CIVIL ENGINEERING MARKET STUDY

Interim report summary

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 Some numbers have been replaced by a range.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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1. Overview

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:

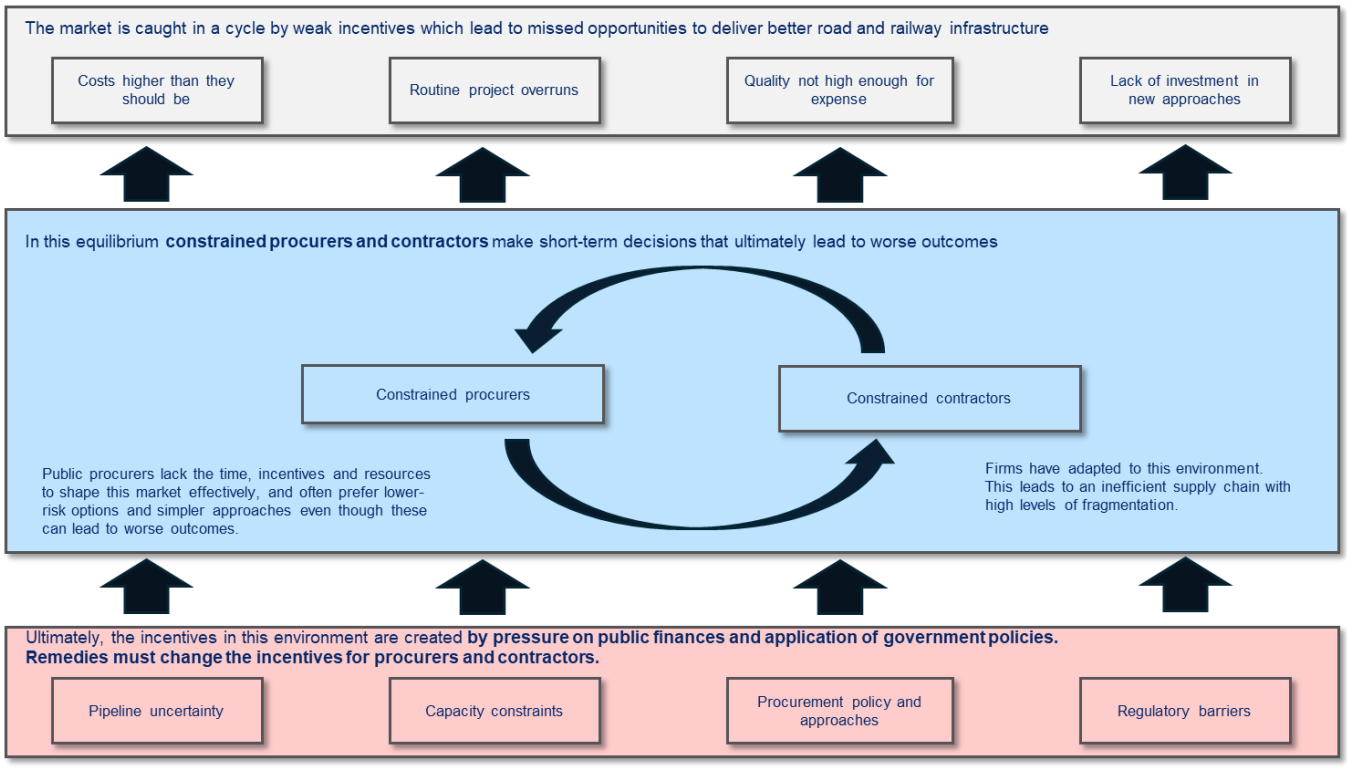
(a) Funding settlements and infrastructure pipelines are often short-term and volatile, reducing the opportunity and incentives for public authorities and the supply chain to plan and invest.

(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.