Balfour Beatty submission to the Competition and Markets Authority market study on civil engineering in road and rail in the United Kingdom

Overview

Balfour Beatty is one of the UK's leading construction and infrastructure providers and one of the Government's 40 strategic suppliers. Founded and headquartered in the UK, we are proud to be a British business, employing over 13,000 people nationwide and 27,000 globally - primarily in the US and Hong Kong.

We finance, develop, build, maintain, and operate the critical national infrastructure that underpins daily life and drives economic growth. Roads and railways are the arteries of the UK economy: enabling businesses to trade, people to access jobs and services, and communities to thrive. Balfour Beatty is proud to play a major role in these essential networks, supporting national resilience and unlocking long-term prosperity.

In roads, Balfour Beatty is delivering some of the UK's most complex and nationally significant programmes, including the "Roads North of the Thames" component of the Lower Thames Crossing, the A63 Castle Street in Hull, and the M25 Junction 10/A3 Wisley upgrade. Through Connect Plus and Connect Plus Services, we play a leading role in the 30-year contract to design, build, finance, and operate the M25, one of Europe's busiest roads.

In rail, we are a trusted delivery partner at the heart of the UK's network. We hold a 40% stake in the Central Rail Systems Alliance (CRSA), a decade-long partnership delivering track renewals and infrastructure across key national routes. Since 2010, we have delivered critical track renewals on the London Underground for Transport for London, working safely and efficiently in one of the world's most complex urban networks. We are also delivering flagship elements of HS2 with our joint venture partners. In the West Midlands, we are working with VINCI to construct a 90km section of the route, including viaducts, embankments, and the Washwood Heath depot. In West London, we are collaborating with VINCI and SYSTRA to deliver Old Oak Common, the project's landmark interchange station.

Making sure the roads and rail markets function effectively is essential if these networks are to continue driving national growth. We welcome the Government's recent steps to strengthen the market – including the Infrastructure and Planning Bill, the 10 Year Infrastructure Strategy, and the creation of the National Infrastructure and Service Transformation Authority (NISTA), which brings together strategic planning and delivery expertise to accelerate progress on nationally significant projects.

This CMA market study builds on those efforts and provides a timely opportunity to address structural challenges that risk constraining the UK's infrastructure ambitions. Fragmented procurement, short-term funding cycles, and inconsistent adoption of innovation continue to undermine productivity, investment, and supply chain resilience. Tackling these issues will be critical to ensuring the market can deliver the scale, pace, and quality of infrastructure the country needs.

To unlock the full potential of the roads and rail markets, we believe it is critical to create the conditions for long-term stability, fair competition, and innovation across the value chain. This requires not only building on existing reforms but also addressing persistent barriers that discourage investment and stifle productivity.

Based on our experience delivering some of the UK's most complex infrastructure projects, and informed by our engagement across the supply chain, we set out below a series of practical recommendations to strengthen market functioning and delivery outcomes:

1. Strengthen and embed infrastructure pipeline visibility to build market confidence

- Build on the existing 10-year National Infrastructure and Construction Pipeline by ensuring it is regularly updated with granular, project-level information, and that updates are timely and reliable.
- Support less mature clients (e.g. some government agencies and regional authorities) with training and tools to interpret and act on pipeline data, improving planning and procurement capability.
- Enhance integration of devolved and regional infrastructure plans with the national pipeline to ensure coherent funding signals and aligned priorities across government.

2. Improve procurement processes and risk allocation to support investment confidence

- Embed current reforms (e.g. Construction Playbook principles) to ensure procurement processes reduce cost and complexity, promote innovation, and allocate risk more effectively, avoiding cost inflation through inappropriate "pass-through" risks. While we are very supportive of the Construction Playbook, it is not yet being applied consistently across the public sector, with some government agencies and other bodies adopting its language but reverting to the same transactional behaviours seen prior to its introduction. Embedding its principles more consistently would help create a more predictable and efficient procurement environment.
- Require earlier engagement aligned to clearly defined scopes, and discourage price-driven tendering for poorly specified projects to reduce change and associated contract administration burden.
- We welcome the introduction of the new central digital platform under the Procurement Act and recognise its potential to simplify and modernise supplier engagement. However, its success will ultimately depend on how effectively it is implemented and adopted across the public sector.
- Encourage outcome-based procurement over prescriptive approaches to enable suppliers to innovate and deliver whole-life value.
- Develop a nationally consistent value framework that accommodates devolved priorities, aligned KPIs, incentives, and whole-life performance measures.
- Go to market only for schemes that have agreed funding or likelihood of business case approval, nationally or within devolved regions.

3. Embed early and structured supplier engagement to improve delivery outcomes

- Support and monitor consistent application of Early Supplier Involvement (ESI) principles across all clients, as set out in the Construction Playbook.
- Provide capability-building for less experienced organisations to ensure early engagement is meaningful and effective.
- Introduce measurable benchmarks such as 'should cost' models, median price evaluations (trialled in Scotland), and robust KPIs to strengthen procurement decisions and post-award accountability.

4. Maintain momentum and strengthen delivery oversight

- Strengthen cross-government coordination, led by NISTA, to ensure timely procurement and delivery, avoiding stop-start delays caused by funding or planning misalignment.

- Streamline budget approvals and funding mechanisms to mitigate inflation-driven cost escalation.
- Support public bodies with enhanced tools and guidance to improve procurement efficiency and reduce delivery risk.
- We welcome the Government's plans through the Planning and Infrastructure Bill to reduce the number of bodies which are statutory consultees on major infrastructure schemes.

5. Support skills stability and workforce development aligned to the pipeline

- Link national and regional skills strategies to pipeline visibility, enabling targeted apprenticeships, reskilling, and recruitment in sectors facing workforce shortages.
- Avoid stop-start funding cycles which erode specialist skills, ensuring funding stability to support workforce retention and growth.

Question set

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?

We broadly agree with the CMA's articulation of a well-functioning market as set out in paragraph 1.11, particularly its focus on transparency, effective competition, innovation, value for money, and timely delivery. These are fundamental pillars that underpin a healthy and efficient infrastructure market. However, to fully capture the complexity and needs of today's engineering and construction sector - especially for roads and railways - we recommend expanding this framework to include several additional critical characteristics.

- **Long-term pipeline stability** is essential. As highlighted in recent Infrastructure and Projects Authority reports and echoed by infrastructure leaders such as the Infrastructure Client Group[1] pipeline visibility underpins transformational investment and innovation. Without it, firms face a feast-and-famine cycle that fosters risk aversion and inhibits productivity. The recently published dynamic Infrastructure Pipeline is a positive step, aiming to be economically justified with stronger funding commitments. However, delivery on the ground depends on transparency, clear governance, and funding stability to turn ambition into impact. Investor confidence requires a credible, detail-rich pipeline underpinned by clear funding and risk frameworks. Without binding mechanisms, plans risk falling through. Greater precision, commitment, and inflation-proofing are therefore needed for the Pipeline to genuinely shape markets and support delivery, particularly in the latter half of its ten-year horizon. Where funding certainty exists – as seen with Balfour Beatty's investment in HS2 Skills Academies and the Site Operator Skills Hub, made possible due to the long, secure pipeline of work through HS2 – contractors can invest confidently in skills, equipment, and innovation. Conversely, uncertainty – such as during RIS2, where projects were delayed or descoped – disrupts supply chain planning and undermines investment in training and innovation.

- **Collaboration across the value chain** must be recognised as a foundational market characteristic. While healthy competition is essential during the bidding phase to drive value for money and innovation, once contracts are awarded, all parties need to work together effectively to get schemes over the line. Too often, procurement processes and

[1] The UK Infrastructure Client Group's *National Infrastructure Skills Strategy*, 2020 highlights pipeline stability as vital for skills development and investment. Similarly, the Infrastructure and Projects Authority's Annual Report, 2023.

contractual models fail to reflect this reality, instead embedding adversarial behaviours and pushing disproportionate risk onto a single party. This approach undermines trust, creates inefficiencies, and can derail delivery.

In contrast, collaborative approaches that encourage joint risk management, align incentives, and foster mutual accountability are proven to deliver better outcomes. Procurement needs to take account of the fact that successful delivery depends on integrated teams – clients, contractors, consultants, and the wider supply chain – working as partners rather than as adversaries. This requires moving beyond transactional procurement and fragmented contractual relationships towards models that promote early supplier engagement, open dialogue, shared performance metrics, and balanced risk allocation.

- **Standardisation and aggregation of demand** are critical enablers of industrialised construction and scalability. While some infrastructure projects are inherently bespoke and require tailored solutions, many components and processes can benefit from standardised specifications and modular design approaches. Fragmented, highly bespoke projects limit the adoption of offsite manufacturing and repeatable designs, which have been proven to enhance quality, reduce waste, and accelerate delivery. Where feasible, enabling aggregated demand through standardisation creates economies of scale that drive down costs and increase the supply chain's capacity to innovate and invest. Recognising the balance between bespoke and standardised elements is key to unlocking productivity gains across the sector.

Without embedding these dimensions into the definition of a well-functioning market, the sector risks perpetuating fragmentation, adversarial behaviours between contracting authorities and suppliers, and underinvestment in the transformative changes needed to meet the UK's infrastructure ambitions. Recognising these factors as integral market characteristics would better align regulatory and policy frameworks with industry realities, incentivising innovation, improving productivity, and ultimately delivering more sustainable infrastructure outcomes for the nation.

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?

We agree that the proposed scope, covering both roads and railways across the UK, is appropriate and necessary for a comprehensive market study. However, to ensure the study delivers meaningful and actionable insights, we recommend prioritising the following areas:

- **Digital Innovation:** Modern Methods of Construction (MMC), including offsite manufacturing and modular construction, alongside digital tools such as Building Information Modelling (BIM), digital twins, and AI-driven project management, are widely recognised by industry leaders and government reports (e.g. National Infrastructure Commission, Construction Leadership Council) as critical levers for improving productivity, quality, and sustainability. Embedding these as core themes reflects their transformative potential and aligns with Government ambitions set out in the 10-Year Infrastructure Strategy. A deeper focus on barriers to adoption, such as fragmented demand and skills shortages, is essential.

- **Supply Chain Resilience and Development:** The Covid-19 pandemic, Brexit-related disruptions, and global supply chain challenges have exposed vulnerabilities in construction supply chains. We endorse the inclusion of supply chain resilience, with

particular emphasis on engaging SMEs and local suppliers. This aligns with the Construction Leadership Council's emphasis on building diverse, capable, and regionally balanced supply chains that can better withstand shocks, foster innovation, and deliver social value.

- **Procurement Frameworks and Risk Allocation:** Procurement strategy and contractual risk allocation remain fundamental drivers of market behaviour and project outcomes. Inefficient procurement frameworks and misaligned risk distribution contribute to adversarial relationships, delays, and cost overruns. We suggest prioritising a detailed examination of these mechanisms, incorporating evidence from recent government-commissioned reports and independent reviews highlighting the need for collaborative approaches that incentivise innovation and share risk fairly across the value chain.

- **Regional and Devolved Market Nuances:** The four nations of the UK have distinct planning regimes, funding mechanisms, and infrastructure priorities that shape their respective markets for roads and rail. Recognising and analysing these differences will improve the study's relevance and policy recommendations. For example, devolved administrations often pursue different procurement models and place varying emphases on local economic benefits and environmental considerations. Accounting for these variations will better support tailored interventions.

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?

The markets for the supply of roads and railways vary significantly across England, Scotland, Wales and Northern Ireland due to differences in governance, market scale, planning systems, and supply chain maturity. Recognising and understanding these differences is critical to designing effective interventions and encouraging cross-border learning.

- **England:** England is characterised by its large-scale and often highly complex infrastructure projects, many of which fall under the Nationally Significant Infrastructure Projects (NSIP) regime. Iconic programmes such as HS2 and the Lower Thames Crossing exemplify the scale and ambition of the market but also highlight the challenges of navigating lengthy and often unpredictable planning and consenting processes, coupled with heightened political and public scrutiny. The scale of these projects creates opportunities for significant supply chain investment and innovation but also necessitates sophisticated procurement and delivery models to manage risk effectively across multiple tiers of contractors.

  Alongside these national projects, there is a substantial and growing devolved element to the road and rail market in England, driven by Local and Combined Authorities. These authorities are increasingly responsible for commissioning and delivering infrastructure investments in their areas, supported by funding streams such as the City Region Sustainable Transport Settlements and devolved transport budgets. Their role in shaping the local infrastructure landscape introduces additional complexity to the market but also offers opportunities for more regionally tailored approaches to delivery and supply chain engagement.

  Moreover, there is an observable shift in market focus towards maintenance and asset renewal across both the road and rail sectors in England. In the near term, this rebalancing away from larger, new-build projects reflects fiscal constraints and policy choices prioritising the optimisation and resilience of existing networks. Programmes such as the strategic road network renewals under National Highways and Network

Rail's maintenance and renewals portfolio are expected to play an increasingly central role. While these programmes offer a steadier flow of work, they demand different skills, supply chain configurations, and investment strategies compared to major capital projects.

Together, these dynamics underline the importance of:

- Providing stable, long-term visibility across both major projects and maintenance programmes to give the supply chain confidence to invest.
- Aligning procurement practices between central government, agencies such as National Highways and Network Rail, and devolved authorities to avoid fragmentation and duplication of effort.
- Ensuring that delivery models are adaptable to the differing requirements of large, complex megaprojects and steady-state maintenance activity, both of which are critical to sustaining network performance and achieving national infrastructure ambitions.

- **Scotland and Wales:** In contrast, Scotland and Wales benefit from more devolved and integrated transport planning frameworks, which can enable greater alignment between policy priorities (e.g. net zero, active travel) and project delivery. Both nations have distinct procurement and environmental consenting regimes which differ from those in England and reflect their unique statutory and policy landscapes. For example, Transport Scotland's long-term focus on alliancing models and integrated transport outcomes has driven greater collaboration within its supply chain, while the Welsh Government's adoption of the Well-being of Future Generations Act has embedded broader socio-economic and environmental considerations into infrastructure delivery. These approaches offer valuable lessons that could inform practice elsewhere.

- **Northern Ireland:** Balfour Beatty does not operate in Northern Ireland.

Implications for the study: These differences have material implications for market functioning. In England, there is a need to address barriers associated with the sheer scale and complexity of projects and to enhance pipeline stability to sustain supply chain capacity. In Scotland and Wales, our view is that the study should explore how devolved approaches to procurement, collaboration, and social value delivery have influenced market behaviour and outcomes. In Northern Ireland, interventions may need to focus on building supply chain resilience and exploring opportunities for aggregation of demand or collaboration with neighbouring regions.

Tailoring analysis and recommendations to reflect these nation-specific contexts will be vital to ensure that proposed interventions are effective, proportionate, and capable of supporting a high-performing market across all parts of the UK.

Our overarching recommendation is that the study should tailor its analysis and conclusions to reflect these nation-specific contexts. A one-size-fits-all approach risks missing critical nuances in market functioning. Instead, the study should identify where bespoke interventions are needed and where cross-border learning could be harnessed to raise performance across all four nations.

4. Please suggest any rail and road infrastructure projects across the UK that could be useful case studies to inform our market study.

Balfour Beatty is engaging directly with the CMA on a confidential basis, in order to provide a meaningful and candid set of insights on which projects might be useful case studies.

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;

Early engagement between clients and suppliers is one of the most powerful levers for improving project outcomes and ensuring a well-functioning infrastructure market. It allows risks to be identified and addressed collaboratively, optimises design for constructability, and aligns delivery strategies with realistic schedules and budgets.

Where Early Supplier Involvement (ESI) is practised effectively, it delivers tangible benefits across cost, quality, and innovation. Crucially, it allows contractors to bring their technical expertise and delivery experience to bear at the point where it can have the greatest impact - when key decisions on scope and design are still open - rather than after these elements have been locked in and opportunities for improvement are lost, or certainly more difficult. An ESI approach ensures that risks are managed proactively, opportunities for innovation are maximised, and downstream inefficiencies are avoided.

ESI also supports broader objectives such as sustainability and social value. By embedding circular design principles (which focus on minimising waste, reusing materials, and designing assets for adaptability and longevity) and effective resource planning at the start, projects are better able to drive positive community impact, maximise local supply chain participation, and develop skills pipelines.

By contrast, late engagement often locks in sub-optimal designs, constrains innovation, and creates adversarial tendering environments where risks are transferred rather than mitigated.

b) The use of different types of procedures (e.g. open competition, frameworks);

Frameworks have a vital role in ensuring market stability and driving efficiency where there is a clear, stable, and sufficiently large pipeline of work. When designed and delivered effectively, long-term frameworks provide suppliers with confidence to invest in skills, technology, and innovation by offering predictable workloads over extended periods. However, it is crucial that the number of suppliers appointed to any framework is appropriate to the volume of available work. Overpopulating frameworks can dilute opportunities for individual suppliers, undermine their ability to sustain delivery teams, and risks disengagement from the market.

While frameworks support stability and continuity, overreliance or inflexible application can unintentionally narrow competition, limiting opportunities for new entrants, SMEs, or disruptive innovators. Conversely, open competitions can foster innovation and broaden access to the market, but their cost and complexity - especially for large, design-and-build contracts - can be prohibitive for many suppliers. This often drives risk-averse behaviours and “race to the bottom” pricing, where contractors feel compelled to submit unsustainably low bids to win work. While low prices may appear attractive in the short term, they can be damaging over the long term. Unsustainably low bids often result in contractors seeking to recover costs later through

contractual claims or legal challenges, which undermines collaboration and drives adversarial behaviours. This dynamic erodes trust, discourages long-term investment in critical areas including people and innovation, and ultimately weakens the resilience and capacity of the wider industry. To deliver better outcomes, procurement should prioritise whole-life value and reward behaviours that support quality, collaboration, and innovation – rather than focusing narrowly on upfront cost.

The challenge for a well-functioning market is to strike the right balance: employing frameworks where long-term delivery relationships provide clear value, while preserving competitive tension and access for a diverse supplier base. Ensuring frameworks are sized and managed in alignment with realistic pipeline volumes is essential to sustain supplier engagement, market health, and the delivery of national infrastructure ambitions.

c) The design of tenders, including the number and type of requirements and the use of quantitative (e.g. price) and qualitative evaluation criteria;

Tender evaluation in UK infrastructure has historically been skewed towards lowest initial cost, often at the expense of quality, innovation, and whole-life value. While recent reforms - such as the Construction Playbook - have begun to rebalance criteria, price still dominates many competitions.

This narrow focus creates perverse incentives for contractors to underprice risk or strip out innovation, discouraging the adoption of new technologies and Modern Methods of Construction (MMC), which may require higher upfront investment but deliver long-term savings, productivity gains, and sustainability benefits.

The Construction Playbook set out clear principles to support outcome-based procurement, with an emphasis on whole-life value, quality, and supplier capability. However, its implementation across public sector clients has been inconsistent. In many cases, tender requirements remain overly prescriptive or fail to reward behaviours that align with long-term government priorities such as Net Zero or regional rebalancing.

Tender frameworks should embed holistic evaluation by:

1. **Weighting qualitative factors** - such as delivery track record, innovation capability, carbon reduction plans, and social value - alongside price to reward long-term value, not short-term savings.

2. **Mandating clear adoption of Playbook principles** across public sector bodies, ensuring consistency in how key themes such as MMC, digital maturity, and outcome-based specifications are applied consistently and with rigour.

3. **Reinforcing evaluation with evidence** - using measurable benchmarks, such as ‘Should Cost’ models and KPI targets, combined with evaluation approaches based on median price rather than lowest price (graduated pricing mechanisms). This method, successfully applied in Scotland, supports more sustainable pricing, fair competition, and drives accountability post award.

4. **Transparency in scoring** - clearly weighting and publishing how qualitative criteria are evaluated, to increase bidder confidence and drive behaviours that support innovation and resilience.

d) The approach to risk allocation across different parties;

Misaligned risk allocation remains one of the most significant market distortions in UK infrastructure. Contractors are frequently asked to accept risks – such as unforeseen ground conditions, delays in planning approvals, utility diversions, or third-party consents – that are outside their control. This approach drives up risk premiums as firms price uncertainty into bids, encourages defensive and adversarial behaviours, and discourages collaboration. In the worst cases, it has contributed to high-profile corporate failures and a shrinking pool of capable suppliers. A more balanced and transparent approach to risk allocation – placing risks with the parties best able to manage and mitigate them – is critical to improving delivery certainty and rebuilding confidence across the supply chain.

Where risks are shared equitably and aligned to the party best able to manage them, projects consistently perform better. Conversely, overly rigid risk transfer models discourage investment in innovation and collaboration.

Balfour Beatty and the Construction Leadership Council have argued for “intelligent risk allocation” tailored to the specific characteristics of each project. A one-size-fits-all approach undermines both contractor resilience and market dynamism.

e) The use of contract mechanisms (e.g. insurance provisions) and pricing mechanisms (e.g. fixed price, cost plus).

Contract and pricing mechanisms play a pivotal role in shaping contractor behaviour and overall project outcomes. When well-designed, they incentivise efficiency, innovation, and risk-sharing. Conversely, poorly calibrated contracts can entrench inefficiencies, inflate costs, and inhibit collaboration.

Fixed-price contracts are widely used to promote cost certainty and drive discipline in delivery. Balfour Beatty and other experts recognise their value in well-defined projects with mature designs and stable scope. However, where designs are incomplete or scope is uncertain – which is usually the case in major infrastructure - the risk premiums embedded in fixed-price bids can be substantial. Contractors have to build significant contingencies to cover unknowns, which inflates costs and discourages innovation. This can lead to adversarial behaviours between client and contractors, contract variations, and disputes that ultimately delay projects and increase total cost.

Cost-plus contracts offer essential flexibility, promoting early collaboration and driving innovation through a fairer sharing of risks and rewards. Balfour Beatty has emphasised that in complex and uncertain project environments, cost-reimbursable models enable a true partnership approach that can unlock significant efficiencies and accelerate delivery - provided they are supported by rigorous governance, full transparency, and strong cost control measures to prevent overruns and safeguard value for money.

Insurance and retention provisions are often applied uniformly across projects without sufficient calibration to actual risk profiles. This “one-size-fits-all” approach disproportionately burdens SMEs, limiting their ability to participate fully in the market. Balfour Beatty would be keen to see smarter, risk-adjusted approaches that better align security requirements with the scale and nature of risk. This would improve cashflow, reduce working capital pressures, and support supply chain resilience - critical factors for fostering innovation, sustainability and the long-term resilience of the markets.

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;

The UK infrastructure sector is characterised by a broad spectrum of companies ranging from large, multidisciplinary contractors with extensive resources to highly specialised niche firms and a vast number of SMEs. While specialist expertise drives technical innovation and quality, the fragmentation this creates can complicate project coordination and integration.

Specialist firms bring essential depth in areas such as complex civil engineering, digital delivery, and advanced manufacturing techniques, but without effective collaboration frameworks, projects risk inefficiency, delays, and quality compromises.

Both customers and the industry benefit when large contractors act as integrators, fostering partnership-based models that leverage specialist strengths within cohesive delivery teams. Balfour Beatty supports approaches such as Integrated Delivery Teams and alliancing, which align objectives, enhance communication, and break down adversarial silos, creating a more collaborative and effective market ecosystem.

Encouraging these partnership structures is key to mitigating fragmentation while retaining the innovation and technical excellence of specialist firms.

b) The tiered nature of the supply chain and use of subcontracting;

Subcontracting is deeply embedded in infrastructure delivery, offering essential flexibility and scalability. However, the traditional tiered supply chain introduces complexity and risk dilution that can undermine accountability and innovation incentives. When risk is transferred down multiple subcontracting layers, smaller suppliers can face heightened commercial pressures and limited control over design or delivery decisions. This can lead to defensive behaviours, reduced willingness to invest in innovation, and strained commercial relationships.

Balfour Beatty advocates for supply chain integration strategies that improve transparency, align incentives, and foster collaborative risk-sharing. Early Supplier Involvement (ESI) and framework agreements are effective tools to engage subcontractors in design and planning phases, unlocking their technical input and reducing fragmentation. Additionally, building long-term, trust-based relationships with key supply chain partners helps improve predictability, quality, and innovation uptake. Reshaping subcontracting models to be more collaborative rather than transactional is critical to a well-functioning market.

c) Financial arrangements, such as payment periods and the use of retentions;

Cash flow management remains a critical issue, particularly for SMEs, which form the backbone of the supply chain but often operate with limited financial buffers. Balfour Beatty and many sector stakeholders have highlighted that lengthy payment periods and the widespread use of retentions significantly constrain SMEs' ability to invest in skills, innovation, and capacity building.

Retentions - often withheld for extended periods - create cash flow challenges that can stifle smaller firms' growth and resilience, ultimately weakening supply chain stability. Prolonged payment delays exacerbate this, increasing the risk of insolvency or disengagement from the

market.

Balfour Beatty supports recent government initiatives aimed at improving payment terms and reforming retention practices to be more proportionate and risk-reflective. Smarter, risk-adjusted approaches to retentions and prompt payment protocols can enhance supply chain confidence and sustainability.

Furthermore, transparent financial arrangements and fair payment practices incentivise better performance, foster collaboration, and help ensure a diverse and resilient supply base - cornerstones of a healthy, well-functioning market.

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?

The engineering and construction market for roads and railways continues to face a series of structural barriers that inhibit its ability to deliver consistently good outcomes. These include:

- **Planning and consents:** Lengthy and unpredictable planning and environmental consenting processes remain the single largest barrier to timely delivery. They increase costs, deter private investment, and erode market confidence. The proposed reforms in the Planning and Infrastructure Bill represent a vital step towards fixing a planning system that too often delays progress. Balfour Beatty has engaged closely with this process and strongly supports swift implementation. Equally important will be ensuring that consenting bodies and statutory consultees are properly resourced and equipped to deliver their critical functions efficiently.

- **Policy instability and lack of pipeline visibility:** Frequent changes to infrastructure priorities and funding undermine long-term planning and discourage investment in skills, innovation, and supply chains. A recent example is the previous Government's decision to delay both the Lower Thames Crossing (LTC) and elements of High Speed 2 to spread costs over a longer timeframe. While fiscal prudence is important, such decisions have a chilling effect on supply chain confidence and risk weakening the UK's attractiveness to private and institutional investors, many of whom already view the UK as less predictable compared to competitor markets.

  At the same time, the absence of a consistently published, clear, and stable pipeline of work has made it challenging for the supply chain to invest in digital tools, and workforce development. We therefore welcome the Government's 10-Year Infrastructure Strategy, which provides the long-term vision, funding certainty, and project pipeline that industry has consistently called for. Combined with the creation of NISTA to oversee the delivery of major infrastructure, and the planning reforms in the Planning and Infrastructure Bill, these initiatives demonstrate that Government has listened to industry concerns and we commend this progress. The recent publication of the dynamic National Infrastructure is also a welcome step. However, for the pipeline to realise its full potential, it is critical that updates are maintained consistently, with enhanced granularity around project timelines, funding certainty, and scope to enable robust commercial and operational planning. This level of granularity is critical for suppliers and investors to confidently allocate resources and develop new capabilities. Balfour Beatty's work across multiple framework agreements, including *SCAPE* and *SSE ASTI*, underscores how early pipeline visibility drives efficiency and innovation by allowing long-term supplier engagement and resource planning.

- **Procurement complexity and culture:** Procurement processes are often overly complex, compliance-led, and fragmented across multiple frameworks. This creates unnecessary cost, limits market access for SMEs, and reduces the scope for innovation. Public sector procuring authorities frequently adopt a risk-averse, transactional mindset, focusing narrowly on price rather than whole-life value. Combined with limited engagement at early project stages, this inhibits collaborative delivery models that are proven to deliver better outcomes.

- **Late procurement and scope uncertainty** - Effective procurement requires well-defined scopes and timely market engagement. Late-stage procurement based on poorly defined project scopes, coupled with evaluation criteria overly focused on lowest price, remains a root cause of delivery challenges. While pipeline visibility and early supplier engagement are critical, progress is often hindered by prolonged consultant-led design phases that delay procurement and distort commercial outcomes. From a market perspective, this issue significantly undermines value for money, innovation, and supplier confidence, and must be addressed through clearer scope definition and streamlined procurement processes to ensure more predictable, efficient project delivery.

- **Lengthy and budget-setting processes**: A key cause of delay in delivering major infrastructure projects is protracted budget-setting process. In some cases, agreeing on an acceptable and stable budget can take several months, if not years. Industry-wide, this has been identified by independent reviews - including by the Infrastructure and Projects Authority and the National Audit Office - as a critical bottleneck that cascades into broader delivery risks. When compounded with already lengthy planning and consenting delays, this slow budget finalisation results in escalating costs driven by inflation, rising material prices, and other macroeconomic pressures. In many cases, these cumulative cost escalations push projects beyond viability thresholds before construction can even begin. Addressing these inefficiencies through coordinated, time-bound budget approval processes is important in order to preserve market confidence, reduce cost overruns, and ensure sustainable delivery of critical national infrastructure.

- **Client capability and resourcing:** Key statutory consultees and public procuring bodies often lack the expertise and capacity to manage complex procurements and consents effectively. This can lead to unnecessary delays, inconsistent market outcomes, and suboptimal risk allocation, all of which undermine efficiency and innovation. The requirements of the new Procurement Act will place additional demands on public sector clients. To deliver on these ambitions, clients will need to be properly resourced and supported, particularly given wider public spending constraints. Strengthening client-side skills, investing in digital tools for project oversight, and embedding experienced delivery professionals within public bodies are essential to reversing these trends. The creation of NISTA aims to address these gaps by providing a centralised authority to oversee major projects, but full impact will require consistent cross-government adoption and adequate resourcing.

  The challenge now is to ensure that all these moving parts work seamlessly together. Aligning these initiatives - streamlined planning, enhanced procurement practice, strengthened client capability, and a clear, stable pipeline - will be crucial to accelerate delivery, unlock private investment, and build the sustainable, future-focused infrastructure the UK needs.

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?

Opportunities:

- **Digital technologies:** Drone surveying, AI, robotics, digital twins, 4D modelling, and digital asset management improve precision, safety, and asset lifecycle management.
- **Lean construction:** Embedding lean principles reduces waste and maximises value across the supply chain.
- **Modern Methods of Construction (MMC):** Offsite manufacture and modularisation can significantly reduce programme times, improve quality, and reduce carbon.
- **Risk-based maintenance and assurance models:** Data-driven approaches allow smarter asset management and cost efficiency.
- **Great British Railways (GBR):** The creation of GBR offers a unique opportunity to unlock innovation across rail renewals and upgrades, streamlining delivery and supporting long-term investment in advanced technologies and skills.

Barriers and recommendations:

Planning Delays: Prolonged and unpredictable planning and consent processes remain one of the largest inhibitors to timely delivery and innovation, as outlined above. These delays erode market confidence, increase costs, and deter private investment.

The Planning and Infrastructure Bill currently progressing through Parliament is a significant opportunity to address these long-standing challenges. Balfour Beatty actively supports its swift passage and calls for adequate resourcing and capacity building for statutory consultees to ensure the reforms deliver real improvements. Furthermore, government must ensure that innovation incentives and frameworks are consistently applied across public procuring bodies to reduce fragmentation and risk aversion. Policy coherence, aligned with the ambitions set out in the 10-Year Infrastructure Strategy, will be crucial to unlocking investment in MMC, digital tools, and sustainability initiatives.

Fragmented procurement practices and short-term contracts: The sector continues to grapple with fragmented procurement approaches and short contract durations that undermine supplier confidence to invest in innovation, such as MMC and digital tools. Without clear, long-term commitments, contractors and suppliers find it challenging to justify the capital and resource investment required for new technologies and capability building.

The Government's recent publication of the 10-Year Infrastructure Strategy and the dynamic National Infrastructure provide a vital foundation for delivering a stable, transparent, and long-term project pipeline. Balfour Beatty strongly supports the consistent updating and enhanced granularity of these pipelines to enable the market to plan effectively and scale MMC and innovation investments. The establishment of NISTA is a critical development to oversee delivery and drive greater consistency and coordination across major infrastructure programmes, which will further help reduce fragmentation.

Lack of standardisation and demand aggregation: The absence of standardised designs and a coordinated approach to demand aggregation limits economies of scale and supply chain

readiness, particularly for MMC deployment. This fragmentation inhibits repeatability and stifles innovation adoption.

Building on the long-term pipeline commitments, government and industry collaboration is required to standardise design elements and aggregate demand where possible. This approach would unlock cost efficiencies and accelerate MMC adoption at scale.

Skills gaps and resistance to change: A shortage of digital skills and an ingrained culture resistant to innovation amongst some customers remain significant barriers. This slows the uptake of digital technologies like AI, robotics, and digital twins that can drive productivity and safety improvements.

To address this, Balfour Beatty has invested extensively in apprenticeships, digital skills training, and leadership programmes. The Government's Skills Development Plans must complement these efforts, providing coordinated support for upskilling the workforce in emerging technologies and lean construction practices. NISTA can play a pivotal role in aligning cross-sector skills development with infrastructure needs.

Great British Railways transition: The creation of Great British Railways (GBR) presents a unique opportunity to reshape the UK's rail infrastructure market, unlocking innovation in renewals, upgrades, and operations. Centralising decision-making within GBR has the potential to streamline processes, improve coordination of possessions, and support the adoption of advanced technologies such as predictive maintenance, automated inspections, and data-driven asset management. However, the extended transition period risks delaying work package releases, creating uncertainty for the supply chain.

To maximise GBR's potential as an enabler of innovation, it is critical that government and GBR engage closely with the private sector supply chain during the transition period. Appointing supply chain representation to the GBR transition board, and providing clarity on future delivery models, will give businesses the confidence to invest in new technologies, skills, and capacity. The Planning and Infrastructure Bill and the 10-Year Infrastructure Strategy should also be leveraged to accelerate planning processes and ensure a stable framework for long-term rail investment.

Cross-cutting points:

- **Whole-life value procurement models:** Embedding whole-life value approaches through frameworks such as the Social Value Model and Net Zero Carbon targets will drive a more balanced evaluation of tenders, incentivising innovation and sustainability.

- **Fostering collaborative ecosystems:** Early supplier engagement and integrated project delivery models, supported by government frameworks, will break down market fragmentation, align incentives, and accelerate the uptake of innovation across the sector.

Conclusion

The UK's roads and railways supply market stands at a pivotal moment. As the backbone of national connectivity and economic productivity, its performance will be central to delivering the Government's growth, levelling up, and net zero ambitions. Yet longstanding challenges around fragmented planning, procurement, and risk allocation are constraining the sector's ability to invest in the innovation, skills, and capacity needed to meet the scale of the infrastructure pipeline. If unaddressed, these barriers risk compounding supply chain fragility and deterring private investment at a time when confidence and capability are critical.

This makes the CMA's market study especially timely. It provides a profound opportunity to ensure the roads and railways supply market is equipped to deliver not only value for money but also the transformation in productivity, sustainability, and resilience the UK needs. Modern Methods of Construction, digital technologies, and more collaborative, outcome-focused procurement models can unlock step-change improvements in delivery - driving down costs, improving performance, and accelerating the transition to a low-carbon, future-ready infrastructure network.

Realising this vision will depend on clear, long-term pipelines; equitable risk sharing; and the consistent application of government frameworks such as the Construction Playbook and 10-Year Infrastructure Strategy.

Balfour Beatty stands ready to work in partnership with the CMA, government, and industry peers to shape a high-performing, innovative supply market that supports the UK's economic growth, competitiveness, and net zero ambitions.