

**OUR REFERENCE:**

CMA Market Study

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AtkinsRéalis is a global engineering consultancy. We are the largest firm of our type in the UK employing around 13,000 experts. We work across all types of critical national infrastructure and the built environment in the UK and export UK expertise to major projects around the world. We have a significant transport business with strong specialisms in road and rail. We are a strategic supplier to the UK Government.

We welcome the chance to respond to the CMA's market study into civil engineering for road and rail in the UK and see it as an opportunity to improve the contracting landscape in order to provide better outcomes for citizens and drive growth across the UK. This response provides some initial views on the questions posed in the CMA's Statement of Scope and some of the key issues that we believe are worthy of more detailed consideration. We also suggest some illustrative case studies. We are at your disposal if a more detailed follow-up on the information provided would be helpful.

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## **1. Questions of scope**

We agree with the CMA's definition of a well-functioning market and support the way in which the scope of the study has been defined. We support RIAs comments on this aspect of the study.

It will be important to look at renewals and maintenance as well as enhancements. Given the forward looking nature of the study it is also important to consider the interaction between devolved administrations responsibilities and those held at the national level. On rail this is going to be an evolving aspect of the market as Great British Railways (GBR) comes into being over the next few years.

Whilst we agree that it makes sense to exclude aspects of the market that has been covered by other studies – HS2 and signalling for example – any consideration of the market needs to consider the way in which road and

rail engineering projects interact with other assets, particularly given the way in which the Green Book rules are changing to accommodate a greater consideration of place-based growth.

Finally, and most importantly, the study should take a wide and long term view of the value of procurements in the market. Our view is that a narrow focus on least cost procurements rarely delivers the best long term outcome for road and rail, instead outcome-based procurements backed by collaborative working arrangements tend to deliver better results.

## **2. Differences between road and rail in all four nations of the UK**

There are clear differences in the complexity and constraints that characterise road and rail civil engineering schemes, particularly the integration issues that rail schemes face in interfacing with specialist energy and signalling systems.

Another difference that we see in the market are the different models of public private partnerships that are appearing in different nations. Versions of the Mutual Investment Model has been deployed differently in Scotland and Wales to finance highways schemes (for example A465 in Wales). Given the way in which the risk transfer affects wider procurement it may be worth the CMA considering the pros and cons of this model in the transport market in particular and the knock on implications for civil engineering firms to manage the associated risks that arise.

## **3. Case studies**

- East West Rail (EWR) Phase 1&2. AtkinsRéalis was part of the consortium that delivered this rail infrastructure to programme and under budget. The alliance model, which, importantly, included Network Rail as well as Laing O'Rourke, Volker Rail and AtkinsRéalis, was crucial in driving a collaborative approach which delivered a timely cost-effective solution.
- Central Rail Systems Alliance (CRSA) focuses on track renewals, as opposed to new railway, and has a good track record of delivering timely, VFM, schemes. Again the alliance-based contracting model – involving Network Rail,

Balfour Beatty, AtkinsRealis and TSO – is, in our view, critical in creating the right incentives for effective delivery.

- SPATS 3 National Highways Framework – a new procurement that has just been announced that gives the client access to a wide range of specialist skills from the market within a competitive framework.

#### **4. Public Procurement**

We see a mixed picture in public procurement in road and rail markets with limited consistency in adherence to best practice and plenty of duplication of processes that bakes in additional cost (a point well covered in the RIA submission).

In our view the track record of procurements which focus exclusively on securing lowest cost bidders, as opposed to a wider consideration at least of quality and track record, are less effective in this market. In this context we are concerned about an emerging trend to use negative auctions to drive price reductions, as we believe it inhibits bidders putting forward optimised solutions, underpinned by a track record of real world delivery.

Lump sum contracting, often with associated inappropriate risk transfer, has also been a feature of procurement in these markets which in general does not seem to us to have delivered effective results on either side of the contract.

Instead we would prefer to see wider use of the Construction Playbook principles, including early engagement with the supply chain, and an outcome-based approach to contracting. Once the right outcome has been defined, the track record of alliance contracting using Project 13 principles, is in our view compelling.

Finally, a visible long term and stable pipeline will help the industry plan and invest for the long term, both in terms of recruitment and investment in the digital tools that will enable more efficient delivery over time. The recent publication of the NISTA pipeline is therefore a welcome step in the right direction. Adding a comprehensive list of Combined Authority schemes would be helpful in the next iteration of this pipeline.

## **5. Structure of the industry, planning and innovation**

Both the road and rail sectors are approaching a period of rapid and fundamental change. In road it is likely to be driven by a new era of public, private partnerships, in rail it is the advent of GBR. The increased role of Mayoral Combined Authorities and how the interfaces are managed between existing and new assets are common challenges for both sectors. The RIA submission covers the challenges ahead for the formation of GBR well.

For GBR and new PPPs the role of the regulator and the capabilities it will need are going to be critical as it oversees these changes and drives cost-competitive investment into the asset base. The regulator also has an important role in stimulating investment in innovation to drive better, more cost efficient delivery, and there may be lessons from other regulatory regimes that have been more proactive in creating the conditions for this innovation, particularly OFGEM's RIIO regime.

At the local authority level ongoing investment in procurement and planning teams will be needed to maintain the pace of delivery envisaged by the government.

In the supply chain it's important to recognise that as a contract flows requirements down to tier 3 or 4 level, the ability of these smaller firms to deliver outside their core competency may be limited.