

Federation of Small Businesses Consultation response:

Civil Engineering in Rail and Road - Market Study

January 2026

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To whom it may concern,

RE: Consultation on emerging findings

FSB welcomes the opportunity to provide a response to the above consultation.

FSB is a non-profit making, grassroots and non-party political business organisation that represents members in every community across the UK. Set up in 1974, we are the authoritative voice on policy issues affecting the UK's 5.7 million small and medium businesses, micro businesses and the self-employed.

We firmly believe that greater inclusion of small businesses in the civil engineering sector will foster competition and bring great advantages, including better value for money, greater social value, and more innovation. We have a number of suggestions on how to achieve this. For more details (beyond what we've included below) we would suggest referring to our recommendations in the report we recently published on public procurement: [Signed, Sealed, Delivered](#).

We have not responded to every question on this consultation, only those that we are able to provide a valuable perspective on.

Question 1: Are there other forms of barrier not mentioned in our analysis so far which are significant?

The biggest blockers to small business participation in this market are:

- a) The proliferation of different platforms and portals that jobs are posted on.
- b) Lack of disaggregation of large projects into smaller elements
- c) Unreasonably onerous application requirements, particularly when bidders are repeatedly asked for the same information multiple times.

We have a number of recommendations to improve each of these issues, which can be found in our recent report on public procurement mentioned above.

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?

A well-functioning civil engineering market should involve higher levels of project disaggregation by the buyer, into bid lots that enable the largest number of suppliers to compete. This opens up access to small businesses who drive innovation, as well as lowering costs through greater competition.

There are numerous benefits to using small businesses for civil engineering projects:

- **greater local understanding**

Small providers are typically more geographically localised, serving the local area rather than the whole country, and this means that they are more in tune with local requirements, peculiarities and in local communities.

- **greater specialist expertise**

Small companies by their nature are typically more specialised than larger companies, as establishing a niche allows them to stand out in the market, and they simply don't have the resources or staff to be generalists and compete with larger firms that can offer a much broader range of services.

- **more innovation**

Small specialists are more likely to be agile and innovative in order to maintain their expertise, aware that they're often unable to compete on price alone and need to distinguish their offering. These innovations, where successful, then spread through the market base driving efficiency and improved quality for all.

- **lower overall costs**, due to less sub-contracting, and more competition

- **greater quality control**, due to less sub-contracting and shorter supply chains

- **more social value created**

- **better overall value**

Given the proportion of work which is outsourced from large companies to their local small subcontractors, there is definitely a case for investing in a more open and granular bidding process in order to award work directly to these end suppliers where possible. There are certainly benefits from awarding work to a large supplier who then disaggregates to smaller sub-contractors, but these benefits come at a substantial cost, and are often overvalued in the system. Some careful rebalancing would see more money staying in the local community in which the work is done, and having a multiplier positive socio-economic impact, rather than being awarded as profits to overseas shareholders or bonuses to multi-millionaire executives.

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

Well planned "Meet the Buyer" events can be hugely beneficial to both the bidders and buyers, but only if they are genuine opportunities for dialogue. If they follow best practice procedures such as allocating at least 15 minutes to one-to-one discussions, ensuring senior decision makers are present, and theming the sessions around upcoming contract pipelines, they can be incredibly effective, including helping to shape tenders in such a way as to drive innovation and best value. They are also an opportunity to encourage relationship building and consortia development between different suppliers.

Question 6: To what extent do you agree that the design and use of procurement

frameworks could be improved?

The use of Dynamic Markets enables new entrants to participate in existing markets, and makes the initial qualification much more accessible to small businesses.

All opportunities should be listed on a single UK-wide, online portal. Ideally, this would include customizable email notifications to actively push information out to businesses, rather than requiring regular checks.

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?

Beyond just economic quotes, bids should reflect a number of other aspects to ensure the work is done to the best standard and in the most advantageous way. This should include consideration of factors such as environmental considerations, social value and impact, mentoring and support throughout the supply chain, and prompt payment.

It is important that eligibility criteria be designed to avoid excluding suppliers unnecessarily. Small businesses often find for instance that the turnover levels required block them from accessing a project. We suggest these be capped at a maximum of 1.5 times the estimated value of the contract, to avoid this.

In the case of social value in particular, there needs to be a conversation about how this is scored. Small businesses inherently offer greater social value, as they make use of local skills, and reinvest their profits locally. They're more likely to hire those further from the workforce, such as the disabled, and they're more likely to flex around the working requirements of those that need it, such as carers. However, some tender processes inadvertently give greater weight on social value to larger businesses, because they have established CSR departments and pledges on their websites. In our recent report, we recommend that where Social Value is used as an evaluation criterion, companies below a certain size (e.g. 50 FTE) with a local presence should automatically receive full scores for this criterion.

Finally, Qualification requirements should avoid being too onerous on suppliers, in terms of gathering and submitting paperwork, and when that information has been submitted and a company has previously qualified for a bid, that qualified status should be stored and carried forwards, so that basic information such as proof of incorporation doesn't need to be resubmitted with every individual bid.

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

Payment periods are a huge concern for small businesses. Government research has shown that 38 small businesses are put out of business every day by late payment. The issue is estimated to cost the UK economy £11 billion annually. Recent developments in this area are positive, but need to be fully implemented for their promise to be realised:

The Procurement Act requires all public contracts (which includes most transport infrastructure) to be paid within 30 days of an invoice. This legislation has been written to include the entire supply chain, so subcontractors are covered by these rules, which came into effect in 2025. This is a hugely positive development, but only if it is complied with. We have suggested several recommendations to ensure this, including that all contracting authorities should carry out (and report on) their responsibility to run random spot checks on large suppliers' payment performance. We've suggested that any contractor above £5m per year should have at least one randomly selected invoice spot checked every 6 months. We've also suggested that the Procurement Review Unit

should create an anonymous online reporting tool for subcontractors to report any non-compliance without risking reprisals for whistleblowing. Finally, we've recommended that any businesses that is found to have failed to meet the requirements of the Procurement Act by excluded from all future bids for a period of at least a year.

The Small Business Plan was announced by the Government in late 2025, and is expected to be part of the King's Speech this Spring. It will outlaw payment terms beyond 60 days, with a goal to reduce that upper limit to 45 days in the future. This will apply to all civil engineering procurement not already covered by the Procurement Act (i.e. non-public infrastructure)

Yours sincerely,

[Redacted signature]

Federation of Small Businesses

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