-functioning market by making it more difficult for companies to enter the market, expand their operations, pursue innovation and ultimately compete with more established incumbents. In our 2024

State of Competition report, we looked at entry and exit rates<sup>28</sup> in construction<sup>29</sup>, and found these both trended downwards between 2005 and 2016 (before stabilising).<sup>30</sup>

3.28 We will assess whether barriers in the market impede companies' ability and incentive to enter, expand, invest, and innovate. The potential issues that we intend to explore in our evidence gathering and analysis are as follows:

- The scope for key aspects of public procurement, such as the number of requirements and the design of evaluation criteria, to affect firms' incentive to participate in the market. Specifically, we will examine the extent to which these factors impose disproportionate costs and limit the set of potential competitors for different types of infrastructure contracts.
- Complexity and uncertainty attributable to planning processes, which may impose significant cost and act as structural or behavioural barriers to the market working well.
- Inefficiencies arising from the compliance with regulation and standards (eg safety, environmental protection), which may impair competition, add disproportionate cost and limit the scope for innovation.
- Inherent features of the market, such as economies of scale and capital requirements, which may constrain supply. Our analysis will focus on identifying the most material barriers, through engagement with public authorities, local authorities, and businesses, to understand how they may impact on desired outcomes, including its impact on the uptake of modular construction which may constrain productivity and efficiency.

### **Supply-side features in the market**

3.29 The structure and characteristics of the civil engineering market have a key part to play in driving productivity, innovation, and growth. Considering the construction sector more broadly, it is characterised by a large number of firms and, in 2024, was the sector with the largest share of SMEs as a % of the total SME numbers (870,000 or 16%).<sup>31</sup> For these reasons, we also propose to assess any impact of supply-side features, and consider whether any changes in the supply-side features of the market could help to improve market outcomes, and the extent to which those are influenced by demand-side choices.

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<sup>28</sup> The entry rate is defined as the number of entrants divided by the total number of active local units in the previous quarter. Similarly, the exit rate is defined as the number of exits divided by the total number of active local units in the previous quarter.

<sup>29</sup> Note that construction is the SIC section, with civil engineering being a division or subcomponent of construction. We consider civil engineering where data are available, but often information is only aggregated for the construction section.

<sup>30</sup> [The State of UK Competition Report 2024 - GOV.UK](#)

<sup>31</sup> [Business population estimates for the UK and regions 2024: statistical release - GOV.UK](#)

- 3.30 As part of our review, we will assess whether there is effective competition between suppliers for public sector contracts, by considering the size and characteristics of different civil engineering firms and the incentives they have to compete for customers.
- 3.31 We will also explore whether the structure of the supply chain, including the extent of vertical relationships, leads to unnecessary costs and distortions. The potential issues that we intend to explore in our evidence-gathering and analysis are as follows:
- The approach to subcontracting and the extent to which potential benefits (eg greater specialisation) are offset by higher costs (eg greater assurance costs). This will require us to gather information across the tiers of the supply chain on the underlying drivers, and employ case studies to assess the cost breakdown for a select number of infrastructure projects.
  - Financial arrangements, such as payment periods and the use of retentions, which may introduce additional cost and create cashflow constraints. Our analysis will consider whether these impact on firms' ability and incentives to grow and invest.
- 3.32 By drawing on the analysis set out above, and considering the interaction between demand- and supply-side issues, we will be able to test current performance against the characteristics of a well-functioning market that we set out in section 1. This, in turn, will allow us to identify the extent to which changes are needed to promote a competitive market that fosters productivity, innovation, and growth.
- 3.33 We expect that this evidence gathering and analysis will put us in a position to be able to identify and design any measures required to improve market outcomes. We currently anticipate that any recommendations we will make to governments and public authorities could include improving how long-term pipelines of projects are developed, communicated and coordinated; how projects are benchmarked and procured, and how risks are managed, while recognising that there are wider strategic priorities and policy aims, including impacts and potential trade-offs from planning and other regulatory processes.

## 4. The market study process

- 4.1 In November 2024, the CMA committed to meaningful change across four key aspects of how it works – pace, predictability, proportionality, and process (the 4Ps). The changes are designed to ensure that the CMA contributes to a regulatory environment which supports growth, while continuing to fulfil its statutory mandate to promote competition and protect consumers. We will carry out this market study in a manner that applies the 4Ps.
- 4.2 On pace, we intend to complete this market study within 10 months, working within the statutory time limit of 12 months. The study will be structured in two phases:
- (a) Between now and November 2025, we will work with market participants and external experts to identify areas where the current performance in the market could be improved. With prompt and constructive engagement from market participants, we plan to share our emerging findings and any areas for improvement via a published interim report.
  - (b) Between November 2025 and March 2026, we will consult on our emerging findings and potential recommendations for any areas where we consider market outcomes could be improved. We plan to publish our final report in April 2026.
- 4.3 To deepen our understanding of the market at pace, we intend to carry out research and work with technical experts. We may invite research agencies to submit bids to undertake qualitative research with companies in the market. In addition, the CMA is appointing an advisory panel to provide the CMA with specialist expertise and insight on an ad hoc basis throughout the market study.
- 4.4 On predictability, we are aiming to give business and public authorities greater clarity about our approach and emerging thinking. Alongside this document, we have published [a guide on how to engage with this market study](#). It explains the key stages of the market study and highlights opportunities to engage with us to help develop our thinking and understand our emerging findings. We plan to update this guide periodically through the market study to make sure that our approach remains accessible to stakeholders as we progress.
- 4.5 On proportionality, we have focused the scope and themes of the market study on areas that build on previous studies, avoid duplication with ongoing reforms, and where there is the potential to take tangible actions.
- 4.6 In deciding whether to launch the market study, we have considered the likely impact of our work on businesses and public authorities. In particular, we have taken into account the cost to business of engaging with the CMA and providing information, as well as the potential uncertainty to businesses of CMA work in this

market. To make sure that our evidence-gathering is proportionate for business and public authorities, we plan to rely on publicly available data where possible, keep requests targeted on the themes outlined in this Statement of Scope, and ensure that we are collecting no more information than we need.

- 4.7 On process, we plan to adopt a participatory approach to the market study and are interested in working with a broad range of market participants. As set out in Section 5, we are inviting comments from interested parties and will be engaging closely with key stakeholders, including governments in all four UK nations, other public authorities, including regulators and procuring bodies, and representative groups.
- 4.8 Alongside the publication of this Statement of Scope and our Market Study Notice, we are holding two webinars with Dan Turnbull, Senior Director of Markets for interested stakeholders who want to learn more about the market study and how we intend to engage with the market. More details, including how to sign up to the event are provided on the guide.
- 4.9 As the market study progresses, we intend to consult business, public authorities, and UK and devolved governments on our emerging findings. This is likely to take the form of a written consultation, as part of the interim report, and workshops, as appropriate.
- 4.10 The market study will involve the following stages:

**Figure 2 Project timeline**

<b>Timescale</b>	<b>Stage</b>	<b>Description</b>
<b>June 2025</b>	Launch	The CMA has formally launched the market study, starting the 12-month statutory timeframe for the project.
<b>19 June-November 2025</b>	Evidence-gathering and analysis	<p>We will gather evidence on themes in the Statement of Scope through a mixture of desk-based research and engaging participants, through discussions, requests for information, questionnaires, and qualitative research. We will then develop our emerging thinking on the market in line with the themes in this paper.</p> <p>In November, we expect to publish an interim report, sharing our emerging thinking.</p>

<b>December 2025- February 2026</b>	Consultation on emerging findings and areas for potential recommendations and finalising evidence gathering and analysis	We will consult with business, public authorities, UK and devolved governments that could be affected by any recommendations we propose to make. This will likely be through a combination of written consultation and workshops.
<b>March-April 2026</b>	Final report	We will publish our final report setting out our conclusions about the market and any recommendations for action.

## 5. Invitation to comment

- 5.1 As part of our participatory approach, we are keen to hear views from a broad range of market participants throughout the market study. This will be vital in developing our understanding of how well the market is currently performing, and to identify potential areas that could help improve its functioning.
- 5.2 Below we set out some initial questions, which provide a first opportunity for stakeholder to engage in our process. We particularly welcome responses from public authorities, local authorities, civil engineering companies as well as others with an interest in how the market functions.
- 5.3 If you are interested in sharing your views, you can choose to respond to the questions that are most relevant to your experience and knowledge.

### Questions

1. Do you agree with our articulation of the characteristics of a well-functioning market as set out in paragraph 1.11? If not, what could be changed and why?
2. Do you agree with our proposed scope (both the product and geographic scope) and themes for this market study, as set out in Section 3. If not, what areas would you suggest we include, exclude or prioritise, and why?
3. What, if any, are the key differences in the markets for the supply of roads and railways across the 4 nations of the UK that should be reflected in our analysis?
4. Please suggest any rail and road infrastructure projects across the UK that could be useful case studies to inform our market study. We are particularly interested in understanding where:
  - a) the project realised good outcomes in terms of cost, quality and innovation (including some explanation of the factors driving this in each area); or
  - b) the project realised poor outcomes in terms of cost, quality and innovation (including some explanation of the factors driving this in each area); and/or
  - c) the project yielded important lessons that could inform improvements in the operation of the market.
5. How does public procurement and contracting in the markets for the supply of roads and railways contribute to, or undermine, the characteristics of a well-functioning market? In your answer, please comment on:
  - a) engagement between the procuring body and potential suppliers during the early stages of project design;



- b) the use of different types of procedures (eg open competition, frameworks);
  - c) the design of tenders, including the number and type of requirements and the use of quantitative (eg price) and qualitative evaluation criteria;
  - d) the approach to risk allocation across different parties; and
  - e) the use of contract mechanisms (eg insurance provisions) and pricing mechanisms (eg fixed price, cost plus).
6. To what extent do you think the structure of the industry contributes to, or undermines, the outcomes of a well-functioning market? In your response, please comment on:
- a) differences in the size and degree of specialism of different companies;
  - b) the tiered nature of the supply chain and use of subcontracting; and
  - c) financial arrangements, such as payment periods and the use of retentions.
7. What, if any, are the significant procurement, planning or other regulatory barriers that inhibit the performance of this market? What could be changed and why?
8. What are the opportunities for further innovation in the markets for the supply of roads and railways across the UK? If yes, what are the barriers to achieving these and how might they be overcome?

## **Responding to the consultation and next steps**

- 5.4 Please email written submissions to [civilengineering@cma.gov.uk](mailto:civilengineering@cma.gov.uk) by 17 July 2025.
- 5.5 Please ensure that all personal data, other than your contact details, is redacted or excised from your response and any documents you submit to us.
- 5.6 We propose to publish full responses, or where appropriate, a summary of responses to this Statement of Scope. Therefore:
- (a) Please supply a brief summary of the interests of organisations you represent, where appropriate.
  - (b) Please consider whether you are providing any material that you believe to be confidential, and if so, please explain why this is the case. Please provide both a confidential and non-confidential version of your response where applicable.

- 5.7 If you are responding as an individual (ie you are not representing a business or other organisation), please indicate whether you wish your response to be attributed to you by name or published anonymously.
- 5.8 An explanation of how we will use the information provided to us can be found in Appendix A. This Appendix sets out how the CMA may use information provided to it during the course of this market study, including where we may need to refer to information in order to pursue enforcement action against a business in this market.

## **Appendix A: Use of information provided to the CMA**

1. This appendix sets out how the CMA may use information provided to it during the course of this market study, in line with our legal responsibilities.

### **Why is the CMA asking for information?**

2. The information you provide will help the CMA to understand the markets for the supply of roads and railways (as set out in the market study notice) in the UK and identify any competition and consumer issues.

### **What will the CMA do with the information I provide?**

3. Your information will inform the CMA's final market study report, and any interim updates. The CMA may publish information you provide and identify you as the contributor of it in those reports, or alongside them on our website. The final market study report will set out the CMA's findings and any proposed remedies to any existing or potential issues it finds.
4. The CMA may disclose any information provided by you for the purposes set out in sections 7, 170 and 241 to 243 of the Enterprise Act 2002, where it considers such disclosure to be appropriate. In particular, the CMA may choose to put information provided by you to third parties, such as other government departments and other parties providing information to the CMA, for the purpose of facilitating any further related work. The CMA may also appoint one or more experts to assist us in understanding information provided to us or obtained by us.
5. Where appropriate, the CMA may share your information within the CMA to facilitate the performance of its functions. Similarly, the CMA may use information you provide to take enforcement action, including against businesses operating in the markets within the scope of this study, using its competition or consumer powers. The CMA may also share your information with another enforcement authority or with another regulator for them to consider whether any action is necessary.
6. Unless an exemption applies, the CMA may disclose the fact that you have provided information to it, and the information you have provided, in accordance with its obligations under the Freedom of Information Act 2000.

### **Will the CMA take steps to protect my information?**

7. The CMA may only publish or share information with others in specific circumstances set out in legislation (principally Part 9 of the Enterprise Act 2002). In particular, prior to publication or any such disclosure, it must have regard to (among other considerations) the need for excluding, so far as is practicable:

- (a) any information relating to the private affairs of an individual which might significantly harm the individual's interests; or
  - (b) any commercial information which, if published or shared, it thinks might significantly harm the legitimate business interests of the undertaking to which it relates.
8. The CMA will redact, summarise, or aggregate information in published reports where this is appropriate to ensure transparency whilst protecting legitimate consumer or business interests.

### **How will the CMA handle any personal data I provide?**

9. Any personal data you provide to us will be handled in accordance with the CMA's obligations under the UK General Data Protection Regulation and the Data Protection Act 2018. The CMA's [personal information charter](#) sets out the standards you can expect from it when it collects, uses or shares personal data and provides details of your rights in relation to that personal data as well as information on how to contact the CMA.

### **What should I do if I have concerns about how the CMA will use any information I provide?**

10. You should make clear to the CMA any information that you consider to be confidential when you provide it to the CMA and set out why you consider it to be confidential.
11. If the CMA wants to include any sensitive commercial or personal information in a document that will be published it will, save in exceptional circumstances, give you an opportunity to tell it about any concerns you may have regarding that publication.

### **Where can I find further information?**

12. Further details of the CMA's approach can be found in [Transparency and Disclosure: Statement of the CMA's Policy and Approach \(CMA6\)](#)