

## **Civil Engineering Market Study Interim Report Consultation : Rail Forum Response (January 2026)**

### **Background**

Rail Forum is a national industry body focussed on the rail supply chain. With some 400 members across the whole of the UK providing a wide range of products and services to the rail infrastructure and rolling stock markets we connect, inform, represent and support our members. Members include major global corporations through to small owner managed SMEs and everything in between.

Rail Forum welcomes the market study into civil engineering projects and from a rail perspective we believe the interim report has identified, and in some cases confirmed, several key issues that have been raised over a number of years. What is now vital is that actions are agreed and implemented to address these systemic issues once and for all.

### **Consultation 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?

- Yes; we see expansion and building a strong rail skills set that can drive efficiency, innovation and productivity improvements more of an issue than initial barriers to entry.
- Actions of larger firms can stifle smaller ones by flexing what they sub-contract and what they retain inhouse. This can cause even more uncertainty for smaller suppliers and doesn't provide a stable base from which to grow.
- A key barrier to expansion is the approach to procurement strategy by clients. For example a decision to focus more on tier ones (or otherwise) and integrated delivery models can 'shut out' other more agile suppliers for several years.
- There is a 'scaling up' barrier when it comes to technology adoption due to fragmented procurements across regions and individual routes. Whilst we want to see competition, and avoid over reliance on any one company, the current approach does not support any economies of scale, common purchasing or spares co-ordination etc. There can also be multiple 'approvals' required.

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?

- The rail industry is complex with numerous smaller niche suppliers, sometimes small local companies. Larger companies need to manage the balance of what they do in house versus subcontracting based on peaks and troughs of work, specialist skills and expensive equipment which are outside their core offer and local footprint. This is common across many industries.
- We would have significant concern if the recommendations from the study encourage tier one's growth at the expense of SMEs. SMEs are often agile, innovative and cost effective given the opportunity.
- We see poor outcomes driven more by poor client-side procurement, inconsistent processes and approaches and a lack of incentives to change. For example, subcontracting SMEs through tier ones when the tier one adds no value and simply adds cost.

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?

We see several barriers to innovation:

- standards that are out of date or gold plated,
- working practices and TU influence that drive the status quo,
- lack of respect by the client for suppliers' intellectual property,
- fear of breaking procurement law and general risk aversion ,
- lack of training (clients and suppliers),
- lack of incentives for change or improvement (it's easier and less risky to do what we have always done),
- lack of understanding of supply chain capability (don't know what the art of the possible is),
- lowest initial price driven procurement rather than a whole life value approach.

In terms of making the most difference we would advocate for output-based specifications that drive early contractor engagement and greater collaboration. Greater use of dynamic frameworks under the new Procurement Act, streamlined accreditations/product acceptances and regulatory sandboxes would help. The testing facilities at the Global Centre for Rail Excellence will also be a beneficial addition.

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?

- The consequences of poor scoping are frequent specification changes which can add dramatically to costs.
- Better upfront scoping and planning is critical for all types of projects, this could include better co-ordination or sharing of information across regions of Network Rail where appropriate. Earlier meaningful engagement with potential suppliers would encourage sharing of ideas that could improve outcomes and reduce costs. A specific example is an access for all scheme where initial scoping proved so expensive the project was going to be shelved. Following discussion with the suppliers an alternative solution was developed that was delivered below the original anticipated budget.
- Ensuring lessons learned from previous projects are shared and actioned would help.

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

Early contractor involvement would be very beneficial for all parties. This needs to be structured to avoid procurement pitfalls and should include technical and output focussed engagement not just procurement.

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

Whilst frameworks can reduce costs by reducing the need for multiple procurements they can also create barriers for SMEs and innovators. We would advocate:

- creation of simpler SME specific frameworks that make it easier for SMEs to access opportunities and
- greater use of the flexibilities afforded in the new Procurement Act such as dynamic markets.

Where a client intends to use frameworks for a substantial amount of their requirements these need to be written in such a way as to not preclude the development of other frameworks that would be advantageous to the industry.

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

Many organisations have to go through numerous pre-qualification exercises and multiple submissions of their company information. This adds a significant administrative burden with no real added value.

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?

We would advocate that evaluation models should be based on whole life value with consistent approaches to the non-financial elements such as quality, safety and social value. It is important that those evaluating the bids have sufficient understanding to make the best decisions.

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?

There is a tendency to flow risk allocation down through the supply chain with no thought about proportionality. For example, we have recently been made aware of a rail contract - value £1000 - with terms and conditions that set the liability at £1m. This is due to a combination of general risk aversion ("if we can offload the risk let's do it") and lack of deeper understanding about what this means in terms of increased pricing (to cover insurance) from suppliers.

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

Approvals and standards as mentioned above. Network Rail maintain in excess of 10,000 standards; we would suggest that this is excessive and somewhat unmanageable. That said we believe internal processes are a big factor in stifling innovation as also mentioned previously.

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)?

- Accreditation schemes can disproportionately impact SMEs with a growing list of requirements that include, Achilles or RISQS, several ISO accreditations, wider environmental and social value approvals and cyber security credentials. Whilst we fully understand that some of these are very important we would question the value of others. There is a distinct lack of understanding on the part of clients and larger contractors of the burden these place on SMEs.
- The specific rail insurance cover required for some activity also has an impact on costs.

Question 12: To what extent 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?

We would agree that there is excessive risk aversion in public authority decision making. Changing this requires strong leadership that rewards the right behaviours. Use of output-based specifications would also send better signals in

relation to risk management. We do recognise that taking what some might interpret as a riskier decision in certain scenarios could be interpreted as recklessness if that decision causes unforeseen problems so there needs to be support, not criticism for those concerned.

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

1. Pipeline uncertainty. This underpins everything else and is a key driver for additional cost and lower productivity.
2. Procurement policy and approaches.
3. Regulatory barriers.
4. Procurement authority capacity constraints.

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

- More use of output-based specifications.
- Harmonisation and simplification of national standards

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?

Such a move could have significant positive impact on the supply chain as it would provide a degree of certainty that would in turn encourage investment in skills and new technologies.

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?

Businesses need to see clear routes to market with timelines. A consistent approach to certainty/likelihood of funding and hence viability is needed. Access to this information would encourage greater investment in, and retention of, skills and equipment which would drive productivity.

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?

- Greater involvement of the technical engineering specialists would drive more effective and informed decision making and could drive a more balanced approach to risk. Collaboration within and across companies would reduce the need for duplication of specialists.
- Procuring authorities should invest more in the training of the people ensuring they have good understanding of technical and other developments, innovations and potential new options to address the challenges they have.

- A possible additional aid to informed procurement may be through short term secondments to relevant SMEs by authority representatives.

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?

From a rail perspective co-ordination of bids for different Network Rail regions would be helpful.

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

Short term pressures and changing priorities. Changing this requires clear leadership at all levels that sets a priority on sharing and adoption of best practice.

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?

Whilst it is recognised that procuring authorities have to ensure compliance with procurement law, the current approach could be simplified; for example by introduction of simpler contracts for SMEs. Having one single source for company information that would save multiple uploads of information into multiple systems would save time and money.

Contacts Details for further information

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