CIVIL ENGINEERING MARKET STUDY

Interim report

17 December 2025

Website: www.gov.uk/cma

The Competition and Markets Authority has excluded from this published version of the final report information which the CMA 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 [✂]. Some numbers have been replaced by a range.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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Introduction

1.1 The economic infrastructure delivered by civil engineering is fundamental to economic growth. Construction is the 7th largest sector in the UK economy, within which civil engineering contributes around £23 billion to the UK's Gross Value Added. When functioning well, the civil engineering market has the potential to create a multiplier effect on growth: boosting the civil engineering sector itself and increasing productivity through improving connectivity of business activities and people throughout the UK.

1.2 The UK government has identified growth and raising living standards across the country as its priority mission. In its 10-Year Infrastructure Strategy[1] the government recognises the key role that infrastructure – including economic infrastructure – must play in delivering this mission.

1.3 The 10-Year Infrastructure Strategy also states, however, that over many years the sector has underperformed, with public investment levels being too low and erratic, and insufficient coordination in policy and delivery across sectors and between government and delivery partners. It sets out an approach to improving UK infrastructure performance, based on reforming institutions, providing certainty, and removing barriers.

1.4 A central plank of this strategy is the creation of the National Infrastructure and Service Transformation Authority (NISTA) to integrate infrastructure policy, strategy and delivery in the centre of government, building on the work of its predecessor bodies including the National Infrastructure Commission (NIC).

1.5 In 2024, drawing on their deep knowledge, the NIC published a report on the Cost Drivers of Major Infrastructure Projects in the UK.[2] The report identified poor outcomes such as high costs including in some cases compared to international peers. They identified four main drivers for this:

(a) lack of strategic direction;

(b) sponsor and client capability challenges;

(c) inefficient consenting and compliance processes; and

(d) supply chain constraints.

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[1] https://www.gov.uk/government/publications/uk-infrastructure-a-10-year-strategy.
[2] https://webarchive.nationalarchives.gov.uk/ukgwa/20250327100016/https://nic.org.uk/studies-reports/cost-effective-delivery/.

Our market study

1.6 Against this backdrop, on 19 June 2025, alongside the publication of the 10-Year Infrastructure Strategy, the CMA launched a market study into the civil engineering market for public road and railway infrastructure in the UK.

1.7 Building on the government's strategic steer to the CMA and as reflected in our recently published strategy for 2026-29,[3] the CMA is committed to delivering on our mandate to promote competition and protect consumers in a way which helps drive economic growth and improve household prosperity. This includes by providing expert advice and recommendations to government, with a particular focus on public procurement and regulatory barriers.[4]

1.8 Our aim in launching the market study was to complement and support government reforms by identifying opportunities to further improve how the civil engineering market for rail and road performs.

1.9 Specifically, we aimed to 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 regulatory processes could make it easier for firms to enter, expand, invest and innovate.

1.10 The CMA is well-placed to play this role. We have extensive experience in assessing how suppliers and purchasers interact in markets, how this behaviour can drive more or less desirable outcomes, and what type of interventions may help or hinder. We bring this to bear in the civil engineering market in particular by applying a competition lens to how approaches to commissioning, procurement and regulation may be incentivising procurers and firms to behave in ways that drive poor outcomes.

1.11 At the end of the study, our intention is to deliver a set of well-evidenced, implementable measures. These will be targeted at improving incentives and capacity – on both the demand and supply side – to build more cost-effective road and rail infrastructure. This will directly benefit consumers by improving road and rail infrastructure whilst allowing the market to better support UK economic growth.

1.12 The scope of the market study (as set out in the market study notice) is the full project life cycle of railway and public road infrastructure. We considered that these were the economic infrastructure subsectors where the CMA could provide

[3] https://www.gov.uk/government/publications/cma-strategy-2026-to-2029.
[4] In support of the CMA's third strategic objective of: Helping government deploy tailored pro-competition interventions to support growth, innovation and investment-related policies.

the most insight and greatest impact. Together, rail and road, excluding HS2,[5] accounted for 70-75% of government expenditure on economic infrastructure in 2022. This scope was designed to 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 study will enable us to consider areas representing a high proportion of economic infrastructure and civil engineering activity.

1.13 At the outset of the study, we set out three questions for exploration:

(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 work effectively 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 delivery of roads and railways that support UK productivity and growth?

Our interim findings

1.14 In this interim report, we set out our work to date and our emerging views. In particular, to build on the NIC's previous work, we have sought to:

(a) provide a more detailed and evidence-based analysis of how firms are competing, to inform our understanding of how the market is currently operating;

(b) understand how the weaknesses identified by the NIC interact to create incentives for procurers and civil engineering firms. Our aim is to build a clearer understanding of why there are weak incentives for investment within the supply chain, with a view to increasing productivity and lowering costs over the longer term;

(c) identify the root causes of these incentives, to provide a solid foundation for considering the types of intervention that could make a lasting, positive difference to outcomes in the sector; and

[5] Our market study does not directly consider HS2 as it has been subject to multiple reviews already, and the unique scale of the project limits the applicability of lessons more broadly.

(d) within these types of interventions, begin to identify specific actions that could be taken by governments and public authorities to achieve substantially improved outcomes.

1.15 Our work to date has been informed by a variety of perspectives. We have met with many stakeholders: including contractors, public authorities, trade associations, local government associations, as well as the UK and devolved governments. We have also established and met with a civil engineering sector panel, to bring together both suppliers and procurers market to encourage debate and gather opinions.[6] In addition, we have received responses to requests for information from a variety procurers and suppliers and also procured an independent research agency to carry out qualitative research with a sample of contractors operating lower down the supply chain.[7] We also received responses to our Statement of Scope from 18 different organisations.[8]

1.16 Central to our provisional view is the fact that interactions between public authorities and firms fundamentally shape the market for civil engineering for road and railway infrastructure. The evidence we have seen so far indicates that how these interactions occur in practice creates feedback loops that affect overall road and railway infrastructure delivery. Below, we set out our current views on these interactions and the evidence that supports them.

1.17 Based on our work so far, our provisional view is that the market is caught in a negative cycle, with constrained participants subject to the wrong incentives. This in turn is leading to poor outcomes including that:

(a) costs are higher than they should be;

(b) project overruns are common; and

(c) investment in new approaches is lower than it could be.

1.18 On the demand side, at both a national and local level, public authorities that procure infrastructure projects often choose procurement and contracting options which are low-risk and low-cost for them, and may not be able to invest sufficiently in getting the early stages of projects right, even though these approaches may lead to worse outcomes in the delivery phase, or miss opportunities to drive longer-term improvements. In this way, they may miss an opportunity to shape this market effectively, and indeed they may lack the resources, incentives and certainty over future funding and political priorities to do so effectively.

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[6] For more information on the make-up of the panel, see How to engage with the CMA's civil engineering market study - GOV.UK.
[7] We retained Jigsaw to undertake this research. Fieldwork (60 in-depth interviews) concluded on 10 November 2025, and Jigsaw is now preparing its full written report. This will be published in early 2026, and we will be incorporating relevant findings into our evidence base for the final report.
[8] Non-confidential versions of these responses are available on our case page.

1.19 On the supply side, firms have adapted to this environment. Throughout the supply chain, firms lack sufficient incentives to invest and innovate and face high administrative costs. Firms may also face barriers to being able to enter the market and to expand, for example as a result of complex procurement processes, which can weaken competitive intensity. In addition, there are a large number of firms operating in the market with significant reliance on subcontracting arrangements, which can introduce extra cost and complexity if not used appropriately.

1.20 At this stage, consistent with previous work in this area, we assess the root causes of the incentives that sustain this cycle to include:

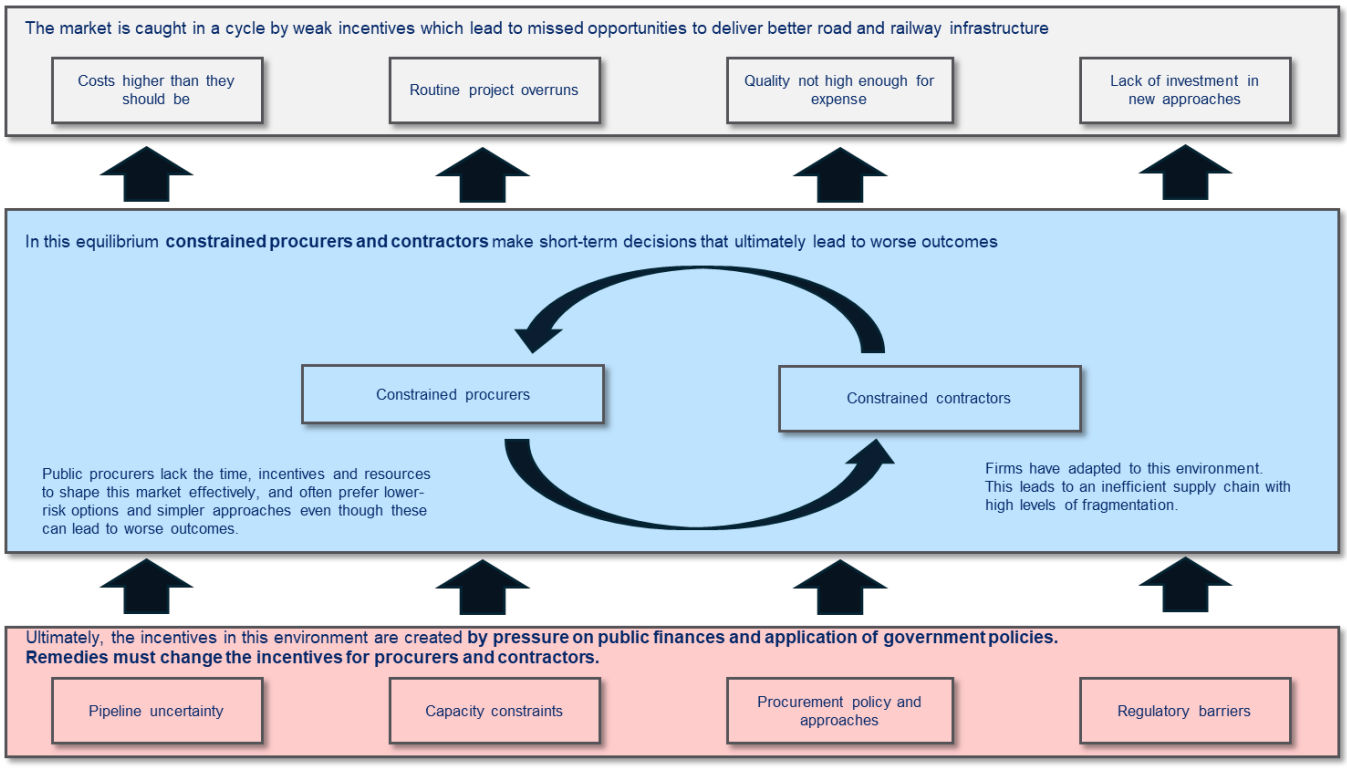
(a) Funding settlements and infrastructure pipelines are often short-term and volatile, reducing the opportunity and incentives for public authorities and the supply chain to plan and invest.

(b) The commercial and engineering expertise that public authorities can build and retain is often too limited, reducing the capacity for public authorities to undertake strategic, market-shaping procurement.

(c) Procurement policies and approaches are not working together to support a maximally competitive, productive and efficient market over the long-term.

(d) Regulatory barriers, such as processes for adhering to regulatory standards and planning processes, not only add compliance costs but can also be a barrier to firms scaling up and innovating.

Figure 1.1: The civil engineering market – drivers, actions and outcomes



Source: CMA

1.21 In order to deliver improved outcomes in this market, any measures would need to address these root causes and change the incentives for procurers and firms. In turn, this should shift behaviour towards a longer-term focus, more efficient approaches, and higher investment.

1.22 In the remainder of this interim report, we provide more detail on the evidence we have found so far and the preliminary conclusions we have drawn on each of the key areas that make up the overall picture set out above, specifically:

(a) current market outcomes that miss opportunities to deliver better public road and railway infrastructure;

(b) constrained procurers and suppliers who are operating in a self-reinforcing cycle of short-termism;

(c) the root causes of these constraints on procurers and suppliers; and

(d) measures that could be adopted to address these root causes, so reducing constraints on procurers and suppliers that are sustaining the current cycle and creating the incentives that should drive better market outcomes.

1.23 By the end of this market study, we intend to present a set of clear and implementable recommendations that we consider, if adopted, would help deliver a market that works better– where competitive pressures keep costs for public

infrastructure as low as possible, delivery timelines are more predictable, and there is greater investment in adopting new technologies and driving down costs over the long term.

1.24 Section 4 sets out a range of potential options for recommendations, on which we are also seeking feedback. At this stage in the study, these proposals are inevitably provisional and we will focus our time on testing and refining them further in the second half of the study, with a particular focus on extending our assessment of regulatory barriers. These potential measures are summarised below.

Table 1.1: Summary of potential measures

Root cause driver addressed	Remedy area	Remedy options
Pipeline uncertainty	Credible long-term funding	Extend multi-year capital funding settlements to all road and rail procuring authorities and activity Long-term contracts beyond the political cycle
	Pipeline visibility and certainty	Publish a consolidated UK-wide project pipeline, with a wide set of credible information, updated on a regular basis
Procurement authority capacity constraints	Skills, experience and leadership	Sustained capability building Cross-authority pooling of capacity
	Coordination	Cross-authority joint procurement Comprehensive, standardised sharing of cost and performance
Procurement policy and approaches	Supporting innovation and minimising long-term cost	Procurement practices that explicitly incentivise and reward innovation, investment, scaling and long-term cost reduction
	Adoption of best practice	Consistent adoption of best-practice procurement guidance
	Procurement frameworks	Selective and maximally effective use of procurement frameworks
	Standardisation of processes	Standardisation of procurement administrative processes
	Reliable and accurate scoping	Greater use of early contractor engagement
	Risk allocation	Greater standardisation of risk allocation
Regulatory barriers	Regulation: efficient compliance	Identify and eliminate excess process around, and over-compliance with, existing regulatory requirements Streamline regulatory approval
	Consolidated accreditations and qualifications	Reduce the range of supplier accreditations
	Fast-tracked regulatory approvals	Fast-tracked regulatory approvals for new products/technologies

1.25 At this stage, our views are provisional. We welcome views from stakeholders on any aspect of this work, but especially in relation to three key areas:

(a) The evidence and analysis we have set out on how the market is operating, and the provisional views we have reached.

(b) Where there may be additional evidence, including where we have highlighted gaps in our evidence base, which may help our understanding of the market.

(c) The potential interventions we are considering, including whether they will catalyse significant positive change in this market. In particular, understanding which combinations of measures would have the most impact, how those measures could best be designed to maximise their positive effect, and whether there are any measures that could have a positive effect on the market but which we have not considered.

1.26 We are inviting submissions on this interim report by 5pm on 28 January. We explain how to respond to our consultation in Section 5.

2. The civil engineering market for public roads and railways

2.1 Civil engineering encompasses the design, construction and maintenance of infrastructure which ranges from transport links to access to clean water and sanitation, and electricity and telecommunications networks. The focus of this market study is the civil engineering market[9] for public road and railway infrastructure.[10]

2.2 Across the UK, the public sector spends approximately £19 billion a year on maintaining and enhancing public roads and railways (excluding HS2).[11] We estimate that in 2023-24 total annual expenditure on public roads was about £10.3 billion, with about £8.7 billion spent on railways. It is more difficult to gauge the respective share of project types (enhancement, renewals and maintenance), as definitions can vary, but in the case of National Highways and Network Rail, enhancements accounted for around 55% and 27% of annual spend respectively.

2.3 Road and railway infrastructure is procured by a range of public authorities across the UK, including National Highways, Network Rail, Transport Scotland, the Welsh Government, Northern Ireland's Department for Infrastructure, and local authorities. Local authorities account for over half (£5.6 billion in 2023-24) of the spending on road with the remainder being procured by national public authorities. Procurement of railway infrastructure, on the other hand, is mostly undertaken by national public authorities. A breakdown of expenditure is included in Appendix A.

2.4 We have engaged with procurers from a range of public authorities to understand their experiences in the market.

2.5 On the supply side, the market is characterised by a tiered arrangement of contractors in the supply chain, typically broken down into Tier 1, Tier 2 and Tier 3. Tier 1 contractors tend to be large national businesses which provide services in design and project management alongside some degree of infrastructure project delivery. Tier 2 generally subcontract the work from Tier 1 and tend to deliver key work packages relating to their specialism, such as earthworks and surfacing, and often provide the labour to deliver projects. Tier 3 tend to be subcontractors for

[9] Throughout the report, we use the term 'civil engineering market' loosely for ease of exposition, as true economic markets for civil engineering may well be local or regional and differ between different types of projects. For the avoidance of doubt, we have not attempted a comprehensive analysis of such markets, and instead focus on assessing broader trends, data and behaviour relating to the process of undertaking civil engineering projects for road and railway infrastructure.
[10] The scope of the market study is set out in our Market Study Notice. As further explained in our Statement of Scope, in order to keep the project manageable, we excluded from the focus of our market study tram networks, all light rail, including underground rail networks; and upstream raw materials that input to the construction of roads and railways. Additionally, our market study does not directly consider HS2 as it has been subject to multiple reviews already, and the unique scale of the project limits the applicability of any lessons more broadly.
[11] Our market study does not directly consider HS2 as it has been subject to multiple reviews already, and the unique scale of the project limits the applicability of any lessons more broadly.

Tier 2 (and sometimes Tier 1), and can vary from smaller local firms that handle specific elements of the work, to larger firms providing raw materials and finished products. The tiers are not strictly delineated: some companies may operate across the different tiers, depending on the scale and nature of the project, and it is possible to have a fourth Tier (or more) on larger projects. We have engaged extensively with businesses at different levels of the supply chain (Tiers 1, 2 and 3).

Overall provisional view of the market

Market outcomes

2.6 In its 'Cost Drivers Report',[12] the NIC identified persistent issues around the high cost and slow delivery of infrastructure projects, with construction costs having risen by around 30% more than GDP per capita since 2007. There was also evidence of higher costs of big infrastructure projects in the UK compared with other countries, specifically in nuclear power and rail, and that there had been broadly flat labour productivity in the sector since 2008. A number of other studies have identified similar concerns. The evidence we have examined as part of this study reinforces our view that the current market is producing poor outcomes.

2.7 Based on the evidence we have examined, our provisional assessment is that the cost of public road and railway infrastructure has been increasing in real terms, without delivering significant, observable improvements in delivery timescales or quality. By way of illustration:

(a) For road, the total forecast cost of National Highways' strategic road enhancement schemes increased by 43% (in nominal terms, or c.14% in real terms), on a like-for-like basis, from 2020-21 to 2024-25.[13]

(b) For rail, Office of Road and Rail (ORR) analysis identified a 7% average annual increase in the unit cost (in real terms) of conventional track renewals since 2014-15.[14]

2.8 Weak productivity growth has contributed to infrastructure becoming relatively more expensive.[15] Office for National Statistics (ONS) analysis highlights that,

[12] National Infrastructure Commission (2024), Cost Drivers of Major Infrastructure Projects in the UK.
[13] ORR (2025), Annual Assessment of National Highways' performance: End of the second road period April 2020 to March 2025, pp36-38.
[14] ORR (2024), Cost benchmarking of Network Rail's maintenance and renewals expenditure: annual report 2023 to 2024, p6.
[15] We note rising input costs have also contributed to these observed trends. For example, UK construction material price indices rose sharply from 2020 to 2022, in part due to the impact of Coronavirus (COVID-19) and the rise in gas prices which was then exacerbated by Russia's invasion of Ukraine. While the rate of increase has slowed since 2022, construction material prices remain significantly above both their historical level and consumer price inflation indices. Department for Business and Trade (2025), Construction building materials: commentary February 2025.

while the level of civil engineering productivity is above that of the whole economy, the sector's productivity growth has been broadly flat over the last 15 years.[16]

2.9 Time overruns are also a common issue for road and railway projects, and this can in turn impact on project costs with lengthy delays, thereby resulting in cost inflation against initial budget estimates. It also delays when communities can start benefitting from the improved transport infrastructure. Analysis by Boston Consulting Group (BCG) shows that:

(a) For road, based on a sample of 48 UK projects, 58% finished late and, when they finished late, they overran their estimate by 29% on average.[17]

(b) For rail, based on a sample of 27 UK projects, 56% finished late and, when they finished late, they overran their estimate by 27% on average.[18]

2.10 There is less evidence available on the quality of UK public road and rail infrastructure, but it does not appear to be the case that higher costs are being reflected in higher quality of infrastructure. For example, international benchmarking by the Global Infrastructure Investor Association in 2024 shows the proportion of respondents rating infrastructure in Great Britain as very or fairly good was 62% for the major road network, 44% for the local road network and 51% for rail infrastructure. In each case, these ratings are broadly in line with the reported average for G7 countries.[19]

2.11 We have also seen evidence of slow investment in, and adoption of, technological advances that could deliver efficiency savings; as a result, there has been significant unrealised potential for innovation in public road and railways. For example, Building Information Modelling, the latest available technology for digital infrastructure design, only has a 4% adoption rate amongst suppliers involved in design, construction and maintenance.[20]

2.12 Our current view is that the market has, over a sustained period, produced outcomes that are worse than they could be across a number of dimensions. This includes cost, delivery timescales, quality, and innovation which would drive improvements in these factors.

Factors sustaining the negative cycle

2.13 Our provisional view is that these poor outcomes are the result of suppliers and procurers being caught in a negative cycle of inefficient behaviour. This cycle is self-reinforcing, with inefficient behaviour by procurers driving inefficient behaviour

[16] ONS (2021), Productivity in the construction industry, UK: 2021.
[17] BCG (2024), Improving Infrastructure Delivery in the UK.
[18] BCG (2024), Improving Infrastructure Delivery in the UK.
[19] Global Infrastructure Investor Association (2024), Global Infrastructure Index 2024, p.11-13.
[20] EY Parthenon (2024), Mind the (investment) gap, p9.

by suppliers, which in turn drives more inefficient behaviour by procurers and so on.

2.14 In the following sections we analyse the factors that drive this negative cycle.

(a) First, we consider behaviour on the supply side of the market, covering:

(i) How many firms compete in the market, illustrated by levels of concentration and business dynamism.

(ii) How firms respond to barriers to entry and expansion.

(iii) The way firms subcontract and form tiered supply chains.

(b) Second, we consider behaviour on the demand side of the market, covering:

(i) How procurers collectively set out a pipeline of future work.

(ii) How procurers approach procurement exercises.

(iii) How the capacity and culture of procurers may contribute to the outcomes we see.

(c) Third, we consider how factors affecting both sides of the market impact on behaviour, covering:

(i) How risk is allocated.

(ii) How regulations affect market participants.

(d) Finally, we consider how these factors work together to sustain the negative cycle of behaviour in the market.

Supply-side behaviour

2.15 As explained above, our provisional view is that patterns of behaviour on the supply side of the market contribute to the persistence of the negative cycle that is driving poor outcomes.

2.16 First, competition between firms is not as strong as it could be. Greater levels of competitive pressure may incentivise firms to bring down costs and/or increase quality in order to win contracts. The lack of such improvements, compounding over time, acts as a drag on the productive capacity of the sector.

2.17 Second, and potentially a driver of the limitations to competitive intensity we mention above, firms appear to face some barriers to expanding in the market. While some of these barriers are inherent to the market, for example, the need for a certain level of capital and expertise to be credible, some of them are created by

actions of those operating in the market (indicating that different approaches may be capable of reducing these barriers and supporting competition).

2.18 Third, firms in this market often choose to subcontract, forming tiered supply chains. While this may have some advantages, there is also evidence that subcontracting is carried out to a greater degree than would be optimal, contributing to negative outcomes.

2.19 We now consider each of these factors in turn.

Competition for public road and railway contracts

2.20 We were concerned that weak competition could be one driver of the higher costs and lower investment we see in this market. To examine this, we looked at two indicators of the level of competition: market concentration, and business dynamism.

2.21 Overall, while the evidence we have reviewed does not point to market concentration being an important negative factor in the market, we do have some concerns around business dynamism. In particular, we are concerned that firms may not be able to expand in the market and challenge incumbent firms. This could in turn mean that an important source of incentives on suppliers to adopt more efficient behaviours – competitive pressure from entrants and scale-ups – is weaker than it could be. We will explore in the next phase of this study whether and to what extent regulatory barriers play a part in this, as we consider in Section 4. In Section 3 we consider the potential ways in which this might be playing out in the market.

2.22 Overall, our analysis of the supply side so far finds that around 15-20 civil engineering firms regularly bid for large contracts, and that within this group, supply is fairly fragmented. As set out in more detail in Appendix A:

(a) For rail, there are several large players that have supplied Network Rail over the last ten years, none of which has consistently held a greater than 10% share of supply throughout the ten-year period and no one supplier stands out as having consistently the highest share.

(b) For National Highways contracts, there is somewhat greater concentration at the Tier 1 level, with four large suppliers accounting for [50-60]% of the total contract value for the ten years we examined.

(c) Concentration in the nations is more difficult to assess given there are fewer contracts year to year, but overall, there appears to be a number of large Tier 1 firms competing for contracts in Scotland, Wales and Northern Ireland. Bidding analysis for public road contracts offered by Transport Scotland, the Northern Ireland Department for Infrastructure and the Welsh Government

indicates that the average number of bidders these contracts attracted is generally between three and five, although this was not the case for all types of contracts.

2.23 This data is not sufficient for us to conclude that competition is strong in this market. As we explain in the Appendix, there are a number of limitations to the data and the analysis it allows us to undertake, for example, in not allowing us to consider competition in more specific geographies or below Tier 1. Moreover, the existence of multiple bidders for contracts does not rule out the possibility that there is weak competition. However, the evidence does not currently point to there being concerning levels of concentration.

2.24 By contrast, when we consider business dynamism, [21] we do see some concerning signs indicating that competitiveness in the sector may be weakening over time. As set out in Figure 2.1, rates of firms entering and exiting civil engineering[22] – a common indicator of market dynamism – have fallen over the last 20 years, having previously outperformed the wider economy. This indicates that, as fewer firms enter and exit the market, competitive pressure on incumbent firms may be lessening. We also note that the entry rate is typically higher than the exit rate, which means that the active business population is expanding. This could be a reflection of a growing market, but it may also suggest less economically viable firms do not exit the market (acting as a drag on productivity).

Figure 2.1: Civil engineering and UK whole economy entry and exit rates, 2005 to 2021

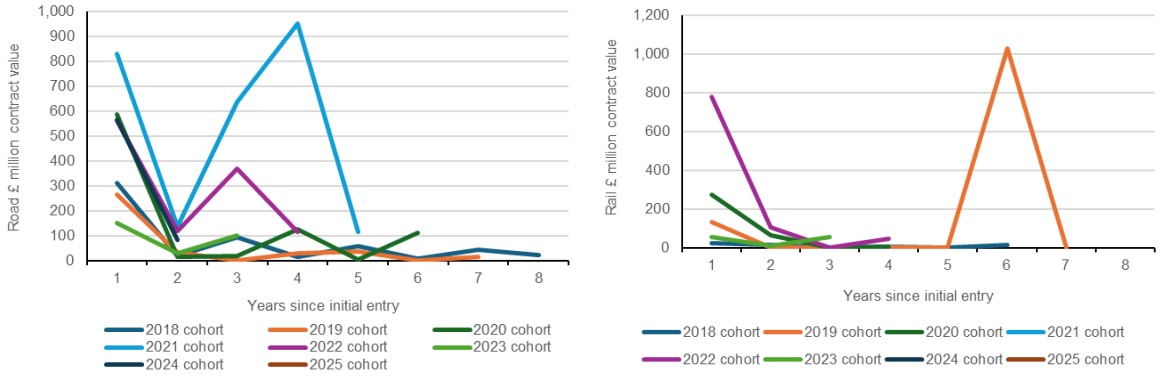
Source: CMA analysis of data from Longitudinal Business Databases (2004-2021).

2.25 As an alternative approach to assessing business dynamism, we have also considered whether new entrants, defined as firms with no revenue recorded in

[21] When a market is working well, more productive firms are able to displace less productive ones and there is a continuous process of resources being reallocated in line with competitive forces. This is often referred to as 'business dynamism'.
[22] We note that civil engineering includes activities relevant to our market study – construction of roads and motorways, construction of railways and underground railways, construction of bridges and tunnels – but also activities relating to other infrastructure like energy and water.

the Barbour ABI dataset[23] in any of the preceding years, are able to go on in future years to expand their activities and displace incumbent civil engineering firms, as set out in Figure 2.2. The charts show that entrants win a reasonable amount of business in the year they enter, but this often falls off in subsequent years. This indicates that, in both road and rail, new entrants are able to break into the market, but that there appears to be a pattern of firms winning minimal further work subsequent to their initial entry. Although this may be due to limitations with our dataset, and the annual volatility will in part reflect the multi-year nature of many contracts, this analysis could also indicate that firms struggle to maintain or grow their presence in this sector. We consider in the next section what barriers firms have told us they face in expanding, and we are continuing to explore the experience of smaller firms in the market, including through our qualitative research.[24]

Figure 2.2: Civil engineering new entrant turnover evolution, 2018 to 2025



Source: CMA analysis of Barbour ABI data

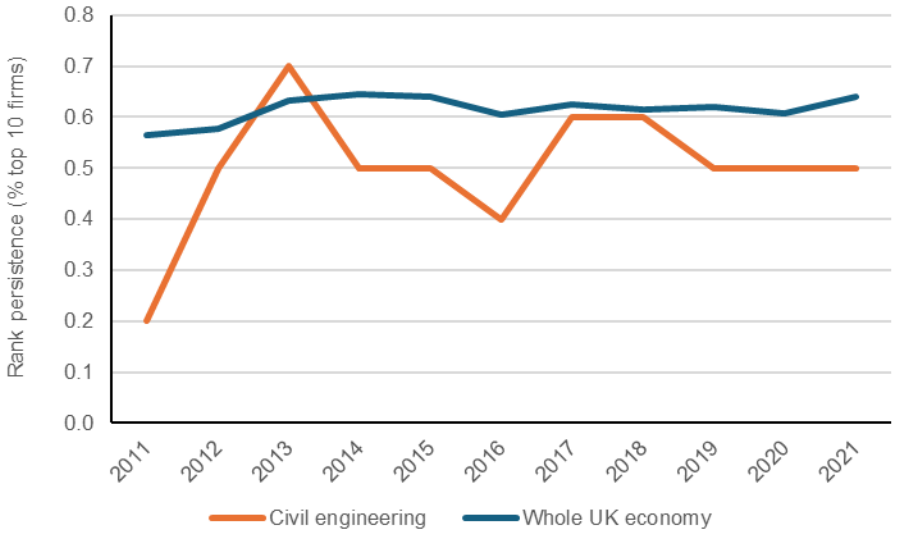
2.26 We have also considered rank persistence measures of the fraction of the largest firms in the market that can maintain their position over an extended period. Below we compute average rank persistence in civil engineering of the top 10 firms, in terms of turnover, in civil engineering and the whole UK economy.

[23] The Barbour ABI data set includes contract values at the point of award for civil engineering projects in road and rail in the UK in the last ten years. It is an aggregation of data that is available in the public domain and, as such, it may not include all expenditure in the market. For example, some work that is allocated to a supplier under a framework agreement may not be captured by our analysis, and any cost overruns that exceed the initial contract value are not captured. Further, our analysis is based on the total contract value at the point of tender being awarded, excluding contracts relating to HS2 (as well as private sector clients). It therefore does not reflect the extent to which new entrants are able to win subcontracts in the wider supply chain.

[24] As noted earlier, we retained Jigsaw to carry out qualitative research with a sample of contractors operating at Tier 2 and Tier 3 in the supply chain, the findings from which we will incorporate into our evidence base for our final report. From Jigsaw's presentation to the CMA on the research evidence (published alongside our interim report), we note the following, high-level findings:

- Barriers to entry, expansion and innovation include too much transfer of risk, uncertain pipelines of work, insufficiently advanced designs, increasing use of frameworks, bureaucratic burdens of bidding, pricing which does not fit cost or risk, and insufficient contacts and accreditations.
- Suggested improvements to the market included increasing financial certainty, standardised approaches to sharing risk, ensuring early engagement as standard and reducing the administrative burden of bidding.

Figure 2.3: Civil engineering and UK whole economy average rank persistence, 1997 to 2022



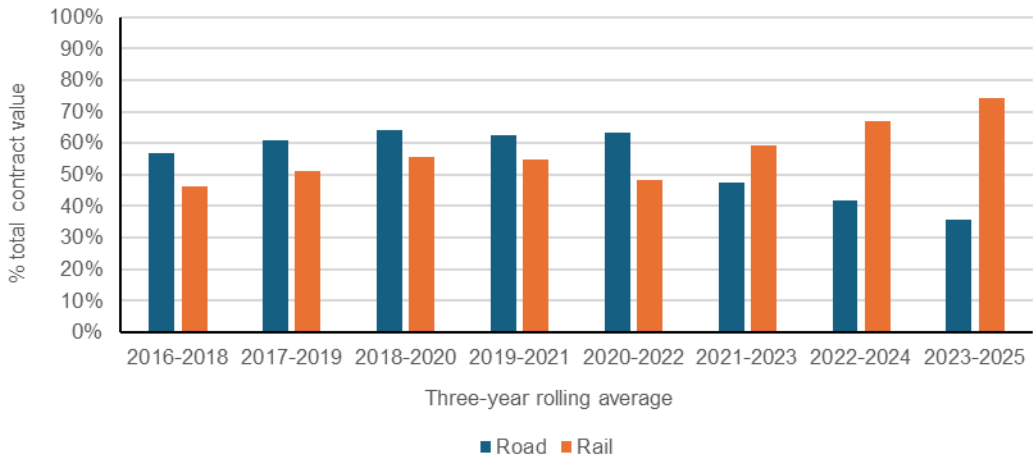
Source: CMA analysis of data from Business Structure Database (1997-2022)

Note: Rank persistence is calculated based on the top 10 firms in terms of turnover and considers a 3-year window. For example, a rank persistence of 0.25 means that a quarter of the firms in the top 10 today were also in the top 10 in each of the 3 previous years.

2.27 Average rank persistence in civil engineering has typically been below the UK economy-wide level over the period. However, average rank persistence is higher than it was at the start of this period, indicating that there is less replacement of civil engineering firms at the very top.

2.28 We have also examined the shares of supply of the top suppliers based on the total contract value at the point of tender being awarded, excluding contracts relating to HS2 (as well as private sector clients). We defined the largest 20 firms as those with the greatest total revenue over the period 2016 to 2025, across both road and rail. To account for the infrequent nature of procurement activity, we considered a three-year rolling average.

Figure 2.4: Civil engineering top 20 suppliers share of supply, 2018 to 2025



Source: CMA analysis of Barbour ABI data

2.29 Our analysis suggests that established firms tend to win a large fraction, if not the majority, of the contracts awarded each year (particularly in rail), but this is spread among a relatively large group of suppliers.

2.30 Therefore, our analysis indicates, the persistence with which large firms remain large is below that of the wider economy, and there is a fairly high number of large firms winning significant contract value each year.

2.31 Our evidence overall indicates that while there are many competitors active in the sector, some of which are large, it may be difficult for new or smaller firms to scale sufficiently so they can break into this group.

Barriers to entry and expansion

2.32 The findings we set out in the previous section could indicate that there are barriers to firms expanding in this sector; the reduction in entry rates could also indicate that barriers to entry have increased over time. At this stage, barriers to expansion appear to be a greater concern given the large number of firms present but the apparent difficulties firms seem to have in scaling up.

2.33 We asked Tier 1 and Tier 2 firms to rank different factors according to whether they believe them to be a significant barrier, a moderate barrier or not a barrier at all. This process identified the following key barriers to entry and expansion:

(a) Almost all (13 out of 14) cited incumbency advantages as a barrier to entry and expansion, although most of these (10 of 13) ranked it as a moderate rather than a significant barrier to entry.[25] In the procurement section, we discuss evidence of incumbency advantage and the potential impact on the market.

(b) A majority (11 out of 14) said that the costs involved to enter and expand in the market were a barrier. There was an almost even split on the strength of the barrier, with only slightly more firms saying it was a significant rather than a moderate barrier.[26] Costs cited include accreditation, legal compliance, resources to plan bids and investments in capital. More information on this is set out in Appendix A.

[25] More specifically 9 out of 10 Tier 1 and 4 out of 4 Tier 2 firms cited incumbency advantages, although only 2 Tier 1 firms and 1 Tier 2 firm ranked it as a significant barrier. Responses to the CMA's information requests [✂].
[26] More specifically 8 out of 9 Tier 1 firms and 3 out of 5 Tier 2 firms cited costs to enter the market, with 5 of the Tier 1 firms and 1 Tier 2 firm ranking it as a significant barrier. Responses to the CMA's information requests [✂].

(c) A majority (10 out of 14) cited the nature of procurement as a barrier, with most of these ranking it as a moderate rather than a significant barrier.[27] We discuss these factors in the procurement section.

(d) A majority (8 out of 13) also cited legal and regulatory processes as a barrier. Of those who said they were a barrier, all but one said they were a moderate rather than a significant barrier.[28] We discuss how these factors may act as barriers for new and smaller suppliers in the regulatory barriers section.

(e) A majority (8 out of 13) also considered economies of scale to be a barrier, with more (5 of 8) citing this as a significant rather than a moderate barrier.[29] More information on this is set out in Appendix A.

(f) Out of 13 civil engineering firms who responded, six considered access to inputs as a barrier and one considered it to be a barrier in rail only. Most of these considered it to be a moderate barrier.[30] More information on this is set out in Appendix A.

2.34 There will always be some barriers to enter or expand in these kinds of markets, for example given the need for a certain level of capital and expertise to be credible. These can be described as inherent barriers. However, where barriers are caused by actions in or on the market, such as those attributable to procurement or regulatory processes, there may be greater scope to influence how they impact different types of firm. If these barriers are reduced as far as possible, we would expect this to alter the incentives and behaviour of firms, leading to greater business dynamism and therefore more intense competition in the market.

Question 1: Do you consider that we should be more concerned with barriers to firms expanding rather than barriers to firms entering the civil engineering market in the first place? Are there other forms of barrier not mentioned in our analysis so far which are significant?

Subcontracting

2.35 Subcontracting is a ubiquitous feature of the delivery of civil engineering projects for road and railway infrastructure in the UK, leading to multi-tiered supply chains

[27] More specifically 7 out of 9 Tier 1 and 3 out of 5 Tier 2 firms cited the nature of procurement as a barrier, with 3 Tier 1 firms citing it as a significant barrier. Responses to the CMA's information requests [✂].
[28] More specifically 7 out of 8 Tier 1 and 1 out of 5 Tier 2 firms cited legal and regulatory processes as a barrier, with 1 Tier 1 firm ranking it as a significant barrier. Responses to the CMA's information requests [✂].
[29] More specifically 5 out of 8 Tier 1 and 3 out of 5 Tier 2 firms considered economies of scale a barrier, with 4 of the Tier 1s and 1 of the Tier 2s ranking it as a significant barrier. Responses to the CMA's information requests [✂].
[30] More specifically 5 out of 8 Tier 1 and 1 out of 4 Tier 2 firms considered access to inputs as a barrier, although only 1 Tier 1 and 0 Tier 2 firms ranked it as a significant barrier. A thirteenth firm (Tier 1) said it was a barrier, but only in rail. Responses to the CMA's information requests [✂].

for most major projects. While there are benefits and disadvantages to this delivery model, the evidence we have received suggests that suppliers may have incentives to subcontract even in cases where this does not lead to the most efficient outcome.

2.36 As set out further in Appendix A, while those seeking to procure subcontractors' services have not raised concerns with the level of competition among subcontractors, choice can be more limited, for example, when specialist skills and equipment are required.

2.37 Drawing on the relevant literature and our initial stakeholder engagement, we have identified several ways that the structure of the supply chain for civil engineering of road and railway infrastructure could inhibit good market outcomes. These include:

(a) Challenges in coordinating inputs across multiple tiers / subcontractors, and in assuring the work, leading to longer delivery timelines, higher risk, and higher costs / prices.

(b) The application of margins and overheads by each individual firm at different tiers of the supply chain contributing to higher costs / prices.

(c) Lower economies of scale and scope, as businesses fail to expand, resulting in higher costs / prices.

(d) Difficulties in implementing consistent quality standards across multiple subcontractors.

2.38 There are some other potential concerns over the extent of fragmentation. To the extent risk is being misallocated through the supply chain, there may be a greater chance of this occurring where there are more layers in that supply chain. We discuss the allocation of risk from Tier 1 to subcontractors in the risk section. In addition, the comparatively small and fragmented nature of firms may mean they are more restricted in the capital they have available, restricting their ability to take on risk and invest.

2.39 It should be noted that multiple firms and public authorities also identified benefits to subcontracting, including allowing access to skills and resources and increasing competition among subcontractors. Multiple Tier 1 firms went on to tell the CMA that they have measures in place to mitigate subcontracting inefficiencies, as discussed further in Appendix A.[31] However, multiple firms stated a preference to self-deliver where possible, although only two Tier 1 firms, Laing O'Rourke and

[31] Responses to the CMA's information requests [✂].

Murphy, said they self-deliver the majority of their work. This implies there may be factors inhibiting firms from using self-delivery as much as they would prefer.[32]

2.40 The evidence we have seen so far indicates that this fragmentation is to some extent a reaction to the circumstances firms face, particularly the uncertainty they face over future resourcing needs given the lack of clarity over long-term pipelines of work, discussed further below under pipeline. Greater confidence over what projects will actually proceed, including that they will have sufficient funding attached, may therefore give firms more confidence to make investments in their own assets and resources.

Question 2: To what extent do you agree supply chain fragmentation contributes to poor outcomes? Besides pipeline uncertainty, what other factors drive civil engineering firms' preference to use contractors rather than building their in-house capacity?

Provisional conclusion on supply-side factors

2.41 Overall, we have some concerns that firms face unnecessarily high barriers to expanding and challenging large incumbent suppliers, with the potential for different approaches to procurement and regulation to provide more scope for businesses to scale up or enter new sub-sectors. We are also exploring what factors can lead firms to over-rely on subcontracting.

Demand-side behaviour

2.42 Civil engineering involves firms bidding for infrequent tenders with large contract values and long contract durations (compared with other types of market). As noted earlier, public road and rail infrastructure is procured by a range of public authorities across the UK, including devolved governments, local authorities and non-departmental public bodies.

2.43 As a result, procuring authorities (ie the demand side of the market) play a fundamental role in shaping behaviour by suppliers, both at the market- and project-level. Collectively, by setting out their pipeline of projects, they shape future expected demand, which the market then responds to in making its own plans, including for investment.

2.44 At the level of the individual project, they set the project requirements, the method used for procurement and the award criteria for assessing bids. They then seek to ensure the benefits from the initial competitive pressure of the contracting phase is

[32] Laing O'Rourke response to the CMA's information request [✂]; Note of meeting with Murphy [✂]; Responses to the CMA's information requests [✂].

not eroded during the delivery phase. These project-level decisions not only impact project outcomes but collectively have an impact on incentives within the market overall, including incentives to expand, invest and innovate.

2.45 Procurement decisions can impact the incentives and ability of firms to invest in innovations which would reduce overall costs or improve quality over time. For example:

(a) Procurement processes prioritising low cost over innovation, or a reluctance to accept the costs of innovation until the benefits can be demonstrated, can lead to a chicken-and-egg situation, where firms need to prove the value of the innovation before they can undertake it. This may be reinforced if public authorities are risk averse or do not have the right technical expertise to evaluate the likely value (and prospect of success) of the innovation.

(b) Innovation may involve high upfront costs, which may not be recoverable, particularly where competitors could free ride on innovations developed by another firm. This may be exacerbated where there is a lack of larger contracts, continuous pipelines of work and long-term commitments which provide a stable environment with more opportunities to recoup costs over time.

Question 3: Are there specific procurement, policy or regulatory barriers that reduce innovation and/or scaling opportunities in the civil engineering market? What would make the most difference to firms' incentives to innovate, and public authorities' incentive and ability to encourage innovation?

2.46 In the following sections, we examine:

(a) how pipeline uncertainty may be having a negative impact on the structure of the market and individual project outcomes; and

(b) how procurement approaches may be delivering poor outcomes, raising barriers to expansion and impacting investment.

2.47 From this work, we provisionally conclude that procurers and suppliers in this market appear locked in a cycle of mutually reinforcing, short-termist behaviour. Procurers often operate in a context of budgetary uncertainty, which reduces their ability to procure strategically, or to coordinate with one another. Limits on their capacity, coupled with the challenge of getting the balance right in engaging with the market, mean their ability to scope projects effectively, and to secure value for money, is constrained.

2.48 Public authorities appear often to place greater reliance than is optimal on the procurement method which has the lowest upfront cost or demand on capacity for

them, rather than considering the broader impact of this on the firms bidding, or on competition over time. While market participants often expressed the benefits of frameworks in comparison with a slow and resource-intensive process for open competitions, we are concerned that this results in the overuse of frameworks, with many different frameworks being put in place, and a misalignment between those frameworks and the work being procured.

Pipeline

2.49 Evidence we have gathered to date indicates a combination of short-term funding pressures, uncertainty over longer-term budgets, and changing government priorities mean that there is limited visibility and confidence in a pipeline of projects. This reduces the incentives for firms to make future plans and invest effectively. This in turn may contribute to a high degree of subcontracting in the markets which can lead to inefficiency, as discussed in the subcontracting section and Appendix A. It also compromises public authorities' ability to plan and undertake procurement as effectively as possible to secure value for money. We recognise that governments have sought to improve pipeline visibility, and that there is a trade-off between providing long-term funding certainty and ensuring the use of public funds remains appropriate over time, and that the electoral cycle creates inherent uncertainty. Nevertheless, pipeline visibility and confidence appear key to improving the efficiency of the sector.

Current pipeline landscape

2.50 The overall funding landscape, and the certainty and length of pipelines of projects across procurers, is complex and varied.

2.51 For major road projects, National Highways and Transport Scotland have 5-year pipelines, although there are multiple annual budget settlements within Transport Scotland's pipeline period. The Welsh Government and the NI Department for Infrastructure primarily have annual pipeline and budget lengths.

2.52 Local authorities are responsible for procuring local road projects in England, Scotland and Wales, and also generally receive confirmation of their funding on an annual basis.[33] Further, members of our sector panel indicated local authorities

[33] The National Audit Office (NAO) (2024) found that although spending review settlements include multi-year totals for local road maintenance in England, DfT only provides certainty over funding to the majority of local authorities on an annual basis (NAO (2024) The condition and maintenance of local roads in England, paragraph 10, p10). In Scotland, local authorities also receive an annual capital grant from the Scottish Government for road building (The Funding of Local Government in Scotland 2023-24 (2025)). As noted above, for Wales even funding for major roads is primarily allocated annually.
We are aware that at least some local or regional authorities have started to receive some funding for somewhat longer time horizons. Local Transport Grant capital funding is allocated over four years, and resource funding is spread over three years: Capital allocations: 2026 to 2027 and 2029 to 2030 - GOV.UK; some city regions and mayoral combined authorities receive capital funding for 5 year settlements through City Region Sustainable Transport Settlements: City Region Sustainable Transport Settlements: confirmed delivery plans and funding allocations - GOV.UK. We are

must assemble funding from different sources often with different requirements on how the funding can be used, which further complicates their ability to develop an overall plan for the best use of their available funds.[34]

2.53 For rail, Network Rail is responsible for the rail infrastructure in Great Britain and has a 5-year pipeline period, known as a Control Period (CP), set by the UK government. However, Network Rail told us that enhancement projects are generally funded on a project-by-project basis outside the CP. [35] Network Rail stated that enhancements are often drip-fed funding which can lead to non-optimal solutions and a stop/start nature to the work.[36] For Northern Ireland, Translink[37] is responsible for holding and managing property assets of Northern Ireland Railways,[38] and has an annual pipeline based on the annual budget cycles of the Northern Ireland Executive.

2.54 Even for National Highways, which in principle has longer pipeline horizons, it can be difficult to maintain a clear pipeline. National Highways noted that, at spending reviews, government sometimes changes its level of funding and priorities for road infrastructure for the next or current 5-year spending period term (known as the Road Investment Strategy (RIS) period), including cancelling projects.[39] This can significantly impact National Highways' ability to plan and continue with the preparatory work on projects that are part of a visible pipeline during the current RIS period.[40] For example, early engagement before funding is confirmed may raise expectations which cannot be met, which can undermine trust. National Highways stated that giving as much certainty as possible over 5-year periods will deliver the best benefits long term to road users.

Pipeline and investment

2.55 Evidence we have received strongly suggests that uncertain pipelines significantly impact suppliers' ability to plan and invest in their own capabilities to deliver future

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interested to understand how many authorities this applies to and how much of these authorities' budgets this accounts for, as lack of funding certainty remains one of the key issues raised by all types of stakeholders.

[34] Note of meeting with the sector panel [✂].

[35] Network Rail's response to the CMA's information request [✂].
Enhancements are funded through the Rail Network Enhancement Pipeline in England and Wales, and in Scotland through the Scottish Government appraisal process outlined in the Rail Enhancements and Capital Investment Strategy. (Network Rail Control Period 7 delivery plans, Our Control Period 7 (CP7) delivery plans - Network Rail, accessed on 28/10/25).

[36] Network Rail's response to the CMA's information request [✂].
Network Rail Scotland told us for their enhancements projects they are constrained by the annual funding allocation which can mean they need to take a phased approach to how they deliver projects that span multiple years. Note of meeting with Network Rail [✂].

[37] Translink is the trading name of the Northern Ireland Transport Holding Company.

[38] Translink is the brand name of the integrated public transport operation of Metro, Ulsterbus and NI Railways.

[39] Annual Assessment of National Highways' performance: End of the second road period April 2020 to March 2025, accessed on 13/11/25, pp 34.

[40] National Highways' response to the CMA's information request [✂].
RIS3 was due to start on 1 April 2025 but has been delayed starting until 1 April 2026. This delay allowed the government toassess and set priorities for the road network as part of the 2025 Spending Review. An interim settlement was put in place for 2025-26 to fund National Highways. Source: Interim Settlement: Investment and management of the strategic road network from April 2025 to March 2026.

work, particularly when it comes to future innovation and addressing skills gaps. For example:

(a) One sector panellist highlighted that lack of certainty harms the ability of suppliers to plan where resources and the existing skilled workforce are to be deployed in the future, not just for Tier 1 firms but down through the rest of the supply chain.[41]

(b) The Civil Engineering Contractors Association and Skanska highlighted that lack of certainty over future work can lead to a loss of skills to other sectors, reducing the available skilled labour in the future.[42] A lack of available skilled labour and sector specific knowledge can lead to project delays and higher project delivery costs. Similarly, for the rail sector, RSS Infrastructure highlighted funding uncertainty on the type of future work has led to lapsed frameworks, rising costs and redundancies.[43]

2.56 Further, multiple stakeholders reported that a lack of pipeline visibility acts as a barrier in this market, particularly in relation to innovation and investment.[44] For example:

(a) RIA told us that a visible pipeline was vital to enabling investment in training and innovation.[45]

(b) Balfour Beatty said that enabling sufficient certainty on the opportunity pipeline (including for smaller suppliers) is key, in order to encourage the necessary investment in the sources of supply and maximise competition.[46]

(c) A sector panel member highlighted that even if contracts for early stages of a project are awarded, this does not guarantee that the project will proceed. The panellist also noted that it is difficult to make a business case for investment (relying on forward workload) in an environment where projects are being cancelled.[47] In a similar vein, Murphy submitted that there is a culture of doing the bare minimum during the early phases so as not to incur significant cost in case the scheme does not go ahead.[48]

(d) National Highways highlighted that uncertainty on confirmed funding can cause a lack of confidence that projects will actually proceed and affects decisions by firms over whether to enter in the future.[49]

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[41] Note of meeting with the sector panel [✂].
[42] Note of meeting with CECA [✂]; Note of meeting with Skanska [✂].
[43] Note of meeting with RSS Infrastructure [✂].
[44] Responses to the CMA's information requests [✂]; Responses to the CMA's Invitation to Comment [✂], question 8.
[45] RIA response to the CMA's information request [✂]; Note of meeting with RIA [✂].
[46] Balfour Beatty response to the CMA's information request [✂].
[47] Note of meeting with the sector panel [✂].
[48] Murphy's response to the CMA's information request [✂].
[49] Note of meeting with National Highways [✂].

Pipeline uncertainty and market structure

2.57 Multiple parties have pointed to pipeline visibility as an influence on the level of subcontracting in the market, as set out in more detail in Appendix A. The NIC has also reported that the uncertain investment environment without a clear pipeline of contracts has created the current fragmentation.[50] With limited visibility of future demand in pipelines, and little assurance that projects they are aware of will proceed in practice, firms need to be prepared to significantly flex their resourcing and activity levels, which make long term commitments to workforce or capital investments risky. As a result, buying in such assets as and when needed is seen as the safer approach, even where longer-term efficiencies and more transformative investment may be possible through investing in their own assets (for example, where an integrated firm would capture more of the benefits from an investment).

Pipeline uncertainty and impact on procurer decision-making

2.58 Funding uncertainty also affects public authorities' decision-making. The combination of short-term funding pressures, uncertainty over longer-term budgets, and changing government priorities have been highlighted to us as increasing the likelihood that decision-makers in public authorities default to lower risk, short-term projects, rather than focusing on more complex and potentially transformative schemes.[51] Financial year funding and timetable pressures, and dependence on government funding can restrict procurement activity[52] and can act as a barrier to strategic thinking.[53,54]

2.59 Short-termism is particularly acute in local authorities that typically have one-year funding settlements,[55] and can have a short period of time to spend a budget allocation. Further, West of England Combined Authority told us, where there are short-term funding settlements, local authorities cannot engage early with suppliers about the pipeline of work or make best use of longer-term contracts. As such, suppliers are not able to plan to enable effective resourcing decisions. This means projects might not obtain the right resources, they often cost more, and they take longer to deliver.[56]The Chartered Institute of Highways and Transportation (2025) white paper noted if England's funding for maintenance and

[50] National Infrastructure Commission, (2024), Cost Drivers of Major Infrastructure Contracts in the UK (p36).
[51] Responses to the CMA's information requests [✂]; Note of meeting with the sector panel [✂].
[52] Responses to the CMA's information requests [✂].
[53] Responses to the CMA's information requests [✂]; Note of a meeting with [✂].
[54] For example, Transport for West Midlands told us that funding envelops of government programmes does not align with the natural project delivery timelines. Note of meeting with Transport for West Midlands [✂].
[55] For example, NAO (2024) noted in relation to the maintenance of local roads that 'Annual [budget] provision reduces the certainty of funding for local authorities, which is needed to allow them to develop longer-term, more cost-effective maintenance regimes. Stability of funding over the longer term enables local authorities to invest in building skills and capabilities, and procure contracts for maintenance at better prices over a longer period.' NAO (2024), The condition and maintenance of local roads in England, paragraph 2.5.
[56] Note of meeting with West of England Combined Authority [✂].

management of local roads were more long-term and strategic, that is comparable to the five-year settlements in place for the Strategic Road Network and the rail sector, efficiency savings in the range of £1 billion to £2.1 billion could reasonably be achieved over a five year period.[57]

2.60 Such short-term thinking can reduce the value for money that the public sector as a whole is able to derive from markets.[58]

Recent developments in pipeline transparency

2.61 In July 2025, NISTA introduced a new platform – called the Infrastructure Pipeline – that provides industry with some details of planned major capital projects, including major road and rail projects – information it plans to expand on.[59] However, NISTA makes clear that it does not reflect a full view of the pipeline, and does not imply certainty of funding.[60] The Infrastructure Pipeline contains fewer projects in Scotland, Wales and Northern Ireland, although NISTA intends to improve links between each nation's lists of infrastructure plans[61] and the UK government's Infrastructure Pipeline.

2.62 A summary of the information available on different pipelines, which we consider would be important for suppliers in determining their future bidding plans and resource allocation, is set out in Table 2.1.

Table 2.1: Summary of information available in the main pipelines across the UK

	Procurement status	Tender process	Budget	Funding	Planning process	Process Timings	Regular pipeline refresh	Breakdown by sector	Breakdown by region
NISTA Infrastructure Pipeline [UK]	✓	✗	✓	✓	✗	✓	✓	✓	✓
Scottish Futures Trust Construction Pipeline Forecast [Scotland]	✗	✗	✓	✓	✗	✓	✓	✓	✓
National Procurement Service Pipeline [Wales]	✗	✗	✓	✗	✗	✓	✗	✓	✗

[57] Chartered Institute of Highways and Transportation (2025), Unlocking the Benefits of Long-Term Funding for Local Roads: Key message for policy makers, p1.
[58] HM Government (2022), The Construction Playbook: Government Guidance on sourcing and contracting public works projects and programmes, p55.
[59] Website: Infrastructure Pipeline by Nista, Introduction, accessed on 30/09/25.
[60] Website: Infrastructure Pipeline by Nista, Methodology, accessed on 22/10/25.
[61] In Scotland, the Scottish Futures Trust has a Construction Pipeline Forecast Tool that provides a forward look for anticipated public sector spend within construction. The forecast tool is updated every 6 months. In Northern Ireland, the Northern Ireland Executive has the Investment Strategy for Northern Ireland which sets out key objectives for infrastructure investment for the next thirty years. As part of this strategy, it has an Infrastructure Investment Pipeline that is updated frequently. In Wales, the Welsh Government published the Project pipeline providing visibility for planned public and private investment in Wales's infrastructure.

Construction and Procurement Delivery Procurement Pipeline [Northern Ireland]	✗	✗	✓	✗	✗	✓	✓	✗	✗

Source: NISTA, Scottish Futures Trust, National Procurement Service Pipeline, Construction and Procurement Delivery Procurement Pipeline

Procurement Approaches

2.63 Procurers also shape market conduct and outcomes in the way that they scope, award and manage projects. Our provisional view is that public procurement approaches have left significant value unrealised by not being used to effectively shape the market and harness effective competition to improve outcomes.

(a) More effective scoping would help public authorities to understand and crystalise what they want firms to deliver, and so how to design incentives to ensure firms deliver against this. It would also help ensure they can hold firms to account against realistic expectations as the project continues. Involving suppliers in the scoping process can assist in ensuring scopes are sufficiently developed but needs to be undertaken in the right way to ensure it does not weaken the competitive process for actually awarding the work.

(b) More collaboration and coordination between procuring authorities could improve the quality of the information they have at their disposal (for example, on costs) or allow them to pool resources to undertake joint procurement. It could also reduce peaks and troughs in demand, and in so doing, allow more consistent utilisation of limited civil engineering capacity.

(c) More intentional choices around how to procure, ie via open competition or through a framework, and how those frameworks are used, could induce stronger competition and/or reduce the cost and complexity for suppliers in bidding, lowering barriers to participation for entrants and smaller firms.

(d) Bid evaluation criteria set the parameters on which firms will compete and so can encourage firms to focus to a greater or lesser degree on price, quality, innovation and other non-price criteria. Ensuring evaluation criteria are specified and weighted appropriately may improve the incentives on firms to offer new ways of working which offer long-term savings and productivity improvements, rather than over-focusing on upfront prices.

2.64 We explore each of these points in turn below.

Scoping

2.65 Our provisional view is that public authorities are not as effective as they could be at scoping projects, meaning that they are unable to set out as accurately as they might a range of factors at the outset of a project, including:

(a) the rationale for the project and the desired outcomes; and

(b) the best delivery approach, including likely budget and likely timelines.

2.66 There is broad agreement by stakeholders that getting scoping right is critical to being able to deliver effectively in later stages of the project.[62] Deficiencies in this area drive a number of poor outcomes. At the procurement stage, poor scoping makes it harder for the public authority to know what it wants from a supplier, and therefore ensure that it is setting the right incentives and engaging the right suppliers. For suppliers, lack of clarity at this stage makes it harder for them to know what skills, expertise and other resources they would need to complete the project, and so will affect their decisions on whether to bid at all and, if they do win the contract, what resources they need to put in place, how they need to structure their subcontracting relationships and so on. During the project, deficiencies in initial scoping drives amendments to the scope while the project is ongoing, resulting in additional costs and time overruns.

2.67 In this section we set out the ways in which we think scoping by public authorities is falling short. We then examine some of the reasons why public authorities may lack the capacity or incentive to engage more effectively in scoping.

2.68 When project scoping is carried out well, it would provide an upfront scope that is as clear and realistic as possible, given the inherent uncertainties involved. While the nature and complexity of the project will drive the extent to which certainty can be given at the scoping stage, there is evidence that across projects the current level of scoping may be falling short of what could reasonably be achieved. For instance, Balfour Beatty and Skanska told us that business cases and requirements are often insufficiently developed, which can lead to subsequent changes as the requirements have not been properly tested.[63]

2.69 Deficiencies in scoping have impacts on the efficiency with which firms are able to deliver individual projects in the market, and on how effectively competition works in the market as a whole.

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[62] The NIC noted that the most cost-effective way to identify potential delivery problems is to consider risks at an early stage, rather than trying to fix issues once construction has started, and emphasised that late-stage changes in scope and design are more expensive and can lead to cost overruns. National Infrastructure Commission (2024), Cost Drivers of Major Infrastructure Projects in the UK, p27. Further, multiple Tier 1 firms told us that one of the main causes of cost or time overruns was an underdeveloped project scope. Response to CMA's information request [✂].
[63] Balfour Beatty's response to the CMA's information request [✂]; Skanska response to the CMA's information request [✂].

(a) Deficiencies in project scoping, or in reflecting the reality of the project scope in budget needs, can make budget setting challenging. Balfour Beatty said that setting budgets based on incomplete or underdeveloped project scopes may mean the budgets and programmes are unrealistic. Morgan Sindall highlighted that budgets which are prepared years in advance of project delivery are often out of date by the time the project starts,[64] and Laing O'Rourke said that Strategic Outline Case cost estimates are not always reflective of a project's complexity.[65]

(b) Further, although existing guidance in approaches to setting cost and timeline estimates recommends adjusting for optimism bias,[66] multiple suppliers told us that cost estimates can be optimistic, over and above the optimism bias adjustment routinely added to budgets.[67] This optimism may be driven by limited information and inappropriate integration of past data,[68] because public authorities and contractors may lack timely feedback as issues rooted in the scope may only surface later, limiting the ability to recalibrate expectations quickly based on present circumstances, and because political considerations may incentivise optimistic planning.[69] Unrealistic budgets may dissuade firms from bidding, limiting competitive pressure on those who do bid and so limiting the choice of supplier for the public authority. The winning supplier may also be able to renegotiate prices upwards at a later date and so deliver less value for money than where a more realistic budget had been determined upfront.

(c) Where changes are needed to project scopes once the project is underway, this can lead to additional costs and delays. National Highways submitted that funding agreements are subject to Treasury approvals and required to follow strict public procurement laws set by the Procurement Act 2023 and public contract regulations. As such, any significant change in scope, design, or delivery method typically demands formal approval to comply with the conditions of their licence, which can delay decisions and reduce the ability to adapt.[70] Costain submitted that when contracting authorities are budget-constrained (eg by annualised budgets) during early project phases,

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[64] Morgan Sindall's response to the CMA's information request [✂].
[65] Laing O'Rourke's response to the CMA's information request [✂].
[66] Government Finance Function, The Green Book, The Green Book (2022) - GOV.UK, accessed on 09/10/25.
[67] Responses to the CMA's information requests [✂].
[68] We understand that public authorities at national levels use cost databases and benchmarking tools to set budgets at the scoping phase – see for example Office of Rail and Road (2019), Assessment of Highways England's cost estimation approach for RIS2, p26 and Office of Rail and Road (2022), Preparing for RIS3 enhancements: Cost and efficiency review, pp11-12. We understand that these are most useful for simple, repeatable work rather than more complex bespoke projects.
[69] For instance, the Institution of Civil Engineers reports that 'forecasting time, cost and benefit outturns is technically difficult and is often made more so by political incentives which encourage underestimation […]' Institution of Civil Engineers, (2025), Why do major projects cost so much and take so long? And what can be done about it?, p4. Behavioural Insights Team (2025), Stay calibrated – A practical guide to debiasing decision-making, pp1-31.
[70] National Highways noted that this procurement legislation creates a structured and legally robust framework that governs how civil engineering projects are sourced and contracted, applying reasonable controls and ensuring accountability and fairness. National Highways response to the CMA's information request [✂].

opportunities to de-risk and optimise the design are often not pursued and risks can then manifest later, during construction.[71] Such unplanned changes in procurement timelines can create additional costs for suppliers, raise prices and damage the credibility and reputation of the authorities.[72] However, there are examples of how the costs of amendments to scoping during projects can be mitigated. For instance, Network Rail submitted that the Project Acceleration in a Controlled Environment (PACE) framework allows it to manage projects to minimise and mitigate the risks associated with project development and delivery.

2.70 Our view at this stage is that a number of factors are contributing to these deficiencies in scoping.

2.71 First, public authorities may lack sufficient capability to undertake effective scoping, either using in-house resource or procuring it from consultants. We have heard that public authorities use a mix of in-house expertise and external consultants as they scope projects, although the balance between these varies. As discussed in the capacity constraints section, public authorities can struggle in attracting and retaining sufficient expertise.

2.72 Second, public authorities are not consistently making best use of early involvement of suppliers to improve project scoping. Best practice set out in the Construction Playbook recommends such early involvement of suppliers, to help improve design delivery and operational outcomes.[73] There are some examples of positive practice in this regard. Multiple national public authorities involved in road procurement told us that they engage with suppliers during the scoping phase of projects[74] and that they run market engagement events once the project scope has been defined to seek views on the approach.[75]

2.73 However, in practice, we see that procurement authorities often do not use this early engagement as effectively as they could. Most Tier 1 firms that we have engaged with said that supplier engagement as it is currently done is inadequate to appropriately inform the project approach on design specifications, risk assessments and costs.[76] We have identified several concerns that appear to be discouraging authorities from doing this, though in many cases there are countervailing considerations that authorities do not appear to be taking fully into account. The concerns public authorities may have include that:

[71] Costain's response to the CMA's information request [✂].
[72] HM Government (2022), The Sourcing Playbook: Government guidance on service delivery, including outsourcing, insourcing, mixed economy sourcing and contracting, p50.
[73] HM Government (2022), The Construction Playbook: Government Guidance on sourcing and contracting public works projects and programmes, pp26-28.
[74] Response to CMA's information requests [✂].
[75] Response to CMA's information requests [✂].
[76] Response to CMA's information requests [✂].

(a) Engaging with a given supplier at pre-tender stage could weaken, or be perceived to weaken, the competitive process as it potentially advantages those engaged suppliers over other bidders, although we note that a scope with insufficient input from the sector risks being unrealistic or unattractive to potential bidders, which could also reduce competition.

(b) Multiple national public authorities have highlighted the desire to avoid legal and reputational challenges arising during procurement awards.[77] Early contractor involvement can be seen as a risk in this regard if not undertaken carefully. However, the NIC (2024) noted 'Systemic risk aversion exacerbates this problem [of public sector clients believing they cannot use early market engagement on the basis it may prejudice the process], by prioritising avoiding challenge from unsuccessful suppliers during the procurement process – and the associated delay – ahead of steps that are proven to reduce the risk of cost overruns.'[78]

(c) Early supplier engagement risks embedding terms that are favourable to the supplier at the expense of the procurer, due to differences in incentives and asymmetry of information with suppliers.

2.74 Third, even where authorities may wish to engage in detailed early scoping, including involving suppliers, they may not have sufficient time available to do so. The Association of Directors of Environment, Economy, Planning & Transport (ADEPT) noted that local authority annual capital budgets are sometimes only confirmed shortly before the funding is available for use, and must then be used within a very short window, making it difficult to plan and procure effectively. In addition, one sector panel member noted that providing funding for 'shovel ready' schemes incentivises authorities to claim that plans are more developed than they actually are, resulting in the early stages of the project being condensed.[79]

2.75 Fourth, public authorities may be overly risk averse in their scoping, leading them to avoid scopes and designs that would involve innovative approaches. BAM Nuttall told us it is not viable for suppliers to own the whole risk based on the low profits in the sector.[80] This suggests that where appropriate risk is not scoped in by the authority, firms may default to over-cautious approaches, adding cost to projects. Costain noted that there is an understandable risk aversion from public authorities, Tier 1 firms and designers when it comes to innovative, untested

[77] National Highways and Transport Scotland described wanting to avoid disadvantaging certain suppliers, and ensure that the procurement process is run correctly. Failure to follow correct procedures can lead to legal challenges and subsequent reputational risk. Responses to the CMA's information requests [✂]; Note of meeting with National Highways [✂].
Northern Ireland Executive submitted that legal challenges are the biggest concern when awarding contracts, and the key to successful procurement is getting legal advice at an early stage, and throughout the process. Northern Ireland Executive response to the CMA's information request [✂].
[78] NIC (2024), Cost drivers of major infrastructure projects in the UK, p29.
[79] Note of meeting with the sector panel [✂].
[80] BAM Nuttall's response to the CMA's information request [✂].

designs and that any change is often subject to significant challenge and so requires a lot of energy and cost to get the change implemented.[81] Risk aversion in scoping may be driven by a number of factors. For example, Amey submitted that maintenance contracts often suffer from a 'do just enough' mindset, due to budget constraints of contracting authorities, the lack of long-term asset management thinking, and other factors, including the contracting models used and the extent to which they encourage innovation.[82]

2.76 We are seeking further evidence on the blockers to procurers adopting best practice in early contractor involvement, and barriers to effective scoping more broadly, in the second half of the study.

Question 4: For what type of projects is there greatest scope for the accuracy of upfront scoping and planning to be improved, to aid delivery on time and on budget? What would help to make upfront scoping and planning more accurate?

Question 5: To what extent do you agree early contractor involvement could be used more effectively, and how can this be facilitated?

Coordinating procurement

2.77 Coordination between public authorities could give them better access to information (such as cost benchmarking or best practice) available to others or, at the other extreme, allow them to pool resources to jointly procure common or overlapping projects. It could also allow better utilisation of scarce civil engineering capacity on the contractor side. We have concerns that a failure to coordinate between similar types of public authorities, for example, between local authorities (particularly those in close proximity), has the potential to contribute to poor outcomes. For example, by not effectively aligning and sequencing their procurement exercises, authorities may inadvertently limit the number of firms that are able to bid, or create a temporary spike in local demand for particular skills, and so drive up prices.

2.78 We appreciate there may be good reasons why coordination may not always be possible or appropriate. For example, we understand the limitations in how far national and local authorities can or should coordinate their procurement, given the differences in scale and scope of projects they may deliver. However, there appears to be room for greater coordination between more similar types of public authority. In particular, we want to explore the case and scope for greater coordination over when public authorities bring their projects to market, and for jointly procuring projects (for example, parcelling together similar small projects

[81] Costain's response to the CMA's information request [✂].
[82] Amey's response to the CMA's information request [✂].

into one package) – which could allow procurers to avoid competing for the same supply-side capacity and make the packages more attractive, smooth peaks and troughs in demand for firms, and utilise greater combined buying power. However, we recognise that parcelling small projects together may have implications for the amount and type of work which is suitable for smaller or entrant firms to compete for.

2.79 We received mixed evidence from two national public authorities on the extent to which they coordinate with other authorities. The Welsh Government stated that it has not typically coordinated with others in the past,[83] whereas National Highways mentioned that they do communicate with other arm's length bodies, through a forum facilitated by DfT for specific purposes.[84] We have also heard from National Highways and the Welsh Government that they communicate with local authorities, either for benchmarking costs with them or by consulting them as a key stakeholder when schemes are developed. However, the same public authorities told us that they do not coordinate with smaller local authorities regarding procurement, as the scale and types of projects differ. The Welsh Government specified this regarding the procurement and delivery of major road schemes.[85]

2.80 We have heard about various levels of communication between local authorities. North Yorkshire told us it works closely with neighbouring authorities, and that as a member of ADEPT, it has insight into how other authorities get the best value from their funding.[86] Pembrokeshire told us that it benchmarks costs against other local authorities in Wales and other highway authorities across the UK.[87] Birmingham council mentioned that there is an opportunity for cross learning between councils, and that this could be improved.[88] Regarding joining up procurement, North Yorkshire mentioned that it does not do this because as it is a large authority, what it puts out to market is relatively large and so already benefits from economies of scale in procurement.[89] We are aware of some initiatives by local authorities to coordinate their procurement activity,[90] although at this stage have not seen evidence that these are widespread.

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[83] Note of meeting with the Welsh Government [✂].
[84] Note of meeting with National Highways [✂].
[85] For example, a sector panel member told us that there are two different systems going on in roads, there is the central government system in National Highways, and the local authority system. They are two very different ways of delivering, two different ways of procuring, and that local authorities are not able to tap into National Highway's frameworks to be able to deliver their work. The Welsh Government said that their local authorities do not have many large-scale projects in their pipelines, not to the value of what the national authority deals with on trunk roads. They reported that local authorities would be looking typically at Tier 2, Tier 3 firms for pavement works, etc. Note of meeting with the Welsh Government [✂]; Note of meeting with National Highways [✂]; Note of meeting with the sector [✂].
[86] Note of meeting with North Yorkshire [✂].
[87] Note of meeting with Pembrokeshire Council [✂].
[88] Note of meeting with Birmingham Council [✂].
[89] Note of meeting with North Yorkshire Council [✂].
[90] For example STAR Procurement supports Knowsley, Rochdale, St Helens, Stockport, Tameside, and Trafford Councils in providing procurement and consultancy services. STAR Procurement, accessed at 27/11/2025.

2.81 Differences in funding cycles and the disaggregation of funding into different pots may also contribute to a lack of coordination between public authorities over their procurement. The Association for Consultancy and Engineering (ACE) told us that some public authorities can take siloed approaches to publishing their pipelines based on their funding cycles. Although local and national authority projects are different and they operate at different scales, the separate pipelines can create a disjointed system rather than one that can help to identify overlaps to the supply chain.[91] Multiple Tier 1 firms highlighted suppliers must monitor multiple sites to obtain project leads for the same sector,[92] which can lead to inefficiencies.

Procurement methods, and use of frameworks

2.82 The procurement method, as part of the wider procurement process, can influence who wins the contract, presenting an opportunity to encourage competition in the market and ultimately shape outcomes.[93] Where the same methods, or methods which present the same incentives and influences on firms, are used across the market, this will also shape the nature of firms which will succeed and so the structure of the market.

2.83 Overall, the evidence demonstrates that there are trade-offs between the efficiency of the procurement method for the procurer in the context of a specific project and the broader impact of this on the firms bidding, or on competition over time. Our provisional view is in seeking to balance this trade-off, public authorities are currently over-relying on frameworks, and in particular the use of too broad a set of frameworks. In some cases, the costs to gain access to the frameworks appear to be disproportionate to the value of work firms may ultimately win. While market participants have noted the benefits of frameworks in comparison with slow and resource-intensive open competitions, our provisional view is that frameworks are sometimes being used inappropriately and inefficiently. This creates additional costs in the system and reduces the level of competitive intensity, so limiting the incentives of firms to invest in productive capacity. Developments under the Procurement Act 2023 may address some of the shortcomings in how frameworks are used, but it is too soon to tell how far they will be able to address all of the concerns.

2.84 Public authorities tend to choose between one of three procurement methods: competitive tendering, direct award or use of a framework. In 2021, there were over 2,000 active public sector construction frameworks,[94] and we have not seen

[91] Note of meeting with ACE [✂].
[92] Responses to the CMA's information requests [✂].
[93] The Construction Playbook (2022) highlights this, stating that procurement processes should be of proportionate duration and effort to the size and complexity of the contract opportunity. An unnecessarily complicated or protracted process can risk minimising the pool of bidders and stifle competition, HM Government (2022), The Construction Playbook: Government Guidance on sourcing and contracting public works projects and programmes, p48.
[94] Cabinet Office (2021) 'An Independent Review of Public Sector Construction Frameworks', p2

evidence of a significant consolidation since then. The National Audit Office (NAO) has also noted there has been a growing trend in the use of frameworks in public procurement.[95] We have heard evidence to suggest that among this large number of frameworks there is considerable variance between frameworks, for example, in the extent to which they are underpinned by committed schemes[96] and the number of suppliers within them.[97]

2.85 Market participants value the use of frameworks for several reasons:

(a) Procuring through frameworks can reduce time, cost[98] and uncertainty by facilitating working relationships with suppliers.[99]

(b) Longer-term frameworks build relationships and trust [100].

(c) Further, multiple Tier 1 firms submitted that frameworks allow for certainty of repeat work, compared with open tenders that require a higher upfront investment of time, resource and risk.[101]

2.86 However, we have heard that there are also drawbacks to using frameworks:

(a) Awarding contracts to the pre-selected group of suppliers on long-standing frameworks, may exclude new entrants.[102]

(b) Some frameworks provide participating suppliers with little or no guaranteed work. For example, multiple Tier 1 and 2 firms reported experiencing abortive procurement costs, where they successfully entered frameworks which were later cancelled, or where the advertised volumes of work did not fully materialise.[103]

(c) Once on a framework, there can be further costs to gain work as a result of mini-competitions, which can be inefficient.[104] The degree to which this is inefficient in practice depends on the level of additional cost placed on suppliers (and procurers) from running the mini-competition compared with

[95] Specifically, NAO found government procured 72% of its large contracts through frameworks in 2021-2022, compared to 43% in 2018-2019. National Audit office (2023) Lessons learned: competition in public procurement, p10
[96] For example, there are frameworks with a known, quantifiable, predetermined committed number of or projects. There are also frameworks where the idea of what is needed is known but the specific schemes are not, eg a number of local authorities knowing they've got a capital programme of works for their highways, but not the specific projects.
[97] Note of meeting with the sector panel [✂].
[98] National Audit office (2023) Lessons learned: competition in public procurement, p10; Submissions to the CMA [✂].
[99] Response to the CMA's information request [✂]. A sector panel member also noted that in Scotland, some public sector bodies favoured using frameworks as they are under time pressure and can get a contractor on-board quicker at times, without having to conduct a mini-competition. Note of meeting with sector panel [✂].
[100] Note of meeting with the sector panel [✂].
[101] Responses to the CMA's information requests [✂].
[102] Responses to the CMA's information requests [✂].
[103] Responses to the CMA's information requests [✂]; Balfour Beatty's response to the CMA's invitation to comment, p8.
[104] Responses to the CMA's information requests [✂].

the benefit from ensuring the particular piece of work is undertaken by the most suitable supplier on the framework.

(d) There are issues with complexity and design of frameworks, including many overlapping frameworks[105] and a sometimes disproportionate bidding process relative to the framework's purpose.[106]

2.87 The nature of the work being delivered is one factor which influences whether to use a framework approach. For example, National Highways submitted that, particularly for larger enhancement projects that require careful planning and control, there is a preference for frameworks.[107] Resource constraints may also affect the procurement method used. There is a time cost associated with open procurement methods versus procuring through frameworks, particularly with larger projects.[108] Network Rail submitted that open, competitive procurement is more resource-intensive and slower.[109] This can create a bias towards procurement methods that save time in the short term, even if they limit competition in the long run. We consider capacity constraints on public authorities further in the capacity constraints root cause section.

2.88 In England, Northern Ireland and Wales, the Procurement Act 2023 introduced a new concept of an 'open framework',[110] which provides contracting authorities with the flexibility to appoint new suppliers during the life of the framework scheme.[111] The Procurement Act 2023 also introduced a new purchasing tool, 'dynamic markets'. Broadly speaking, dynamic markets are lists of pre-approved qualified suppliers (those who have met the 'conditions for membership') that remain open to new members throughout their lifespan who are eligible to participate in future procurements.[112]

2.89 These developments could help overcome some of the limitations of frameworks in terms of excluding new suppliers. One sector panellist noted that Crown

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[105] Note of meeting with the sector panel [✂].
[106] FM Conway's response to the CMA's invitation to comment, p4-5.
[107] National Highways response to the CMA's information request [✂]. National Highways submitted that in this case, their preference is to create frameworks to support road scheme delivery. However, there is some indication public authorities default towards using frameworks unless there are particular reasons not to, such as where the work is a 'one off' with limited opportunity for repeat or follow on work.
[108] Response to the CMA's information request [✂].
[109] Network Rail's response to the CMA's information request [✂].
[110] Open framework is a scheme of frameworks that provides for the award of successive frameworks on substantially the same terms. A reference to an award on 'substantially the same terms' is a reference to an award that could be made by reference to the same tender or transparency notice without substantial modification (section 49(9) Procurement Act 2023). Section 49 of the Procurement Act 2023. As the Procurement Act 2023 does not apply to a devolved Scottish authority in most circumstances (except where a devolved Scottish authority carries out procurement falling within section 115A of the Procurement Act 2023), the provisions on frameworks at section 45-49 of the Procurement Act 2023 will not *generally* be applied to devolved authorities in Scotland.
[111] Section 49(2) Procurement Act 2023. Open frameworks must be reopened *at least* once during (i) the period of three years beginning with the day of the award of the first framework in the scheme, and (ii) each period of five years beginning with the day of the award of the second framework in the scheme.
[112] A dynamic market is not a public contract, it is more akin to a pool of suppliers (s35(5) PA23). The 'dynamic' part refers to the fact that they must remain open to new suppliers to join at any time. Contracts are awarded under dynamic markets using the competitive flexible procedure.

Commercial Service (CCS) is launching new commercial framework agreements under the new Procurement Act powers, but the lack of case law creates ambiguity in how these agreements are implemented. This uncertainty is a challenge in fully utilising the opportunities the new Act presents.[113]

Question 6: To what extent do you agree that the design and use of procurement frameworks could be improved?

Question 7: How could open competition be made less resource intensive as a method of procurement?

Procurement processes and barriers to entry

2.90 Beyond the procurement method, other aspects of the design of the procurement process can raise barriers to entry or expansion, negatively affecting the market structure as well as project outcomes.

(a) The overall design of the process may deter potential bidders, particularly smaller firms, if it requires high commitments of time and resource to participate. Multiple firms have told us that lengthy and/or complex procurement processes[114] are costly, with a number of Tier 1 firms reporting that this can act as a barrier to entry and expansion in the market.[115] Similarly, National Highways and Network Rail said that costly, resource-intensive procurement processes can deter smaller companies.[116] National Highways noted smaller or entrant companies may be particularly deterred given the significant volatility experienced across their sector.

(b) Tender evaluation criteria and contracts may disadvantage those seeking to enter new markets. Three Tier 1 firms and a Tier 2 firm told us that requiring prior experience and/or proven track records in the evaluation model can act as a barrier to entry for firms in this market.[117]

(c) A lack of, or limited, actionable feedback following unsuccessful bids may also demotivate suppliers and miss opportunities to support stronger bids and competition in future.[118] Although we have less evidence on this specific

[113] Note of meeting with the sector panel [✂].
[114] A Tier 1 firm, Amey, and Tier 2 firm, D Morgan, specified this in relation to competitive tenders, though Amey caveated that this is not necessarily a bad thing as it allows solutions to be developed and refined in close consultation. Two other Tier 1 firms, Morgan Sindall, Laing O'Rourke submitted this in relation to frameworks, where mini competitions can be costly to bid and lead to barriers. Amey's response to the CMA's information request [✂]D Morgan's response to the CMA's information request [✂]; Morgan Sindall's response to the CMA's information request [✂]; Laing O'Rourke's response to the CMA's information request [✂].
[115] Responses to the CMA's information requests [✂].
[116] National Highway's response to the CMA's information request [✂]; Network Rail's response to the CMA's information request [✂].
[117] Responses to the CMA's information requests [✂].
[118] Note of a meeting with [✂].

point at this stage, two Tier 1 firms reported receiving feedback against criteria that they perceived to be subjective. One Tier 1 firm received this feedback specifically in relation to a collaboration workshop assessment, when being evaluated against incumbent firms.[119] Without clear, constructive feedback, firms might struggle to improve future bids or feel discouraged from participating.

2.91 Relatedly, Tier 1 suppliers are more likely to understand a given public authority's procurement process and evaluation approach, which may give them a competitive advantage compared with non-incumbents with limited past experience. Multiple Tier 1 suppliers cited reasons why long-standing relationships with public authorities could be beneficial to incumbent firms.[120] Public authorities also recognise repeat interactions with suppliers can shape competitive dynamics. For example, National Highways note that a familiarity with its ways of working can strengthen collaboration with a supplier and support increased efficiency, but that this can also pose a challenge to other potential suppliers who need to build their alignment with them.[121] Network Rail told us it focuses on infrastructure experience instead of rail-specific experience to incorporate suppliers from the wider market. However, suppliers who have frequent interactions with Network Rail are more likely to get onto frameworks as they are familiar with Network Rail's tender process.[122]

2.92 Public authorities may favour selecting certain types of firms to reduce the resources involved in working with them. As noted above, working with incumbent firms with the experience to prove capability can save the public authority the time resource required to communicate their requirements with a new firm. Contracting with larger firms may save from the cost of managing multiple points of contact along the supply chain and mitigate the uncertainty of delivery. We consider constraints on public authority capacity, which may feed into these preferences, in the root cause capacity constraint section.

2.93 There may therefore be opportunities to reduce the barriers faced by new or smaller firms in how the procurement process works and how they are evaluated which place them at a disadvantage to other bidders.

Bid evaluation

2.94 How bids are evaluated is also a key factor in how procurers shape the market. We have heard concerns that procurers can be disproportionately focused on (upfront) price, which drives suppliers to compete to offer the lowest price, potentially at the expense of other important considerations, such as value for

[119] Responses to the CMA's information requests [✂].
[120] Responses to the CMA's information requests [✂].
[121] National Highways response to the CMA's information request [✂].
[122] Meeting with Network Rail [✂].

money, deliverability and quality.[123] We also want to understand whether this may incentivise firms to offer unrealistically low bids to win contracts, particularly where public authorities do not have sufficient information to identify that the bids are unrealistic, or prevent prices being revised once the contract has been awarded.

2.95 Across Tier 1 and Tier 2, some suppliers told us that price is usually the main deciding factor in contract award decisions,[124] which some suppliers indicated was due to budgetary and funding constraints.[125] A weighting that overly favours price in evaluation criteria can incentivise firms to under-price risk or strip out innovation.[126,127] For example, a panel member noted evaluation models can be output-focused rather than outcomes-focused and this may not achieve best value for public money. In particular, an evaluation which focuses on lowest price may not sufficiently weight the benefits of keeping established teams together, meaning learning is lost between projects.[128] However, we have seen evidence from some public authorities that they are mindful of the impact of the weighting of the various evaluation criteria.[129] There are also many non-price attributes which may be evaluated in different ways, including quality,[130] innovation,[131] and social value.[132] National Highways and Transport Scotland told us that non-price criteria are important considerations.[133] For example, National Highways told us quality is prioritised in certain circumstances, and it has been exploring 'absolute'

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[123] We also note that there may be spillover benefits for future projects, including for other authorities, from investment in long-term innovations which public authorities may not be effectively incentivised to take into account in evaluating bids for their current project.
[124] Responses to the CMA's information requests [✂].
[125] Responses to the CMA's information requests [✂].
[126] For example, Balfour Beatty submitted that tender valuations with a narrow focus on cost can discourage the adoption of new technologies and Modern Methods of Construction, which may require higher upfront investment but deliver long-term savings, productivity gains, and sustainability benefits. Balfour Beatty's response to the CMA's invitation to comment, p8. Kier told us that certain public sector clients have prioritised cost certainty over innovation and that the procurement process can therefore present significant barriers to implementing innovations. Kier's response to the CMA's information request [✂].
[127] Responses to the CMA's information requests [✂].
[128] Note of meeting with the sector panel [✂].
[129] For example, Transport Scotland told us they are moving away from focusing more on price towards a more balanced approach where quality and price are more equally weighted, in line with wider industry and market trends. Transport Scotland's response to the CMA's information [✂]. National Highways' procurement principles are intended to avoid defaulting to lowest-cost tendering. National Highways response to the CMA's information request [✂]. For competitive tenders, Network Rail evaluates bids using a price/technical weighting when awarding contracts. It also noted that it may use target cost or cost emerging pricing strategies instead of asking a supplier for a lump sum fixed price when the scope of a project is uncertain Network Rail's response to the CMA's information request [✂].
[130] For example, some suppliers told us that a proven track record of delivering similar contracts to high standards assures clients that a supplier will be able to achieve similar results on the project being procured for. Responses to the CMA's information requests [✂]. Costain told us that some recent procurement processes have required a qualitative response from tenderers about the client's budget for the project, and this has added an increased quality dimension to the commercial elements of the bid, although Costain added that this did not drive the tender outcome. Costain's response to the CMA's information request [✂].
[131] For example, Balfour Beatty told us that public authorities increasingly value digital technology to improve constructability and investment in leading-edge manufacturing facilities, especially for rail. Balfour Beatty' response to the CMA's information request [✂].
[132] For example, multiple suppliers have commented that sustainability is a priority due to clients' increased focus on net-zero ambitions or carbon targets. Responses to the CMA's information requests [✂]. Kier told us that a local authority procuring a road maintenance contract might place a higher weighting on social value due to the longer length of the contract, and have expectations on the contractor's ability to help deliver the local authority's strategic outcomes eg reducing unemployment for young people in the local area by providing opportunities. Kier's response to the CMA's information request [✂].
[133] Transport Scotland's response to the CMA's information request [✂].

assessment methodologies, such as price per quality point or weighted value for money index quality assessment.[134]

2.96 However, it can be challenging to evaluate non-price criteria effectively, as it requires time and expertise.[135] For example, we have heard from National Highways that effectively evaluating the social value generated by a bid is a constraint when contracting projects[136] as it requires time and resource to plan and implement - although National Highways told us that it has tools to support tender processes and commitment to monitor delivery, to ensure compliance to legislation and maximise public benefit.[137] The Welsh Government and Transport Scotland have reported the use of external agents when evaluating criteria that requires specialist technical knowledge.[138]

2.97 We consider that, while public authorities have made some progress in ensuring adequate weight is given to non-price criteria, there is some evidence that the balance may still favour short-term cost savings over long-term innovation and other aspects of bids which add value in other ways. Revisiting how tenders are evaluated may improve the incentives on firms to offer new ways of working which offer long-term savings and productivity improvements. There may also be opportunities to reduce avoidable barriers created by the way that procurement exercises are carried out, that create barriers to newer, smaller firms competing in the market.

Question 8: Where is there greatest scope to improve the evaluation of non-price aspects of bids, such as quality? How can this be better supported and enabled?

Factors affecting both supply and demand sides of the market

2.98 Some factors act on both procurers and suppliers, impacting how they work together.

(a) Civil engineering projects face many different risks to delivery, including availability of government funding and cancelled schemes; ground conditions; environment and weather; underdeveloped design and scope; social impact or local opposition; regulatory risks; access to skilled labour and resource; safety risks; and many others.[139] Ensuring risks are

[134] National Highways response to the CMA's information request [✂].
[135] Cabinet office (2021), Bid evaluation guidance, p16.
[136] In its Bid Evaluation guidance, the Cabinet Office state that social value should be explicitly evaluated, and when properly accounted for it can help to level the playing field for all types of businesses. Cabinet office (2021), Bid evaluation guidance, p11.
[137] National Highway's response to the CMA's information request [✂].
[138] Note of meeting with the Welsh Government [✂]; Transport Scotland's response to the CMA's information request [✂].
[139] Cost inflation, scope creep, subcontractor performance and many other factors have also been identified. Responses to the CMA's information requests [✂].

appropriately allocated within contracts to those who are best able to manage them ensures all parties have the right incentives to minimise the impact of these risks crystalising. Contract mechanisms are also important to ensure firms are incentivised to deliver as efficiently as possible. Much has already been done to set out best practice, so the key opportunity is ensuring best practice is adopted, which our evidence indicates does not always happen.

(b) There are also many different forms of regulation which apply to how civil engineering projects need to be delivered, including environmental protections, planning consents and health and safety requirements. These regulations serve important purposes but need to be interpreted and applied in a way which drives the behaviour and incentives of both procurers and suppliers towards embracing lower cost and more innovative solutions. This does not appear to be sufficiently the case at present.

2.99 We discuss each of these points in turn below.

Allocation of risk and incentives for efficiency

2.100 Once a supplier is appointed, the nature of incentives and competitive pressures change significantly. Incentives to deliver to time and budget and to do so efficiently are determined primarily through the allocation of risk in contracts between the public authority and contracting firm.

2.101 Pricing mechanisms allocate the burden of delivery risk (ie the risk that costs are higher than anticipated, either due to unforeseen events or inefficiency) between the public authority and contracting firm. Different contract options allow for different allocations of risk and reward suitable for different types of projects.

(a) Lump sum contracts (most suitable for small or 'straightforward' projects) provide the procuring body with cost certainty and the contracting firm with a strong incentive to deliver below the expected cost as the firm receives any cost savings below the lump sum price, but conversely the firm bears the risk of overrun. Some local authorities we have engaged with generally use lump sum contracts that put most of the risk on the contractor,[140] with two local authorities, North Yorkshire and Devon, indicating that this is because they need cost certainty due to their funding constraints.[141]

(b) By contrast, cost reimbursable contracts (often used for high-risk or emergency works) place the risk of cost overruns onto the procuring

[140] Notes of meetings with [✂].
[141] Note of meeting with Devon Council [✂]; Note of meeting with North Yorkshire Council [✂].

authority,[142] as well as reducing the incentive on firms to operate efficiently and minimise costs.

(c) Target cost contracts share cost underspend or overspend between the client and contractor based on a pre-agreed allocation, otherwise known as the 'pain / gain' mechanism. Target cost contracts can encourage collaboration across delivery as both parties have a stake in the delivery cost, and facilitate more appropriate allocation of risk between the public authority and contracting firm compared with lump sum or cost reimbursable contracts, meaning risks are more likely to be borne by the party most able to manage and mitigate the risk.[143]

2.102 Overall, our analysis to date indicates a more consistent, considered approach to determining which risks are allocated to different parties, would allow for more accurate assessments of risks and innovative approaches to managing them. Much has already been done to set out best practice, so the key opportunity is ensuring best practice is adopted.

2.103 We have received mixed evidence on whether public authorities try to shift risk inappropriately onto contractors: many Tier 1 and Tier 2 firms considered that risk is generally allocated appropriately,[144] but several expressed concerns that too much risk is often placed on contractors.[145] For example, Balfour Beatty told us that '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'.[146]

2.104 Placing too much risk on suppliers can result in fewer bids,[147] raising barriers to participation for smaller and mid-size contractors,[148] higher bid prices,[149] and firms

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[142] Responses to the CMA's information requests [✂].
[143] Responses to the CMA's information requests [✂]. Target cost contracts may also incentivise firms to work efficiently to keep the delivery cost below or as close to the target cost as possible to maximise their share of the gain/minimise their share of the pain, although how efficient this is in absolute terms depends on how accurately the target cost specified reflects efficient costs. To the extent there remains an asymmetry of information between procurers and contractors as to realistic efficient costs, the target cost may be set too high.
[144] Amey's response to the CMA's invitation to comment, p3; BAM Nuttall's response to the CMA's invitation to comment, question 5d, p11; Ringway Infrastructure's response to the CMA's invitation to comment, p4; Responses to the CMA's information requests [✂]. For example, BAM Nuttall stated that the 'road and rail market is in many ways ahead of other sectors in terms of fair risk allocation across different parties' although it also stated 'there are still improvements that can be made': BAM Nuttall's response to the CMA's invitation to comment, question 5d, p11.
[145] AtkinsRealis' response to the CMA's invitation to comment, p3; Balfour Beatty's response to the CMA's invitation to comment, p9; BAM Nuttall's response to the CMA's invitation to comment, p12; Murphy's response to the CMA's invitation to comment, p2; Responses to the CMA's information requests [✂].
[146] Balfour Beatty's response to the CMA's invitation to comment, question 4d.
[147] Contracts seen as placing disproportionate risk on contracting firms can be unattractive, making firms more reluctant to bid. FM Conway's response to the CMA's invitation to comment, p5; Mott MacDonald's response to the CMA's invitation to comment, p5; Taylor Woodrow's response to the CMA's invitation to comment, pp5-6; Transport Scotland's response to the CMA's invitation to comment, p9.
[148] For example, the CMA heard that inappropriate allocation of risk can push the market to those with the scale to afford the limits of liability which have been incorrectly assigned. HIVE Collaboration's response to the CMA's invitation to comment, question 5.
[149] Taylor Woodrow's response to the CMA's invitation to comment, p8; Transport Scotland's response to the CMA's invitation to comment, p9. For example, use of lump sum contracts places most of the risk on the contracting firm. These firms then price this risk into their bid resulting in a higher price.

under-pricing risk,[150] which can lead to disputes.[151] The collapse of Carillion has also been cited to us by a contractor as an example of the negative consequences of placing too much risk on contractors.[152] This is supported by findings from the Institute for Government and other public inquiries into Carillion.[153]

2.105 There appears to have been some rebalancing of the allocation of risk since the collapse of Carillion, with some national public authorities shifting towards taking on more client risk in contract strategies,[154] in part due to firms becoming more selective in the contracts they bid on given past experience and increased demand for civil engineering capacity.[155] The Welsh Government referred to a 'danger [that the contracting community] don't feel that they should take any risk anymore. They won't take ground risk. They don't want to take weather risk. They don't take design risk'.[156] Risk-sharing mechanisms may also dull the incentive on firms to be as efficient as possible where they bear only part of the cost of inefficiency and so place more onus on public authorities to monitor performance on an ongoing basis.

2.106 As noted above, one factor influencing risk allocation being shifted more towards public authorities may be suppliers having greater choice as to which projects they take on, given higher demand for civil engineering capacity. To the extent this balance has shifted too far, this could be addressed by better coordination between authorities to manage the demand being placed on suppliers (although this should not be used as a way to force suppliers to take on inappropriate levels of risk in order to win contracts).

2.107 There is a link between how well-developed the project scope is, and how contracts may be able to be specified: where the scope is clear and well-

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[150] Response to the CMA's information request [✂].
[151] Taylor Woodrow's response to the CMA's invitation to comment, p6; Welsh Audit Office, February 2020, A465 Section 2 – interim findings, p15 – 22.
[152] A Tier 1 supplier described that the risk appetite of contracting firms changed following the collapse of Carillion. Note of meeting with [✂].
[153] The IfG report into the collapse of Carillion stated 'Private companies can price and manage some risks well, but government has often attempted to transfer all risks, including high-cost, low-probability risks, that are beyond the control of suppliers. These cannot be competitively priced by the private sector, which means transferring them reduces competition and raises costs for government'. Carillion: Two years on, Institute for Government, March 2020, p21. UK governments transferring risk to contractors which they cannot manage was also highlighted by Public Administration and Constitutional Affairs Committee (2018) After Carillion: Public sector outsourcing and contracting, paragraph 63.
[154] For example, prior to the Coronavirus (COVID-19) pandemic, the Welsh Government would pass the risk of inflation and statutory undertaker diversions programmes onto the contracting firm, but now gives due consideration to handling those risks itself. Note of meeting with the Welsh Government [✂]. Transport Scotland historically used bespoke construction contracts which placed much of the risk onto the contracting firm, but now adopts a more collaborative approach: Note of meeting with Transport Scotland [✂]. Network Rail Eastern region stated that 'generally over time, Network Rail originally did mostly lump sum, then we moved to target cost and now we're in the space of the teams decide which is most appropriate for the work they're trying to deliver. Note of meeting with Network Rail Eastern [✂].
[155] Some national public authorities have expressed that contracting firms are either reluctant or will not bid on contracts with too much risk, meaning public authorities have to consider contract strategies involving increased risk sharing. Notes of meetings with [✂]. One sector panel member described that the allocation of risk can be cyclical and associated with the amount of choice for suppliers, they indicated the market is currently 'buoyant' and firms are able to push back against what is seen as unfair allocation of risk and be more selective in their choice of project. Note of meeting with the sector panel [✂].
[156] Note of meeting with the Welsh Government [✂].

developed, the contractor is less exposed to the risk of subsequent changes and so mechanisms which share such risks are needed less. National Highways and Network Rail submitted that the pricing mechanism is in large part determined by the maturity of the scope.[157] Several suppliers also highlighted underdeveloped design and scope as one of the key risk factors in delivering road and rail projects.[158] We have already set out our concern that public authorities are unable to give sufficient time and resource to ensuring scopes are appropriately specified.

2.108 Capacity constraints may also affect risk management, including the time allocated to risk management activities. Network Rail submitted that although de-risking future procurement stages is beneficial, it is also time-consuming.[159] We consider capacity constraints on public authorities in more detail in the capacity constraints root causes section.

2.109 Some Tier 1 and Tier 2 firms have told us that Z clauses[160] (essentially amendments to standard form industry contracts) are used to allocate risk, including to allocate risks to the contractor that are outside its control, such as altering the party liable for costs related to inflation, weather or changes in law. Amendments can also add complexity to the contract which can act as a barrier to participation.[161] National Highways and the Welsh Government told us that Z clauses are necessary to address the bespoke requirements of each project.[162] Not all Z clauses relate to the reallocation of risk, and there are appropriate uses for Z clauses. However, using Z clauses to reallocate risk runs counter to New Engineering Contract (NEC)[163] guidance as they can fundamentally alter the intended risk allocation and make the contract one-sided.[164]

2.110 We are also continuing to explore how risk is distributed down the supply chain. We have heard mixed evidence so far, with some parties describing Tier 1 firms

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[157] National Highways' response to the CMA's information request [✂]; Network Rail's response to the CMA's information request [✂].
[158] Responses to the CMA's information requests [✂].
[159] Network Rail's response to the CMA's information request [✂].
[160] Z clauses allow users to include additional, bespoke conditions of contract. Z clauses may be used for several reasons, for example where there has been experience of a standard clause being interpreted in an unintended way, or to reference to other agreements or external processes that need to be complied with, particularly on larger projects. NEC (2025), NEC4 option Z for additional contract conditions: clarity or curse? This webpage also notes NEC has published public-sector Z clauses addressing the Official Secrets Act, confidentiality obligations and site security, and that the Crown Commercial Service (CCS) also has 'boilerplate' Z clauses covering admittance to site, anti-bribery and corruption, freedom of information, building information modelling, data protection and cyber risk.
[161] Responses to the CMA's information requests [✂]; Bam Nuttall's response to the CMA's invitation to comment, question 7, p15.
[162] National Highways stated that 'There is no such thing as an unamended NEC contract', stating that NEC contracts are 'written in such a way as that they're universally applicable…but in their universality then they are not applicable because […] each individual project or contract has its own peculiarities or bespoke requirements'. Note meeting with National Highways [✂]; and the Welsh Government indicated that it includes Z clauses around inflation, statutory undertakers, design ownership and ground conditions. Note of meeting with the Welsh Government [✂].
[163] The New Engineering Contract (NEC) is a suite of collaborative contracts used in the construction and engineering industries for procurement of works, services, and supplies, currently on its fourth edition (NEC4). Different contract options allow for different allocations of risk and reward suitable for different types of project
[164] NEC (2025), NEC4 option Z for additional contract conditions: clarity or curse?

passing down disproportionate or inappropriate levels of risk,[165] but others indicating they pass on or retain risk according to who can manage them.[166] D Morgan stated that their approach to passing on risk to subcontractors is influenced by the strategy of the Tier 1 or public authority.[167] Similarly, one of the sector panel indicated that the approach to cascading risk down the supply chain is influenced by the contractual relationship with the public authority.[168] Therefore, there may be a relationship between the approach taken by the public authority, and the approach which replicates through the rest of the supply chain. We will explore this aspect of risk allocation further in the next phase of our market study, drawing on interviews conducted on our behalf by research agency Jigsaw with decision-makers in civil engineering businesses that have worked as Tier 2 and Tier 3 subcontractors on public road or railway infrastructure projects.

Question 9: What factors are most likely to cause significant risks to be misallocated between the procuring body and supply chain, and within the supply chain? How could this be addressed?

Regulatory barriers

2.111 Governments shape markets by how they choose to regulate them. In markets like those under consideration here, where the public sector is also the principal purchaser, government therefore has multiple levers it can pull to shape market dynamics and outcomes. These work best when co-ordinated strategically; we plan to explore what this means for procurement and regulation in the coming phase of the market study.

2.112 Complex and slow regulatory processes add to the burden on public authorities and firms. The UK has high regulatory standards that seek to preserve and promote a range of societal goals, such as environmental protection and health and safety. However, the evidence we have gathered to date, in its current form, suggests costly compliance with regulation slows down the delivery of infrastructure, raises barriers to entry and expansion and limits the adoption of new technologies.

2.113 Overall, our current view is that there may be considerable scope to improve how the regulatory regime works by reducing the rigidity with which regulation is

[165] AE Yates, which acts as both Tier 1 and Tier 2, stated that the public sector has moved to a position where commercial assessments and payment terms are fair and reasonable, but it does not see the same when working with Tier 1 firms on publicly funded contracts, and instead sees Tier 1 firms seeking to pass down disproportionate levels of risk. AE Yates' response to the CMA's information request [✂]. One of the sector panel indicated that it sees risks being passed down to their firm by Tier 1 firms which it is not well placed to manage, such as planning risks. Note of meeting with the sector panel [✂].
[166] Breedon indicated that the risks which tend to be passed down are those it can mitigate or sensibly price. Breedon's response to the CMA's information request [✂]. A sector panel member also said their firm retains or passes down risks depending on who can manage them. Note of meeting with the sector panel [✂].
[167] D Morgan's response to the CMA's information request [✂].
[168] Note of meeting with the sector panel [✂].

applied, and simplifying the frameworks in place, to reduce costs and to incentivise suppliers and procurers to develop and embrace more innovative solutions. There may also be scope to rationalise the number of accreditations while ensuring they truly provide assurance of the quality of the supplier.

2.114 That said, we have to date received less specific evidence on issues around regulatory standards – both in terms of the scope for and nature of changes in this area – than we have on the issue of procurement practices. This is therefore an issue that we plan to focus on further during the second half of the study. In particular, we will work to identify areas where regulatory barriers may be restricting pro-competition opportunities to improve market outcomes, for example by better supporting firms to scale or greater adoption of innovative new technology.

2.115 While product standards are clearly of vital importance to ensure the safety both of construction works and the operation of roads and the railway, the evidence we have reviewed so far suggests that the way the regulatory system is designed and implemented may make it harder than necessary for suppliers to test and adopt innovative solutions. This in turn may impact incentives to invest. We have heard from Tier 1 firms that the following regulatory factors can impact the adoption of innovation:

(a) **Regulatory standards, risk and funding:** Multiple Tier 1 firms have told us that regulatory standards are very rigid (particularly in rail) and are slow to adapt to new technologies and often require lengthy procedures for approving new technologies.[169] Balfour Beatty told us that gaining approval for new plant, equipment or technology on the railway is a costly and lengthy process requiring extensive documentation and multi-agency sign off.[170] Murphy told us that the absence of historic performance data, proven design life, or formal accreditation often disqualifies advancements from consideration.[171]

Multiple Tier 1 firms told us that public authorities are risk averse and have a low-risk appetite for innovative solutions, both in the construction and operation of road and rail.[172] BAM Nuttall told us that road and rail clients are reluctant to own the risk of new products, processes and techniques.[173]

For projects where innovation is more feasible, particularly for enhancement projects, limited funding can limit the scope for innovation. A Tier 1 firm told us that limited public authority budgets are typically directed towards

[169] Responses to the CMA's information requests [✂].
[170] Balfour Beatty's response to the CMA information request [✂].
[171] Murphy's response to the CMA information request [✂].
[172] Responses to the CMA's information requests [✂].
[173] Bam Nutall's response to the CMA's information request [✂].

maintenance and renewal activity, leaving enhancement, where innovation is more applicable, underfunded or deprioritised.[174]

(b) **Variability and complexity of regulatory standards:** the complexity and variability of regulatory frameworks and how they are applied in road and rail can make it hard to innovate. For example, Morgan Sindall told us that the fragmented nature of industry oversight, where different bodies issue overlapping standards and approvals, often results in duplication, confusion, and inconsistent interpretation.[175] Depending on the specific circumstances of the project, it may require consents and engagement from statutory bodies such as the Environment Agency, Natural England, Natural Resources Wales, Scottish Environment Protection Agency (SEPA), water companies and relevant local authorities, who are responsible for regulating watercourses and noise.

2.116 Industry accreditations can be important in showing a firm's ability to carry out the specified work. However, our evidence gathering so far suggests that they can be costly to attain and that different accreditations are often needed for similar work with different public authorities or supply chains. Rationalising the number of industry accreditations and ensuring that they provide assurance of the quality needed could reduce costs, particularly for smaller firms and make it easier to assess quality.

2.117 The evidence we have gathered supports the frequently held view that complexity and uncertainty of both the duration and outcome of the planning process along with a lengthy and complex process of consulting statutory consultees slows down the delivery of infrastructure projects and creates difficulties for contractors in workforce planning. In particular:

(a) Multiple Tier 1 firms told us the time, cost and risks associated with gaining planning permissions is a significant challenge. For example, Morgan Sindall, a Tier 1 supplier, told us that environmentally sensitive projects can often require multi-year ecological studies.[176]

(b) The different layers of planning, including the number of bodies involved add significantly to complexity and results in longer timeframes and administrative costs. For example, Murphy and Kier, both Tier 1 firms, told us that projects which cover multiple geographical areas may have to navigate national infrastructure planning processes as well as local development controls which can lead to duplication in multiple areas which both firms noted

[174] Response to the CMA's information request [✂].
[175] Morgan Sindall's response to the CMA information request [✂].
[176] Morgan Sindall's response to the CMA information request [✂].

includes environmental assessments and, Murphy noted, includes stakeholder consultations and design approvals.[177]

(c) The majority of the Tier 1 firms we sought evidence from told us that statutory consultees represent the greatest issue in the planning system. The process around consultation of statutory consultees adds material complexity to, and often leads to delays in, obtaining planning consents and it is often difficult to know which statutory consultees must be consulted for a particular project.[178] A Tier 1 firm, Laing O'Rourke, told us that the positions of such statutory bodies can be contradictory which provides the contractor or public authority with a challenging exercise in finding a mutually acceptable route through the consultation process.[179]

2.118 Considerable work has been done by the UK government and others in recent years towards seeking opportunities for improvement, and the Planning and Infrastructure Bill 2025 (P&I Bill) aims to address some of these issues, predominantly in England, including through changes to the Nationally Significant Infrastructure Projects (NSIP) process. The P&I Bill seeks to address concerns around statutory consultees by removing statutory consultation requirements at pre-application stage, and the UK government is currently consulting on wider reforms to the statutory consultee regime.

2.119 Inefficiencies in the process for acquiring environmental approvals and the mitigations required can add significant cost and time to the delivery of infrastructure. In particular, Tier 1 firms told us that resource constraints within consent granting bodies, requirements for specialist ecological surveys and protected species and often duplications in approvals and data collection can increase cost. For example, one Tier 1 firm told us that on one project, badger relocation was delayed due to permit issues. While waiting for a licence, the badgers moved, making the original application void and requiring a new one. Although the project client covered the licence fees, the project still bore additional costs for installing gates, monitoring equipment, and had to delay works in the area.[180]

[177] Murphy's response to the CMA information request [✂]; Kier's response to the CMA information request [✂].
[178] Multiple Tier 1 firms noted the difficulty in knowing which statutory consultees must be consulted. Responses to the CMA's information requests [✂].
[179] Laing O'Rourke's response to the CMA information request issued [✂].
[180] Skanska's response to the CMA information request [✂].

Question 10: What are the areas of regulation which are preventing opportunities for innovation and effective competition?

Question 11: What are the areas of regulation which are preventing smaller suppliers from competing effectively (or from scaling up to be able to compete effectively)?

Overall provisional conclusions

2.120 Our evidence so far indicates the market is caught in a negative cycle of inefficient behaviour. Procurers set the rules within which firms compete for their projects, and together their combined demand determines what firms need to supply. However, procurers are not able to set out long-term, certain pipelines of future projects, which inhibits them from being able to effectively shape the market. Further, the project scopes and budgets they are able to set may lack clarity and realism, while the way they go about procurement may limit the ability of smaller or entrant firms to compete or may focus on short-term cost over quality, innovation or other important factors.

2.121 Our emerging view is that these market conditions may incentivise particular behaviours on the part of suppliers. A lack of pipeline certainty reduces firms' incentives to invest, while a narrow focus on price may encourage firms to compete on this aspect of their offer at the expense of investing to improve quality. It may also lead firms to buy in assets and labour as and when needed, rather than investing in long-run capacity, and to seek to pass risk on to their own contractors inappropriately. Although there are many large competitors active in the market, we have found evidence to suggest that dynamism has fallen over the last two decades, and that firms may find expansion difficult. This limits the options available for procurers, particularly with regard to choices between firms delivering through different business models or with new and innovative solutions.

2.122 We recognise that both procurers and suppliers need to work within the reality of civil engineering projects, which face many risks to delivery and need to be delivered within an environment which is rightly highly regulated. However, our provisional view is the way they interact with those challenges leaves significant value unrealised. In particular, the means by which risks are distributed can incentivise an adversarial process, rather than collaborative attempts to mitigate risks and resolve problems. The practical result of inappropriate risk sharing is likely to be that public authorities more often pay for negative risk outcomes

occurring.[181] With regard to regulation, the rigidity with which regulation is applied, and the varied and complex frameworks in place, may unnecessarily disincentivise suppliers and procurers from developing and embracing innovative solutions, and interweaving systems of accreditation may raise costs for firms to provide assurance of their abilities without making it easier for procurers to assess them.

[181] This could either be because risks crystalise more frequently and so need to be paid for by extending budgets, or because firms price in all possible downside risk upfront (or at least, all of the risk they are unable to pass along the supply chain) when projects are paid for on fixed terms.

3. Root causes

3.1 Through our analysis and engagement, we have been aiming to understand what has been driving the decisions made by public authorities and firms so that we can understand the root causes of the persistent challenges in this market, and where there may be the greatest opportunities to find effective, long-term solutions. Below we set out our provisional views to explain what may be causing this environment and the evidence that helped us reach this position. We note that two of the root causes we have identified – pipeline uncertainty and regulatory barriers – have been discussed earlier in this report, and so we do not go into further detail on these points below. However, the brevity of this discussion should not be taken to imply that these are not very important drivers for the suboptimal outcomes we observe.

Pipeline uncertainty

3.2 Our provisional view is that a longer and more certain project pipeline has the potential to have a significant impact on firms' ability to plan and invest in their own capabilities to deliver future work, particularly in relation to future innovation and addressing skills gaps. It could also enhance the ability of public authorities to plan and scope projects, which could improve their ability to use public funds more effectively. We have set out above in the pipeline section the impact pipeline uncertainty has on many aspects of the market, including investment incentives, market structure and procurer decision-making. A number of previous reports have also found that clear and stable policy direction and long-term planning are fundamental to driving efficiency and value for money in public procurement and civil engineering more broadly.[182]

3.3 As noted earlier, we recognise that governments have sought to improve pipeline visibility (as discussed in the section on pipeline length and certainty), and that there is a trade-off between providing long-term funding certainty and ensuring the use of public funds remains appropriate over time. We also recognise that the electoral cycle creates inherent uncertainty. Nevertheless, pipeline visibility and confidence appear key to improving the efficiency of the sector.

Procurement policy and capacity

3.4 Our provisional view is that public procurement could be used more effectively to shape the market and harness effective competition. We think there are currently

[182] For example, NIC (2024) Cost drivers of major infrastructure projects in the UK, p.18; ICE Responds To UK Treasury's 10-Year Infrastructure Strategy Working Paper | Institution of Civil Engineers (ICE). Further, one of eight lessons identified by NAO was that 'Uncertainty and inconsistency over funding and policy commitment make it difficult to build effective partnerships, with local government and industry, or develop pipelines of investment and skills in area with long term challenges, such as social care and green energy' Lessons learned: a planning and spending framework that enables long-term value for money, p.8.

three key issues: the constrained capacity of public procurers to make the most effective decisions in a complex landscape; the inconsistent application of the considerable volume of best-practice guidance available to guide procurement policy and approaches; and the risk appetite of public authorities leading to overly conservative approaches.

Procurement authority capacity constraints

3.5 Our provisional view is that funding constraints and skills shortages in civil engineering more broadly contribute to challenges faced by public authorities to build, recruit and retain sufficient procurement and engineering capabilities.

3.6 Skills shortages in relation to civil engineering in general are well documented. According to recent Department of Education research, there were 5,900 skills shortage vacancies in civil engineering registered in 2024, an 84 per cent rise from 2022.[183] Multiple public authorities and suppliers raised concerns about the shortage of skills across the civil engineering sector, affecting multiple stages of project development – from planning and procurement, to delivery.[184] This industry-wide gap in expertise can contribute to extended procurement timelines and project delays.

3.7 Capacity constraints are common across the public sector, but there may be certain factors which exacerbate these in relation to rail and road procurement. As in other professions requiring specialist expertise, restrictions on pay rates can make it difficult to recruit and retain such specialists.[185] Public authorities may also not be able to justify retaining significant numbers of skilled staff where there are long periods during which that expertise is not being used, and so contribute to resource constraints when such expertise is needed.[186] Relying on the contracting-in of expertise can be efficient in some circumstances. However, there can be a risk that public authorities do not retain enough continuity of expertise to critically assess and, where necessary, challenge information being provided by suppliers.[187] We also noted in the pipeline section that pipeline uncertainty can contribute to the loss of skills from the private sector as well.

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[183] Step 6: Explore data - Create your own tables on employer skills survey.
[184] Responses to the CMA's information requests [✂]; Note of a meeting with [✂]; Institution of Civil Engineers, 'Next Steps Panel Debate: What are the pinch points that could derail the UK's infrastructure ambitions?', accessed on 26/11/2025.
[185] NIC (2024) Cost drivers of major infrastructure projects in the UK, p.26. [✂].
[186] For example, while NIC noted public sector pay rates as a challenge for retaining skilled staff, it also noted 'Even where pay flexibility exists, the start stop nature of projects can mean that client expertise is lost in the hiatus between projects.' NIC (2024) Cost drivers of major infrastructure projects in the UK, p.26. [✂].
[187] For example, NIC (2024) highlights the example of the Elizabeth Line, where the client, Crossrail Ltd, did not sufficiently interrogate the information received from contractors on a complex scheme. As a result, it was unaware of problems with both construction and the integration of the project with existing railway signalling systems until very late in the project, leading to significant delays in completion. NIC (2024) Cost drivers of major infrastructure projects in the UK, p.26. Kier also highlighted that where clients rely on third party consultants, this can cause issues with project administration, including because consultants may have differing incentives based on their pay structure. Kier response to CMA's information request [✂].

3.8 We have heard particular concerns over the ability of public authorities to attract and retain sufficient staff with the necessary technical skills to manage different aspects of the procurement process effectively, such as: having the relevant knowledge and technical skills to set out project requirements;[188] having sufficient technical resource and time to effectively assess non-price criteria,[189] given the need for such staff to deliver on day-to-day roles;[190] and having the necessary procurement expertise to determine the appropriate allocation of risk. We note on this last point that some stakeholders have informed us that this can be a challenge (in particular for smaller local authorities, or smaller authorities more generally),[191] although some public authorities told us they have the relevant procurement expertise.[192] However, we have also heard that even where local authorities do have the necessary expertise, there can be a view that external expertise is more credible even where it does not add material value.[193]

3.9 As well as affecting whether authorities have the technical expertise to hold suppliers to account, capacity constraints may also impact on their decisions how to procure and deliver the project, as previously discussed.

3.10 Coordination between public authorities could alleviate some of the constraints they face by providing them better access to information or allowing them to pool resources to jointly procure common or overlapping projects. As noted previously, this appears to be an underexplored opportunity, with potentially greater scope for public authorities to coordinate over when they bring their projects to market, and for jointly procuring projects (for example parcelling together similar small projects into one package), which we will continue to explore in the next phase of the study.

Procurement policy and approaches

3.11 In the Procurement Approaches section, we have highlighted how we consider specific approaches to issues such as scoping or the use of frameworks may be a factor driving poor outcomes. Our current understanding is that these are

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[188] Notes of meetings with [✂].
[189] Cabinet Office, Bid Evaluation Guidance Note, May 2021.
[190] National Highways submitted that the key challenge lies in accessing the right technical staff, as it has technical expertise in abundance. Resource constraints mean that its specialists are fully committed to their daily roles, making it difficult to allocate them to short-term assessments. National Highways' response to the CMA's information request [✂].
[191] Note or meeting with the sector panel [✂]; Note of meeting with [✂].
For example, one organisation stated; 'Sometimes, those procuring at the highest level (especially in the local government space) have limited expertise and / or resource and we feel that many can struggle to balance risk fairly between supply chain and client' ACE's response to the CMA's invitation to comment, p6,
[192] A panel member gave an example of a large local authority that does have technical expertise in-house already, through its own direct employees or long-term service contracts or access to professional frameworks. The Welsh Government noted that it achieves its expertise through a mixed economy approach of using internal and external support. Note of meeting with the sector panel [✂]; Notes of meetings with [✂].
[193] Note of meeting with [✂].

influenced by how public authorities apply (or do not apply) best practice and cultural factors, particularly the risk appetite of public authorities.

Application of best practice

3.12 While there is much valuable guidance as to what good practice looks like in the procurement of civil engineering projects for roads and railways, evidence we have collected highlights that in practice it is not consistently adopted.

3.13 The Construction Playbook and Sourcing Playbook, and Client Guide in Scotland aim to guide public authorities on best procurement practice.[194] However, the Construction Playbook is primarily aimed at UK government and arm's length bodies, rather than local authorities or devolved governments.[195] We have heard that best practice is not always followed,[196] potentially leading to an inconsistent approach between different authorities. We have also received feedback that while the Construction Playbook and the Client Handbook in Scotland are well-intended, it is not always practical to action all the recommendations in the guidance.[197]

Risk appetite

3.14 Our evidence suggests that the risk appetite of public authorities is a key factor driving the approaches we observe and that several factors may contribute to or reinforce this.

(a) There are several commonly cited factors that can reduce appetite for risk-taking and act as barriers to innovation. They include risk aversion inherently embedded in government policies,[198] safety and regulatory compliance requirements[199] and political sensitivities.[200] In addition, BAM Nuttall submitted that risk aversion in designers appointed by the employers (ie public authorities) and the contractors may result in rejecting innovation proposed within the contractor's tender in favour of more traditional approaches that are considered safer – adding cost and time if the designs

[194] In addition to the Construction Playbook and Sourcing Playbook, public authorities also utilise The Green Book, regional guidance (such as the Welsh Transport Appraisal Guidance, the Construction Toolkit in Northern Ireland or Local transport guidance notes).
[195] CCS, The Construction Playbook – what is it and what does it mean for you?, February 2021.
[196] Amey's response to the CMA's invitation to comment, p4; ACE's response to the CMA's invitation to comment, p6; Atkins Realis's response to the CMA's invitation to comment, p3. BAM Nuttall's response to the CMA's invitation to comment, p11.
[197] Note of meeting with the sector panel [✂].
[198] Response to the CMA's information request [✂].
[199] Responses to the CMA's information requests [✂].
[200] Responses to the CMA's information requests [✂]; Note of meeting with [✂]; Torugsa, NA, & Arundel, A (2017), 'Rethinking the effect of risk aversion on the benefits of service innovations in public administration agencies', Research Policy, 46(5), pp900–910. Institution of Civil Engineers (2025), Why do major projects cost so much and take so long? And what can be done about it?, p4.

are delivered later than expected and require more expensive and time-consuming works.[201]

(b) Public authorities may also attract media scrutiny,[202] face strong expectations regarding transparency and accountability[203] and be vulnerable to reputational risks[204] – all of which can further reinforce low risk tolerance.

(c) In recent years, inflation, skill shortages, and shifting policy priorities have added market volatility, increasing uncertainty which may further lower risk appetite.[205]

3.15 Cultural and behavioural factors can also shape organisational decision-making.[206] For instance, Tier 2 firm submitted that risk aversion in the form of culture of predictability over efficiency has led to longer delivery times and higher costs, through extra layers of approval, overplanning, and hampering innovation.[207] Similarly, a community interest company said that the civil engineering sector is inherently risk averse.[208] Public authorities may also have preference for maintaining the status quo – following the most familiar, and thus perceived as less risky, processes and solutions.[209] For example, RSS Infrastructure submitted that the rail sector primarily runs on a 'we have always done it this way' mindset.[210]

3.16 Not all public authorities would accept that they are driven towards excessive risk aversion. For example, local authorities we have engaged with have expressed mixed attitudes towards risk.

3.17 Clearly, it is appropriate for public authorities to use public funds effectively – both in achieving value for money for taxpayers and ensuring the infrastructure they procure is safe and fit for purpose. However, we consider that there may be opportunities to rebalance the incentives faced by public authorities and firms towards accepting greater, but still well-considered, risk where this allows for new

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[201] Bam Nuttall's response to the CMA's information request [✂].
[202] Torugsa, NA, & Arundel, A (2017), 'Rethinking the effect of risk aversion on the benefits of service innovations in public administration agencies', Research Policy, 46(5), pp900–910.
[203] Uyarra, E, Edler, J, Garcia-Estevez, J, Georghiou, L, & Yeow, J (2014), 'Barriers to innovation through public procurement: A supplier perspective', Technovation, 34(10), pp631–645. Pahlke, J, Strasser, S, & Vieider, FM (2012), 'Risk-taking for others under accountability', Economics Letters, 114(1), pp102–105.
[204] HM Government (2022), The Construction Playbook: Government Guidance on sourcing and contracting public works projects and programmes, p55.
[205] Responses to the CMA's information requests [✂].
[206] These may include the influence of organisational and team structures, incentive systems, prevailing social and cultural norms and cognitive biases, all of which can affect how risks are perceived and managed. Fasolo, B, Heard, C, & Scopelliti, I (2024), 'Mitigating cognitive bias to improve organizational decisions: An integrative review, framework, and research agenda', Journal of Management, 51(6), pp2182–2211.
[207] Response to the CMA's information request [✂].
[208] Note of a meeting with [✂].
[209] Status quo is a behavioural bias whereby people have a preference for maintaining the current status, even if it is suboptimal. An early investigation by Samuelson and Zeckhauser (1988) found evidence of status quo bias in decision making (Samuelson, W and Zeckhauser, R (1988), 'Status quo bias in decision-making', Journal of Risk and Uncertainty, pp 7-59). See also Godefroid, ME, Plattfaut, R, & Niehaves, B (2023), 'How to measure the status quo bias? A review of current literature', Management Review Quarterly, 73, pp1667–1711.
[210] RSS Infrastructure's response to the CMA's information request [✂].

and innovative approaches to be tried which could drive future productivity improvements.

Question 12: To what extent to do you agree there is excessive risk aversion in public authority decision making? Where risk aversion is too high, what would help move it to more appropriate levels?

Regulatory barriers

3.18 As noted earlier, complex and slow regulatory processes add to the burden on public authorities and firms.

3.19 We have heard from Tier 1 firms that a number of aspects to the regulatory regime can be a barrier to innovating. In addition, there are many different industry accreditation schemes, which can be costly to attain. We discuss this further in the regulatory barriers section.

3.20 The planning system and environmental regulation has been long acknowledged as slowing the delivery of infrastructure projects, with uncertainties and delays creating difficulties in workforce planning. As noted above, considerable work has been done by the UK government and others in recent years considering opportunities for improvement. We are therefore likely to focus less on these issues in the remainder of the study.

3.21 Overall, our current view is that while the UK has high regulatory standards that seek to preserve and promote a range of societal goals, in its current form, costly compliance with regulation may unnecessarily slow down the delivery of infrastructure, raise barriers to entry and expansion and limit the adoption of new technologies.

3.22 In the next phase of the market study, we will continue to seek to understand the impact that regulation has on innovation, including through further engagement with public authorities and consideration of international comparators. We will also consider ways in which innovation could be better encouraged while ensuring that the desired regulatory outcomes are met, including consideration of whether actions taken to promote innovation in other sectors (such as regulatory sandboxes) offer transferable lessons for road and rail infrastructure. We will also look to understand the issues around industry accreditations better through our qualitative research with smaller firms and will look to understand the benefits they bring, the potential costs and duplication, and whether there are any measures which could help to provide a lower cost way of firms demonstrating their credibility in the market.

4. Opportunities for better outcomes

4.1 It is clear that challenges in this market are wide-ranging and often deep-rooted. In many cases, issues have already been well studied, with potential solutions widely acknowledged, progressed in the past, or already underway. We will remain focused on where the CMA can add most value, including identifying how barriers to implementation of solutions could be overcome.

4.2 Our intention is that at the end of this market study we will present a set of specific and actionable recommendations, that if adopted by the UK and devolved governments would substantially improve the outcomes of the market and its contribution to UK productivity and growth.

4.3 Some of these recommendations are likely to involve policy trade-offs that it is not for the CMA to make. In those instances, we propose to highlight the opportunities for improvement while sign-posting the need for a deeper policy consideration of the costs and benefits involved.

4.4 In order to drive lasting change, these remedies need to tackle the root cause drivers set out in the section above. The rest of this chapter sets out what effective remedies against each driver would need to achieve, and our overarching approach in each area over the next stage of this market study. These recommendations are intended to address, as a package, those root cause drivers of:

(a) pipeline uncertainty;

(b) procurement authority capacity constraints;

(c) procurement policy and approaches; and

(d) regulatory barriers.

4.5 This chapter also sets out a range of specific potential options that may drive improvements in the market, which we intend to develop and refine through the remainder of the market study into a mutually reinforcing package of measures. It also sets out our thinking on where our work in each area should focus for the remainder of the market study, reflecting the need for further evidence or assessment, and the value we think the CMA could add.

4.6 We are seeking feedback, and any supporting evidence, that would help us assess merits and potential impact of those options, prioritise among them, improve their design to maximise their effectiveness, and identify further or alternative measures that could make a substantive impact.

Question 13: How would you rank the relative importance of our proposed measures?

Question 14: Are there alternative important measures that we do not mention?

Pipeline uncertainty

4.7 It is widely recognised that stable, multi-year capital budgets and policy are vital to enable public procurers to plan infrastructure programmes most effectively, and to underpin the credibility of project pipelines – albeit within the binding constraints of the political cycle. The range of public bodies that operate with one year ahead capital budgets appear particularly in need of change in this regard. While the public finance expertise required to design improved funding frameworks, and to balance the technical and political considerations, sits in central government, the case for change should be strengthened by CMA assessment of the benefits this would deliver.

4.8 Our market engagement to date suggests that the publication of more detailed, accessible, longer-term pipelines of infrastructure projects could significantly improve the ability of the supply chain to plan for future bidding and resource allocation. There could be a role for the CMA to help identify what information would be most valuable to include, and the impact it could have on market outcomes.

4.9 We note that, while improvements to pipeline visibility and confidence would help, this is unlikely on its own to maximise potential investment within the supply chain, in part as it does not represent guaranteed work for particular firms. We intend to consider further how the supply chain could best be incentivised to expand its capabilities and to invest, and for costs to be minimised over the longer term, including the role for longer-term contracts and of contracting for programmes of projects rather than project-by-project.

4.10 Specific potential options we are considering in order to address pipeline uncertainty are shown below.

Table 4.1: Pipeline uncertainty – potential measures

	Area	Remedy option	Focus of further CMA work
1	Credible long-term funding	**Extend multi-year capital funding settlements to all road and rail procuring authorities and activity** - Some procuring authorities are operating with annual budgets or can be allocated funding to be spent within even shorter periods – which severely constrains their ability to strategically plan and procure programmes and projects. - UK and devolved governments should ensure that all procuring authorities are operating on multi-year capital budgets.	CMA can engage further on feasibility and benefits, but specific actions would be for government to determine

2	Credible long-term funding	**Long-term contracts beyond the political cycle** - Longer-term contracts, including for programmes of projects (rather than contracting project by project) should, where appropriate, be used more widely. Alongside strong competition upfront and appropriate contracting, this would provide greater policy certainty across political cycles, greater incentives to undertake costly upfront investments that deliver lower costs over time, and greater opportunity for cost reductions from economies of scale and learning by doing. - While governments (and firms) can break contracts, terms could be structured so that in such a scenario firms would be sufficiently compensated for investments they have made. - We fully acknowledge that government must retain flexibility in future public spending plans, and thus there are clearly limits to the extent to which these should be committed or restricted. However, retaining 100% flexibility may not be necessary – and in the context of supporting the operation of the civil engineering market and its impact on UK productivity, growth, and unit costs for government over the long term, is not optimal.	Deeper assessment of: the benefits of longer-term contracts and the balance with competitive pressures; and of if/where specific areas can be identified for change.
3	Pipeline visibility and certainty	**Publish a consolidated UK-wide project pipeline, with a wide set of credible information, updated on a regular basis** - The new NISTA Infrastructure Pipeline should be expanded to encompass all planned road and rail projects in the UK, and to include the wide range of information necessary to support firms to plan for future bids and resource allocation. - The UK and devolved governments themselves would determine the precise details, but the expanded information could include: the intended procurement method, timing, and progress to date; funding status; and planning requirements and status. - Further views from the supply chain could help us identify what sort of information would be most valuable, and the impact including such information would have.	Scope for CMA to propose specific additions, based on further engagement with firms.

Question 15: What would be the feasibility and impact of extending multi-year capital funding to public authorities currently operating on year-ahead budgets only?

Question 16: What information not currently available in published infrastructure pipelines would be most helpful for firms? How would this information change business decisions on resource allocation and/or investment?

Public procurement

Procurement authority capacity constraints

4.11 Infrastructure procurement, contracting and delivery involves public bodies making a wide array of complex, difficult judgements – from tender-specific considerations around the approach to scoping, the method of procurement, appropriate risk sharing, and beyond, to longer-term strategic choices around how best to grasp the opportunities for driving improved productivity, investment and lower costs over the longer term.

4.12 We intend to assess how public authorities could be more fully enabled and empowered to make such judgements, including how more impactful use might be made of the existing wide-ranging expertise in public authorities, through to the further development, recruitment and retention of commercial and engineering skills, experience and leadership.

4.13 We also intend to explore how greater coordination between public authorities may drive significant improvements in the market – through the sharing of information, pooling capabilities, and coordinating or jointly conducting procurement.

4.14 Pooling capabilities, such as shared central teams of experts, might be particularly beneficial for smaller bodies (such as some local authorities) that would otherwise struggle to recruit or develop such a function in-house. Improved information sharing should improve authorities' ability to scope projects and assess bids. Greater coordination of procurement could help better smooth demand over time, mitigating the potential for procuring authorities to compete against one another, or for costly expansion-contraction cycles in the supply chain. Conducting joint procurements, where appropriate and feasible, could enable procuring authorities to benefit from the greater combined purchasing power. However, such joint approaches would need to be considered so as to not preclude opportunities for smaller 'parcelled' projects that SMEs can bid for.

4.15 The potential options we are considering in order to address procurement authority capacity constraints are shown below.

Table 4.2: Procurement authority capacity constraints – potential measures

	Area	Remedy option	Focus of further CMA work
4	Skills, experience and leadership	**Sustained capability building** - UK and devolved governments could implement measures to make more effective use of the existing array of public bodies' commercial and engineering skills and expertise, and their further development, recruitment and retention. - This could include, for example: encouraging more mobility between public and private sectors, with structured secondments and knowledge exchange; addressing restrictions on pay and reward; and expanding mandatory training and leadership skills as part of the Government Project Delivery profession.	While largely an issue for government, CMA could seek to identify opportunities to sharpen incentives
5	Skills, experience and leadership	**Cross-authority pooling of capacity** - Coalitions of procuring authorities, such as but not limited to local authorities within a shared geographical region, could set up shared centres of commercial, legal and engineering expertise – which could be utilised by participating authorities as and when needed by each. This could help authorities achieve greater impact with existing resources – reducing consultancy spend, and building greater capability within the public sector than possible within many single authorities alone. - This could be achieved where applicable via Combined Authorities recruiting, hosting and providing expertise across their region, or by other voluntary groupings of authorities, and could build on existing models such as Local Partnerships.	Work with stakeholders to identify scope and options
6	Coordination	**Cross-authority joint procurement** - Procuring authorities (such as local authorities) could conduct joint procurement exercises for a common programme of sufficiently similar projects. This would provide authorities with greater buyer power, and mitigate risks of competing with one another. - Authorities could do this bilaterally or in larger groups, such as through Combined Authorities procuring on behalf of all constituent authorities. - A less ambitious option would be for authorities to coordinate on the timing of similar planned procurements.	Work with stakeholders to identify scope and specific suggestions
7	Coordination	**Comprehensive, standardised sharing of cost and performance data**	While the details of standardisation and sharing will be for government to determine,

		- Comprehensive, standardised sharing across public sector authorities of road and rail cost and performance data should help procurers more effectively plan and scope projects, and make better-informed procurement decisions. - Options to achieve this could include: setting up national benchmarking databases, where data on costs, schedules, and outcomes from completed projects is pooled; adopting uniform data standards and secure data-sharing agreements across public authorities; and adopting common data environments and interoperable platforms for publicly funded projects.	further CMA engagement could help identify specific opportunities

Question 17: How could the commercial and engineering capabilities within procuring authorities be better utilised? What could be done to better support procuring authorities to develop, recruit and retain these specialist skills, expertise and leadership capacity?

Question 18: To what extent do you agree that it would be beneficial for public authorities, such as groups of nearby local authorities, to: (i) jointly develop and share engineering expertise and commercial capabilities; (ii) to coordinate or jointly conduct procurement; and (iii) enact comprehensive, standardised sharing of cost and performance data? How could this best be achieved?

Procurement policy and approaches

4.16 Procurement policy, culture and practice play a fundamental role in shaping the incentives faced by public procurers and firms. Two issues we believe it will be particularly valuable to explore further in the next phase of this market study are: how procuring authorities can be supported and incentivised to focus on minimising costs over the longer term, including through pursuing and rewarding innovation and investment; and how best practice in procurement can be adopted more widely.

4.17 The former is fundamental to the aim of this market study to contribute to UK productivity and growth, and may require addressing a range of issues, including central government policy, and procuring authorities' constraints and culture. We are particularly keen to hear more in response to this consultation on what the barriers are, and how they might be addressed.

4.18 Best practice is often widely known and understood, with, for example, strong support among firms in the supply chain for the UK government Construction Playbook – but we have heard that it is not consistently adhered to. We want to understand further the barriers to the adoption of best practice and identify how they could be overcome.

4.19 There are also a range of related and further procurement policies and issues we are interested in investigating further, with a particular focus on how competition could be made to operate more effectively. These include:

(a) the balance between competitive pressures and efficiency in the tendering process – including the balance between the use of open competition and the use of procurement frameworks;

(b) where procurement frameworks are used, how competitive pressure could be more effectively utilised; and

(c) potential improvements to the use of early contractor engagement, ensuring benefits can be maximised, while also safeguarding competitive pressure.

4.20 The potential options we are considering in order to address procurement policy and approaches are shown below.

Table 4.3: Procurement policy and approaches – potential measures

	Area	Remedy option	Focus of further CMA work
8	Supporting innovation and minimising long-term costs	**Procurement practices that explicitly incentivise and reward innovation, investment, scaling of operations and the reduction of costs over the long-term** - This is an overarching focus of this market study, and a variety of the measures set out in this chapter could contribute to this. However, we will aim to identify and consider additional, direct means of achieving this. - For example, for public authorities with a national scale and multiple large procurements per year, procurement evaluation criteria could be required to weight more heavily the application of new, potentially cost-saving techniques. - Investment that while not being cost effective for a single project would provide long-term productivity benefits if applied across a wider portfolio, could be directly supported by the public sector, such as through national development bank co-investment.	More detailed assessment of barriers and identification of specific recommendations
9	Adoption of best practice	**Consistent adoption of best-practice procurement guidance** - Ensuring consistent, widespread adoption of best-practice procurement guidance – such as the Construction Playbook, Client Guide, Construction Toolkit and Transport Appraisal Guidance – should reduce burdens for firms and improve outcomes for the public sector. - Options to achieve more consistent adoption could include: widening the range of bodies to which guidance currently applies; allowing a 'comply or explain' approach to adherence only by certain approved, highest-capacity organisations; or mandating that relevant guidance should be fully complied with.	Assess more fully the reasons for current differences in adoption, as well as potential solutions
10	Procurement frameworks	**Selective and maximally effective use of procurement frameworks** - There is a balance to be struck between the benefits of framework use, such as procurement process costs and familiarity, and the benefits of open competition. Remedies to support the capacity of procuring authorities (as above) could be combined with the imposition of a tighter set of circumstances in which frameworks can be used; for example, sponsor bodies could require that procuring authorities use open competitive tendering for projects below certain complexity thresholds. - There may also be opportunities to increase competitive tension within frameworks, and to reduce the costs of participation for suppliers. Such measures could include: setting conditions in which frameworks should be more frequently or permanently open to new suppliers; or rationalising the number of frameworks across the public sector, to produce a smaller number of frameworks with on average larger numbers of firms.	Identify if there are specific, actionable recommendations that could be made
11	Standardisation of processes	**Standardisation of procurement administrative processes** - Public authorities could reduce the cost of participation in procurement processes by introducing cross-authority and cross-framework standardisation of compliance, data and administrative requirements that simplify participation, and reduce the administrative burden on new and smaller firms. This could be done for procurement processes both within and outside of frameworks.	Limited scope for further CMA work refining details
12	Reliable and accurate scoping	**Greater use of early contractor engagement**	Further CMA work could help identify

		- Our market engagement to date has highlighted clearly the potential value of early contractor engagement in project scoping, but also that concerns over eg the potential impact on competition limit the depth of its use. Measures could aim to lower the bar for engagement for smaller or less established firms, and to improve transparency for those firms not involved.	barriers to more widespread adoption and potential solutions
13	Risk allocation	**Greater standardisation of risk allocation** - The appropriate form and degree of risk allocation will vary across projects and time, reflecting the specific nature of a project, the procurer's objectives and constraints, and market conditions. Our assumption is that in most cases it will not be appropriate to impose mandatory, uniform treatment for a given risk in every circumstance – and thus that procurer capacity will always be vital for making such judgment. - Measures could include, for example: the potential for and merits of public procurers imposing requirements on top tier contractors regarding the sharing of risk further down the supply chain; and whether there are cases for which fixed cost or fixed scope contracts should be mandated.	Focus on identifying where specific, actionable measures may be feasible and desirable component of recommendation

Question 19: What is preventing widespread adoption of procurement best practice? How could these barriers to adoption be overcome?

Question 20: To what extent, and in what ways, is there scope for procurement processes to be made i) less complex and ii) more standardised across public authorities?

Regulatory barriers

4.21 Finally, in the second half of this study we intend to focus more closely on where there are cross-cutting regulatory barriers to the efficient operation of the market. At a high level, government shapes markets by how it chooses to regulate them. In markets like those for road and rail infrastructure, where the public sector is the principal purchaser, government has multiple levers it can pull to shape market dynamics and outcomes. These work best when co-ordinated strategically, and we plan to explore further what this means for the regulatory framework in the coming phase of the market study, with a particular focus on where eliminating regulatory barriers could unlock pro-competitive opportunities for example to drive innovation and scaling in the supply chain.

4.22 In particular, we intend to explore further the extent to which adherence to existing regulation and compliance processes is overburdensome and excessively costly, and how this could be mitigated to unlock pro-competition opportunities and improve market outcomes.

4.23 We also intend to explore what could be done to overcome the extent to which regulation can inappropriately hinder the adoption of new innovative technologies, including considering whether actions taken to promote innovation in other sectors (such as regulatory sandboxes) offer transferable lessons for road and rail infrastructure. We will also consider how the system of accreditations could be made to operate more efficiently, reducing system costs and supporting easier entry and scaling of firms to compete effectively.

4.24 We do not intend to focus on planning issues – which are of vital importance but have already been deeply considered by government and other bodies in recent years, with the UK government already implementing a range of reforms in England and Wales.

4.25 In the table below we have identified some potential options we could consider in order to address regulatory barriers. We welcome views on these options and, more generally, identification of other regulatory barriers that the CMA should review.

Table 4.4: Regulatory barriers – potential measures

	Area	Remedy option	Focus of further CMA work
14	Regulation: efficient compliance	**Identify and eliminate excess process around, and over-compliance with, existing regulatory requirements** - Appropriate public bodies should conduct, jointly with industry, comprehensive assessments of where regulatory requirements could be sufficiently met via less burdensome processes, and the cost of compliance reduced. - One option to achieve this would be to conduct customer journey mapping of the start-to-finish process for firms bidding for road and rail infrastructure projects, highlighting each regulatory approval needed and its requirements. - These assessments could take the approach of reviewing where compliance takes the form of prescriptive processes rather than required outcomes – to identify where best practice can be redirected to being outcome- rather than process-focused - The UK and devolved governments could play an important role in supporting such processes, including – where compliance processes or standards differ across national or local bodies – advocating for or requiring the adoption of the least burdensome approach.	Scope for CMA work on principles, but for government to decide details
15	Regulation: efficient compliance	**Streamline regulatory approval** - Government action could speed up the process by which approvals are gained, to meet existing approval requirements within a quicker timeframe - These measures could include, for example, requiring the creation and maintenance in each UK nation (with compatibility across the UK) of a central database of planning and environmental approvals (including mitigations or measures accepted). Governments could then decide whether to require regulatory bodies to refer to the database for suggested decisions, or to require that precedents set by existing approvals must be followed. - Another potential measure could be to reduce the time spent obtaining responses from statutory consultees to a planning decision, across the UK. This could involve requiring that statutory consultees respond within a set timeframe or else they are deemed to have no objection, across Scotland and Northern Ireland, building on the UK government's provisions for England and Wales in the Planning & Infrastructure Bill.	Scope for CMA work on principles, but for government to decide details
16	Consolidated accreditations and qualifications	**Reduce the range of supplier accreditations** - Government action could reduce the number of accreditations firms can be required to obtain to qualify for similar work across different public authorities and supply chains. - For example, overlapping or duplicative accreditations could be combined into central accreditation mechanisms that, once obtained by a firm, grant accreditation to procurers across the UK and across sectors. This could also potentially be expanded to trades qualifications to streamline skills development. - Our initial view is that such an initiative could deliver substantial benefit, by lowering barriers to entry and system costs – though further work may be needed by UK and devolved governments over a longer time-scale to identify and eliminate the full range of specific cases of duplication.	Limited scope for further CMA work, as details for government to decide
17	Fast-tracked regulatory approvals	**Fast-tracked regulatory approvals for new products/technologies** - Relevant regulators should conduct a review of the detailed approvals processes for new technologies, and identify and remove any elements that could be removed without a substantive impact on outcomes. This could include, for example, a review of how approvals dependent on past performance (such as historic performance data and proven design life) could be adapted to	Scope for CMA work on principles, but for government to decide details

		accommodate new technologies that (by their nature) do not have long periods of historic performance behind them. - This could be complemented by, for example, utilising precedent where the potential new technology is already established in another comparable country (to the extent consistent with governments' broader approach to international recognition of regulatory approvals). - UK and devolved governments could also explore whether regulatory sandboxes could be created for the introduction of innovative techniques and technologies in road and rail infrastructure, to create accelerated pathways for innovation while maintaining appropriate safeguards.	

Question 21: How and where can the regulatory approvals process for new products/ techniques/ technologies in civil engineering be made more streamlined?

Question 22: Which types of supplier accreditation currently experience significant levels of duplication?

5. Responding to the Interim Report

5.1 At this stage, our views are only provisional. We invite interested parties – civil engineering firms of all sizes, trade associations, public authorities, policy makers and other interested parties – to respond to the issues set out in this interim report and provide any relevant evidence to support their views. This will help us to reach a final position which is as ambitious as possible.

5.2 We welcome responses to our provisional conclusions by 5pm on 28 January. In addition to general submissions, we welcome responses to the questions in the box below. We would particularly welcome responses which provide evidence or specific examples of good practice we can use to inform our further work.

Questions

Question 1: Do you consider that we should be more concerned with barriers to firms expanding rather than barriers to firms entering the civil engineering market in the first place? Are there other forms of barrier not mentioned in our analysis so far which are significant?

Question 2: To what extent do you agree supply chain fragmentation contributes to poor outcomes? Besides pipeline uncertainty, what other factors drive civil engineering firms' preference to use contractors rather than building their in-house capacity?

Question 3: Are there specific procurement, policy or regulatory barriers that reduce innovation and/or scaling opportunities in the civil engineering market? What would make the most difference to firms' incentives to innovate, and public authorities' incentive and ability to encourage innovation?

Question 4: For what type of projects is there greatest scope for the accuracy of upfront scoping and planning to be improved, to aid delivery on time and on budget? What would help to make upfront scoping and planning more accurate?

Question 5: To what extent do you agree early contractor involvement could be used more effectively, and how can this be facilitated?

Question 6: To what extent do you agree that the design and use of procurement frameworks could be improved?

Question 7: How could open competition be made less resource intensive as a method of procurement?

Question 8: Where is there greatest scope to improve the evaluation of non-price aspects of bids, such as quality? How can this be better supported and enabled?

Question 9: What factors are most likely to cause significant risks to be misallocated between the procuring body and supply chain, and within the supply chain? How could this be addressed?

Question 10: What are the areas of regulation which are preventing opportunities for innovation and effective competition?

Question 11: What are the areas of regulation which are preventing smaller suppliers from competing effectively (or from scaling up to be able to compete effectively)?

Question 12: To what extent to do you agree there is excessive risk aversion in public authority decision making? Where risk aversion is too high, what would help move it to more appropriate levels?

Question 13: How would you rank the relative importance of our proposed measures?

Question 14: Are there alternative important measures that we do not mention?

Question 15: What would be the feasibility and impact of extending multi-year capital funding to public authorities currently operating on year-ahead budgets only?

Question 16: What information not currently available in published infrastructure pipelines would be most helpful for firms? How would this information change business decisions on resource allocation and/or investment?

Question 17: How could the commercial and engineering capabilities within procuring authorities be better utilised? What could be done to better support procuring authorities to develop, recruit and retain these specialist skills, expertise and leadership capacity?

Question 18: To what extent do you agree that it would be beneficial for public authorities, such as groups of nearby local authorities, to: (i) jointly develop and share engineering expertise and commercial capabilities; (ii) to coordinate or jointly conduct procurement; and (iii) enact comprehensive, standardised sharing of cost and performance data? How could this best be achieved?

Question 19: What is preventing widespread adoption of procurement best practice? How could these barriers to adoption be overcome?

Question 20: To what extent, and in what ways, is there scope for procurement processes to be made i) less complex and ii) more standardised across public authorities?

Question 21: How and where can the regulatory approvals process for new products/ techniques/ technologies in civil engineering be made more streamlined?

Question 22: Which types of supplier accreditation currently experience significant levels of duplication?

5.3 Please email written responses to civilengineering@cma.gov.uk by 5pm on 28 January 2026.

5.4 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.

5.5 We propose to publish responses to this consultation or, where appropriate, a summary. 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 explain why this is the case. **Please provide both a confidential and non-confidential version of your response where applicable.**

5.6 **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**.

5.7 An explanation of how we will use the information provided to us can be found in Annex A. This Annex sets out how the CMA may use information provided to it during the course of this market study.

Annex A: Use of information

1. This annex sets out how the CMA may use information provided to it during the course of this market study, in line with our legal responsibilities. In particular, please note that we may choose to refer to comments or evidence that you provide in a published report or publish non-confidential information on our website. This may include identifying the contributor.

Why is the CMA asking for information?

2. The information you provide will help the CMA to understand the market into the design, planning and delivery of railway and public road infrastructure by the civil engineering sector across the UK.

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.

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:

   - any information relating to the private affairs of an individual which might significantly harm the individual's interests; or
   - 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, contact you prior to publication to 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 in Transparency and Disclosure: Statement of the CMA's Policy and Approach (CMA6)