CIVIL ENGINEERING MARKET STUDY

Final Report

21 May 2026

Website: www.gov.uk/cma

The Competition and Markets Authority has excluded from this published version of the final report information which it 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 Some numbers have been replaced by a range.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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Executive Summary

Introduction

1. Reliable, high-quality road and railway infrastructure is critical to driving economic growth and improving the connectivity of people throughout the UK. The public sector spent around £19 billion in 2023/24 on public roads and rail infrastructure (excluding High Speed 2). By adopting a strategic approach, governments can harness the purchasing power of the state and their control over regulation to foster a market that is more dynamic, driving improved outcomes for consumers and greater investment by firms.

2. In the context of the UK government's Industrial Strategy and 10-Year Infrastructure Strategy, the CMA has conducted a market study into the civil engineering market for public road and railway infrastructure. We have carried out this study – in line with the UK government's strategic steer to the CMA and the CMA's 2026-2029 strategy – to identify practical opportunities to strengthen competition and improve outcomes in this market; and to support growth and investment in UK infrastructure. The final report marks the conclusion of 11 months of in-depth analysis and deep engagement across governments, procuring authorities and industry.

3. We have found that there are significant opportunities to improve outcomes in this market. Costs are high; project overruns are common; quality is variable; and innovation is limited.

4. Our recommendations set out specific actions for the UK, Scottish and Welsh governments and the Northern Ireland Executive to drive better market outcomes: setting strategic direction in a fragmented landscape, providing clearer and longer-term pipelines, improving procurement practice, and streamlining regulatory compliance. Taken together, this package will improve delivery, support innovation and business dynamism, and secure better value for money from public investment.

5. The size of the opportunity is considerable, with possible efficiency savings of up to £5 billion per year[1] and a potential multiplier effect on growth – not only boosting the civil engineering sector but also increasing productivity through improving the connectivity of business activities and people throughout the UK. Although our study has focused on road and rail, we expect the lessons to have broader

[1] The National Infrastructure Commission (2024), Cost drivers of major infrastructure projects in the UK – Methodology and technical annex (p18), indicates a range of possible efficiency savings of 10-25%. When applied to the annual expenditure noted in Appendix A (paragraph A.1), which the CMA estimated to be approximately £19 billion in 2023/24, this amounts to approximately £2-5 billion of potential savings.

application across other civil engineering markets as well as informing the CMA's broader programme on public procurement.

6. The CMA stands ready to work with the UK and devolved governments on the implementation of our market study recommendations to achieve these benefits for the UK.

Our assessment

Why have we examined this market?

7. The CMA has powers under the Enterprise Act 2002 for ensuring that markets work well for consumers. In the case of a market study, the CMA examines whether a particular market may not be working as well as it can be, the causes of that and what actions should be taken to deliver improvements.

8. We have focused on this market due to the importance of infrastructure for the UK's economic growth and concerns that the market was not operating as effectively as it could be. Public road and rail spend accounts for a high proportion of total public spending on economic infrastructure: around 70-75% in 2022.[2] At launch, we noted that our findings may identify lessons that are also informative for civil engineering in other areas of infrastructure.

What evidence have we looked at?

9. We have assessed a wide range of evidence to determine how this market is operating and to develop our recommendations. This has included engagement with suppliers, procuring authorities, and the UK and devolved governments, qualitative research to understand the experience of smaller firms in the supply chain, desk research and international comparisons.

10. Following our initial evidence gathering and analysis, we published an interim report on 17 December 2025 to consult on our provisional findings and potential options for recommendations. We then undertook further analysis, including consideration of consultation responses, and developed and tested our recommendations.

[2] National Infrastructure Commission, Second National Infrastructure Assessment - NIC.

What did the evidence tell us…

… about market dynamics and outcomes?

11. The public sector is the key source of demand for road and rail civil engineering and sets the operating conditions through procurement policy and regulation. It plays a fundamental role in shaping market dynamics and behaviour by suppliers, both at the market- and project-level.

12. Procurement is dispersed across UK and devolved governments, public authorities and local authorities. Six different bodies procure rail and road infrastructure at a national level, while responsibility for local roads is split between hundreds of local authorities and some combined authorities. This means procurement decisions are typically taken at a project level, but have an aggregate impact on supply-side behaviour and incentives. There is currently a lack of central strategic direction, insufficient pipeline certainty, inconsistent procurement practices and burdensome regulation.

13. On the supply-side, while current levels of concentration are not inherently concerning, business dynamism has weakened over the past 20 years, with smaller and newer firms struggling to scale. These dynamics reduce challenges to incumbents and weaken incentives to invest in productivity and innovation.

14. Suppliers rely heavily on subcontracting. When used appropriately, this can provide flexibility and specialist capability. However, it can also create inefficiencies by adding cost and complexity. Extensive subcontracting is partly a response to uncertainty over funding and pipeline commitments, which weakens incentives to invest in capacity in-house and self-delivery.

15. These demand- and supply-side dynamics have resulted in poor market outcomes over a sustained period of time:

    (a) costs are high and have been increasing in real terms;

    (b) cost and time overruns on projects are common;

    (c) quality is variable; and

    (d) innovation is constrained, including investment in new technologies and processes.

… about how public procurement is shaping the market?

16. Public procurement is a critical lever for government to shape markets and promote growth. By adopting a strategic approach, the state can use its purchasing power to achieve better value and to foster dynamic and competitive

markets. However, we have found the public sector is not currently wielding this power effectively.

Strategy and funding pipelines

17. **The public sector landscape for road and rail infrastructure is fragmented and lacks clear strategic direction.** While the UK Government has a 10 Year Infrastructure Strategy[3] and is legislating to introduce a Long-Term Rail Strategy[4], decisions about road and rail infrastructure are still typically made at a project level across a range of bodies – including UK and devolved governments, Network Rail, National Highways and local authorities. Opportunities are being missed to actively and strategically shape the market.

18. **Short-term funding and changing government priorities undermine long-term planning by both procurers and suppliers**. As a result, public authorities often default to lower-risk, short-term projects rather than more long-term transformative programmes, and suppliers have weaker incentives to invest in skills, capacity and innovation.

    (a) National Highways and Network Rail operate within five-year settlement periods. However, both have experienced changes to funding and priorities within those periods, including cancellation or rephasing of work, and enhancements funded on a project-by-project basis. Elsewhere, shorter funding cycles are common: Transport Scotland operates within a four-year pipeline with multiple annual settlements, and the Welsh Government and Northern Ireland's Department for Infrastructure largely operate with annual budgets. For local roads, English local authorities have recently been given a four-year capital settlement, but local authorities in Scotland and Wales continue to rely on annual settlements.

    (b) These features weaken confidence that projects will proceed as planned, impede the effective scoping of projects and limit the time for engagement between procuring authorities and suppliers. Multiple stakeholders emphasised that a clear, credible and funded multi-year pipeline would enable firms to plan resources, invest in skills and innovation, and reduce inefficient peaks and troughs.

Procurement practices

19. **Procurement and contracting do not consistently drive long-term value.** Weaknesses in scoping, engagement, project design and evaluation raise bid costs, reduce competition, and underweight quality, deliverability, innovation and

[3] UK Infrastructure: A 10 Year Strategy - GOV.UK.
[4] Railways Bill factsheet: the Long-Term Rail Strategy - GOV.UK.

whole-life value. These project-level decisions not only impact individual project outcomes but have an aggregate impact on incentives within the market, including incentives to expand, invest, and innovate.

20. **Public authorities face limitations in their ability to scope projects effectively and evaluate different options** with insufficient focus on parameters that are harder to assess, such as quality, innovation and long-term value. Stakeholders reported that requirements and business cases are sometimes insufficiently developed, leading to changes later in delivery; scopes can also become overly prescriptive or 'gold-plated', as additional requirements accumulate. Deficiencies in scope and design can result in unrealistic budgets and programmes, deter bidders, and increase the likelihood of cost and time overruns when there are changes in scope during delivery. We also found that early market engagement – when carried out with appropriate safeguards – can improve design, risk assessment and deliverability, but some procurers are discouraged from engaging early due to concerns about legal challenge and reputational risk.

21. **Public authorities are not sufficiently incentivised to select and design a procurement method that induces stronger competition and reduces the cost and complexity for suppliers in bidding.** Public authorities use open competition, frameworks and direct awards to procure services. Frameworks may save time and reduce uncertainty, but their effectiveness varies, and suppliers reported that poorly designed ones can create overlapping, excessive bidding requirements and extra costs, especially where the volume of work anticipated does not materialise. While reforms following the Mosey 'Gold Standard' review[5] and Procurement Act 2023 aim to improve framework access, adoption remains inconsistent. Open competition increases access but demands more resources.

22. **The design of procurement processes can raise barriers to entry and expansion.** Lengthy and complex procurements are costly for bidders, particularly smaller firms. Preparing submissions can require significant inputs from a range of specialists. Requirements for specific prior experience or a proven track record can favour incumbents even where firms have relevant capability from adjacent markets. Limited, non-actionable feedback after failed bids can further weaken incentives to compete in future.

23. **Finally, misallocation of delivery risks between public authorities and contracting firms reduces incentives to deliver to time and budget after contracts are awarded.** Although we have not found that risk is systematically misallocated, we have heard concerns about risks being transferred to suppliers even when they are not best placed to manage these. We also found that extensive use of contract amendments can add complexity and, in some cases, reallocate risk in ways that run counter to standard contract guidance. Issues

[5] Gold Standard Report.

around the allocation of risk also apply to how risk is cascaded down the supply chain, sometimes inappropriately, with limited visibility for public authorities – raising issues for SMEs' ability to manage downside risk and invest in innovation. More consistent, collaborative approaches to risk management, allocating risk to the party best able to manage it, would support better outcomes.

Public authority capacity

24. **Public authorities struggle to build, recruit and retain the procurement and engineering capabilities needed to drive better outcomes.**

    (a) Skills shortages across the wider civil engineering sector are acute. There were 5,900 civil engineering skills shortage vacancies in 2024.[6] Skills shortages in public authorities negatively affect their ability – particularly smaller ones – to effectively scope projects, evaluate non-price criteria and manage risk. This can also lead to entrenched reliance on external consultants without building the necessary experience to challenge information provided by suppliers effectively.

    (b) There is also currently limited coordination between similar authorities to pool expertise, share lessons learned and pursue joint procurement where appropriate. Opportunities are therefore being missed to make better use of the limited civil engineering capacity.

… about how regulation affects incentives to enter, grow and invest in this market?

25. Regulation is a powerful lever for governments to shape markets. Well-designed regulation can help achieve a range of societal goals, such as environmental protection and health and safety, while giving firms the clarity and confidence they need to invest, innovate and compete.

26. However, some aspects of the regulatory compliance landscape in this market are creating unnecessary burdens on existing and prospective market participants. We have found that some regulatory processes are complex, overlapping and slow, which adds compliance costs and raises barriers to entry and expansion. This is particularly acute for smaller firms and those seeking to innovate.

[6] Department for Education employer skills survey, Step 6: Explore data - Create your own tables on employer skills survey, accessed 11/05/26.

Regulatory compliance

27. The main concerns we have identified arise from a complex regulatory compliance landscape which is limiting effective and efficient delivery of civil engineering projects, rather than the substance of regulations themselves.

28. We found that onerous and prescriptive technical standards add to the compliance burdens on firms. Previous research into overlapping technical standards has found that this is a longstanding problem. In some cases, there are limited opportunities for businesses and market participants to provide feedback on areas in which burdens are greatest, reducing incentives for standards setters to tackle high-impact areas as a priority.

29. The planning and permitting process was consistently highlighted as one of the key areas of regulation contributing to delays in infrastructure delivery, particularly the role of statutory consultees. Ongoing reforms by the UK and devolved governments to streamline the planning system[7] should address many of the concerns we have identified in this area.

Accreditations

30. Overlapping accreditation and pre-qualification requirements imposed by both the public sector and industry create barriers to entry and to scaling. While accreditations play an important role in demonstrating a firm's ability to carry out specified work, they can be costly to attain and hold. Limited mutual recognition of accreditations across road and rail means that suppliers often need multiple different accreditations for similar work. This disproportionately affects SMEs, as strict requirements are passed down supply chains, and smaller firms are likely to be less able to absorb additional costs.

Regulatory approvals

31. Slow approvals processes for innovations limit the incentives for firms to invest in new products and methods and scale these activities across the industry. We have found that this burden is most significant for innovations in rail.

32. There is a clear need for a safety-critical culture, but our evidence suggests a broader risk-averse culture is hindering innovation. We found there is scope to improve the process of adopting new innovations without risking safety. Pilots,

[7] MHCLG (2026), National Planning Policy Framework: proposed reforms and other changes to the planning system; MHCLG (2025), Reforms to the statutory consultee system; DEFRA, The Rt Hon Steve Reed OBE MP and The Rt Hon Angela Rayner MP (2025), Environmental reforms to break planning system gridlock; DfI (2025), Kimmins announces further improvements to the planning system; Planning and Environment Decisions Wales (2025), New process to speed up planning for infrastructure projects and make Wales a better place to invest; and the Scottish Government, Planning and architecture: Reforming the planning system, accessed on 11/05/26.

fast-track approval routes, as well as more established routes to rollout would also help scale innovations.

Our Recommendations

33. We are proposing a package of mutually reinforcing actions for the UK, Scottish and Welsh governments and the Northern Ireland Executive to drive better market outcomes. Taken together, this package is designed to reshape incentives across the market, improve delivery, support innovation and business dynamism, and secure better value for money from public investment. Implementation of the package as a whole is necessary to achieve their full potential, although we have highlighted seven recommendations that are particularly critical.

34. In formulating our package of recommendations, we have considered their effectiveness in delivering better outcomes, and their cost and burden on stakeholders. We have also noted the interdependencies between the different elements of the package and, where relevant, have noted the potential trade-offs. Achieving the full potential impact of our recommendations requires central, proactive direction from government to coordinate the measures and balance the trade-offs.

35. We consider that HM Treasury – as the department responsible for infrastructure strategy across the public sector, and with the central position and power within government to drive the necessary system-wide change – should oversee the implementation of our recommendations for UK government. HM Treasury is well-positioned to provide the necessary strategic approach to the recommendations as a package, and to draw lessons from this work to drive broader changes across other infrastructure sectors where appropriate. There is also a clear role for other departments and public authorities in implementing our recommendations, and the precise allocation of responsibilities would be a matter for government to consider as part of its response to the market study.

36. Devolved governments will be accountable and responsible for implementing recommendations that fall within the scope of their devolved powers, and we recognise that HM Treasury will need to work closely with devolved governments in areas that are within devolved competence.

37. Given the scope of our study, our recommendations apply to road and rail specifically, but we recognise that there may be strong parallels with other civil engineering sectors. We think the UK government should therefore give careful consideration as to whether the recommendations we set out below should also be applied to other types of infrastructure.

Overarching market shaping

38. The UK government has powerful tools at its disposal to shape the market by adopting a strategic approach to procurement policy, practices and regulation.

39. **Recommendation 1 (critical): Strategic ownership for driving change.** Recognising its overarching responsibility for infrastructure strategy across the public sector, and its ability to deploy the necessary convening powers and levers within the UK government, we recommend that HM Treasury takes strategic ownership for driving and overseeing the necessary system-wide changes to actively shape the market.

40. This is a critical recommendation and is necessary to overcome the fragmentation of accountability for civil engineering across a range of departments and bodies; address the persistent failure to track and drive forward the implementation of previous recommendations and reform initiatives; and tackle the range of interlinked and deeply-rooted issues in the sector. Strategic ownership by HM Treasury would also enable a cross-sectoral approach if the UK government decides to extend the scope of our recommendations to other areas of civil engineering.

41. In practice, we would envisage the National Infrastructure and Service Transformation Authority (NISTA) playing a central role in providing the necessary strategic coordination, advice and oversight to deliver the system-wide change that is required. This aligns with NISTA's mandate – under its foundational Memorandum of Understanding between HM Treasury and Cabinet Office – to drive improvements at the policy, project, programme, portfolio and system level.[8]

42. **Recommendation 2 (critical): Sector plan.** We recommend that the UK government, in consultation with the Scottish and Welsh governments and the Northern Ireland Executive: (i) publish a strategic sector plan for civil engineering in the road and rail sector; and (ii) report annually on progress against that sector plan.

43. The sector plan should set out a coherent, system-wide set of objectives and actions for civil engineering in the road and rail sector. This would include a framework for proactively shaping the market through public procurement and regulation, altering incentives for public authorities and breaking down barriers to investment and innovation. It should clearly set the desired priority outcomes for the market to deliver, including any necessary trade-offs, alongside concrete actions to implement changes and monitor outcomes. The UK government should give careful consideration as to the appropriate scope of the sector plan, including

[8] National Infrastructure and Service Transformation Authority (2025) NISTA Memorandum of Understanding.

whether it should extend beyond road and rail, in line with the approach taken to Recommendation 1.

44. Overall responsibility for the development and implementation of the sector plan should be assigned to a single department within UK government. If the scope of the sector plan is limited to road and rail, we consider that the Department for Transport would be well-placed to take on this responsibility. However, in these circumstances, it will be important for the Department for Transport to ensure that the sector plan is developed in line with the strategic approach set by HM Treasury under recommendation 1. Input from other relevant departments and bodies, along with the Scottish and Welsh governments and the Northern Ireland Executive, would also be required in line with their respective responsibilities.

Addressing pipeline uncertainty

45. Stable, long-term funding and transparency over future project pipelines will support planning, investment and innovation for both procurers and suppliers.

46. **Recommendation 3 (critical): Multi-year capital funding.** We recommend that the UK, Scottish and Welsh governments and the Northern Ireland Executive each implement multi-year capital budgets (of at least three years) for all procuring authorities.

47. This will enable procurers to have more stable funding and procurement plans, facilitating investment decisions and creating the conditions for increased innovation. Crucially, it should unlock more strategic procurement approaches across all procurement activity. We recognise that this recommendation comes with the trade-off of reduced flexibility for government to adjust budgetary allocations year-on-year. We consider that key benefits for the sector would be unlocked with a multi-year budget period of a minimum of three years. We consider HM Treasury, with support from the Department for Transport (DfT), would be best placed to deliver this recommendation for UK government.

48. **Recommendation 4: Longer-term contracts.** We recommend that the UK, Scottish and Welsh governments and the Northern Ireland Executive each give all procuring authorities greater flexibility to commit to contracts that extend beyond budget settlement periods. This would include the setting of budget and timeline thresholds within which procurers can make commitments without requiring case by case central approvals.

49. This will provide suppliers with increased certainty over a programme of work, reduce bid costs for all parties, and support collaborative and innovative contracting arrangements. This should come alongside the greater use of longer-term contracting in general, including greater contracting for programmes of

projects rather than project-by-project. We consider HM Treasury would be best placed to deliver this recommendation for UK government.

50. **Recommendation 5: UK-wide infrastructure pipeline.** (i) We recommend that NISTA, in collaboration with the Scottish and Welsh governments and the Northern Ireland Executive, expands its infrastructure pipeline to include road and rail projects planned by the devolved governments and their arms-length bodies. (ii) We recommend that NISTA's pipeline should be expanded to include information for each project on: funding confirmation status; planning approvals status; intended timelines for procurement; and intended procurement method.

51. This will provide greater visibility for suppliers on upcoming opportunities, with the improved transparency enabling more efficient and effective planning by firms in the supply chain, and facilitating an increase in targeted capacity-building and investment.

Alleviating public authority capacity constraints

52. Addressing capacity and skills shortages is fundamental to enabling public authorities to make effective procurement decisions, and to improving market outcomes. Stronger capability and pooling of capacity can improve scoping, evaluation and risk management, reducing reliance on expensive workarounds and improving consistency of practice.

53. **Recommendation 6 (critical): Sustained capability building.** We recommend that the UK, Scottish and Welsh governments and the Northern Ireland Executive each publish a civil engineering strategic workforce plan that sets out how they will strengthen the commercial and technical capability of all public procuring authorities, and report regularly on progress against this.

54. Strengthening procurers' commercial and technical capacity and capability is fundamental to ensuring public procurement can take full benefit of market-shaping opportunities, reduce costs, and deliver the strongest outcomes. This should include targeted actions to address persistent challenges in recruitment, retention and skills. We consider this should form part of the sector-wide plan with delivery supported by the Ministry of Communities, Housing and Local Government (MHCLG), Government Commercial Agency (GCA) and DfT.

55. **Recommendation 7: Cross-authority pooling of capacity.** We recommend that the UK, Scottish and Welsh governments ensure that all local authorities have sufficient access to sources of pooled capacity to support their road procurement and contracting activities. Governments should evaluate, and report on, demand for and use of pooled capacity on an annual basis, and address gaps identified.

56. This will help ensure authorities can access the specialist advice and support they need – reducing reliance on external consultancy, and making more effective use of commercial and technical skills in the public sector, without requiring each authority to develop and maintain the full range of skills in-house. We consider that MHCLG or DfT would be best placed to lead delivery of this recommendation for UK government, with support from HM Treasury and GCA.

57. **Recommendation 8: Cross-authority joint procurement.** (i) We recommend that the UK, Scottish and Welsh governments work with local authorities in their respective nations to identify and pursue further opportunities for joint procurement of road infrastructure. Governments should publish on an annual basis where they have facilitated joint procurement amongst local authorities and disseminate key learnings with local authorities. (ii) We recommend that Network Rail identify and pursue opportunities for more centralised procurement across the five Network Rail regions. The UK government should ensure, where appropriate, effective joint procurement is utilised between regions, and in collaboration with the Scottish Government and the Welsh Government.

58. This will provide procuring authorities with more buyer power, drive greater value for money, and combat duplication and/or conflict in authorities' work. Annual reporting on this measure could form part of sector plan reporting, and we consider that DfT would be best placed within UK government to ensure effective joint procurement is utilised.

Procurement policy and approaches

59. We have formed a number of recommendations to ensure consistent adoption of best practice, support innovation, and drive value for money over the long term. These measures reduce bid costs, strengthen competitive tension, and shift incentives towards focusing on whole-life value rather than lowest upfront price.

60. **Recommendation 9 (critical): Adoption of best practice.** We recommend that the UK government should mandate compliance with the Construction Playbook and its accompanying Guidance Notes – ending the current 'comply or explain' approach – for national procuring authorities. Similarly, the Scottish and Welsh governments and the Northern Ireland Executive should mandate compliance with the Client Guide, Transport Appraisal Guidance, and Construction Toolkit for national procuring authorities. As part of this, governments should publish a comprehensive implementation plan for how they will support and ensure compliance, and monitor and report on compliance on an ongoing basis.

61. Widespread adoption of best practice will ensure the public sector takes advantage of the opportunities to increase competitive tension in procurement, drive long-term value, and shape the market in line with its objectives. For the UK government, the GCA review of the Construction Playbook due this year can be

used to make any changes that would be required to support mandation; and HM Treasury can require compliance as part of the public spending framework.

62. **Recommendation 10: Supporting innovation.** We recommend that the UK, Scottish, and Welsh governments and the Northern Ireland Executive require all national public authorities to publish, at least every three to five years, target areas for innovation in their supply chains. This should be supported by funding and regular reporting as appropriate.

63. This will provide greater confidence for suppliers in where innovations would be likely to be welcomed by public procurers, which would encourage investment and inclusion in bids. This should also support and underpin the approach taken by procuring authorities in their project, programme, and portfolio procurement strategies to proactively considering and encouraging innovation, investment, and opportunities for long-term cost reduction. We consider that DfT would be best placed to deliver this recommendation for UK government.

64. **Recommendation 11: Use of frameworks.** We recommend that the UK, Scottish and Welsh governments and the Northern Ireland Executive ensure that all future national road and rail public procurement frameworks adhere to the Gold Standards set out in the 2021 Mosey review.

65. Ensuring all future frameworks adhere to the Gold Standards will drive and support adherence to best practice, and improve outcomes – including lower procurement costs, greater value for money, and reduced risk. We consider that GCA would be best placed to deliver this recommendation for UK government.

66. **Recommendation 12: Standardising procurement processes.** We recommend that the UK, Scottish and Welsh governments and the Northern Ireland Executive each conduct a review to identify opportunities for, and deliver, greater standardisation of procurement processes across procuring authorities.

67. Delivering greater standardisation will reduce administrative burdens on suppliers, support increased competition in public tenders, and lower barriers to entry and growth opportunities for SMEs. We consider that GCA, with support from DfT, would be best placed to deliver this recommendation for UK government.

68. **Recommendation 13: Improved approach to risk allocation.** We recommend that procuring authorities should conduct a zero-based review of Z clauses in model contracts, to remove historical clauses altering how risk is allocated that are no longer required.

69. While Z clauses – which allow procuring authorities to include additional, bespoke conditions of contract – may be used for valid reasons, we have consistently heard that they are overused, resulting in the inappropriate allocation of risk throughout the supply chain. Reducing their use will improve and standardise the approach

taken to the allocation of risk to suppliers by public authorities. We consider that GCA would be best placed to deliver this recommendation for UK government.

70. **Recommendation 14 (critical): Standardisation of designs.** We recommend that the UK, Scottish and Welsh governments and the Northern Ireland Executive should determine and mandate for national procuring authorities the use of a limited set of standard designs for certain road and rail infrastructure outputs (such as bridges, gantries, and other common structures that are repeated across projects).

71. This will create a virtuous cycle of a more predictable and efficient environment for infrastructure development – reducing system costs, delivery risk, and burdens on procurers, and driving opportunities and incentives to take advantage of economies of scale, including investment in practices such as industrialised construction methods. We consider that DfT would be best placed to deliver this recommendation for UK government.

72. **Recommendation 15: Alignment of designers' and procurers' incentives.** We recommend that the UK, Scottish, and Welsh governments and the Northern Ireland Executive review and strengthen their best practice guidance on aligning external designers' incentives with those of public procurers.

73. This will drive more efficient outcomes – with well-aligned incentives between designers and procurers fundamental to ensuring that designs deliver long-term value for money, in construction and across the lifetime of the infrastructure asset. It should also reduce demands on procuring authorities' resources and expertise. We consider that GCA, with support from DfT, would be best placed to deliver this recommendation for UK government.

Reducing regulatory barriers

74. Simplifying and streamlining regulatory processes will support project delivery, lower barriers to entry and expansion, particularly for smaller firms, and accelerate innovation while protecting essential safety outcomes.

75. **Recommendation 16 (critical): Reduce over-compliance.** (i) We recommend that the UK, Scottish and Welsh governments and the Northern Ireland Executive direct regulators and public bodies[9] with standards-setting responsibilities to establish and run an open-ended challenge function for industry to challenge any standards, for both designs and products, on the grounds that they are out of date, duplicative or redundant. (ii) In addition, the UK, Scottish and Welsh governments and the Northern Ireland Executive should agree and enforce sets of consistent regional standards for 'preferential requirements' by local authorities for civil

[9] Such as the Office of Rail and Road, National Highways, Network Rail and the Rail Safety and Standards Board.

engineering projects. (iii) The UK government should also consider updating the Railway Regulation Act so that Network Rail[10] has equivalent legal powers as National Highways to access adjacent land to conduct civil engineering works for enhancement and renewals.

76. Ensuring more agility and responsiveness by standards setters and managers will facilitate lower costs for firms, greater innovation, and increased competition. Consistent standards for preferential design and engineering requirements will reduce barriers to entry for firms and increase efficiency in cross-regional operations, as well as supporting greater joint procurement. We consider that DfT, with support from the Office of Rail and Road (ORR), would be best placed to deliver this recommendation for UK government.

77. **Recommendation 17: Streamline accreditations.** We recommend that the UK, Scottish and Welsh governments and the Northern Ireland Executive should review the existing range of supplier accreditations for duplication and set a single approved list of accreditations that are acceptable for firms working on public road and rail infrastructure projects.

78. This streamlining will reduce administrative burden on suppliers, with particular benefit for SMEs, and facilitate greater market access and competition. We consider that Cabinet Office, with support from DfT, would be best placed to deliver this recommendation for UK government.

79. **Recommendation 18: Streamline regulatory approvals.** The UK government should direct regulators and public bodies[11] to streamline approvals processes for new technologies in road and rail infrastructure and establish fast-track approval processes, which should include the recognition of reference-class data.

80. This streamlining of approvals should encourage the development and rollout of new innovations across the supply chain. We consider that DfT, with support from the Office of Rail and Road (ORR), would be best placed to deliver this recommendation for UK government.

81. **Recommendation 19: Utility diversions response times.** We recommend that the UK, Scottish and Welsh governments and the Northern Ireland Executive direct sector regulators[12] to agree and monitor standardised response times for utility diversions.

82. The need for utility diversion arises when utility networks (such as cables or pipes) need to be relocated or altered in some way to enable engineering works. Introducing more consistent response times would help to address delays, which

[10] And Great British Railways once operationalised.
[11] Such as National Highways, Network Rail and the British Board of Agrément.
[12] These include Ofcom, Ofgem, Ofwat, the Utility Regulator and the Water Industry Commission for Scotland.

can contribute to significant cost and time overruns. We consider that DfT would be best placed to deliver this recommendation for UK government.

Impact

83. Figure 1.1 summarises how our package of measures would deliver better outcomes. Critical recommendations are highlighted in light blue. However, the overall impact of our recommendations would be maximised through implementation of the package in full, due to mutually reinforcing improvements and positive feedback loops.

84. We advise that our recommendations should be delivered as soon as possible to deliver key benefits for the civil engineering market for public road and railway infrastructure – and the wider UK economy. These include: reducing costs, reducing delivery timelines and overruns, increasing innovation, and encouraging scale-up and business dynamism.

85. We encourage the UK government, in its response to this report, to set out the specific intended timeline for delivery against each recommendation.

Figure 1.1: Overview of market study recommendations

Main Report

1. Our Market Study

Background

1.1 Civil engineering encompasses the design, construction and maintenance of infrastructure ranging from transport links to access to clean water and sanitation, from telecommunications networks to energy generation.

1.2 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 by improving connectivity of business activities and people throughout the UK.

1.3 The UK government's 10-Year Infrastructure Strategy[13] recognises the key role of infrastructure – including economic infrastructure – in delivering economic growth across the country. However, the Strategy recognises that over many years the sector has underperformed, with low and erratic public investment levels, 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 the Strategy has been 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, the NIC published a report on the Cost Drivers of Major Infrastructure Projects in the UK.[14] The report identified poor outcomes such as high costs, including in some cases compared to international peers. The NIC identified four main drivers for this:

(a) lack of strategic direction;

(b) sponsor and client capability challenges;

[13] HM Treasury and NISTA (2025), UK Infrastructure: A 10 Year Strategy.
[14] NIC (2024), Cost drivers of major infrastructure projects in the UK.

(c) inefficient consenting and compliance processes; and

(d) supply chain constraints.

Aim and scope of the Market Study

1.6 Against this backdrop, the CMA launched this market study, focusing on the civil engineering market[15] for public road and railway infrastructure.[16] Our aim was to complement government reforms by identifying opportunities to improve the performance of the market.

1.7 At the start of the market study, we set out the following questions to address:

(a) how public authorities can access and assess the right information to make well-reasoned decisions when procuring roads and railways;

(b) how public authorities can work effectively with civil engineering firms to deliver road and railway projects on time, to a high quality and within anticipated budgets;

(c) whether any procurement, planning or other regulatory processes create significant barriers which limit companies' ability and incentive to enter, expand, invest and innovate; and

(d) in light of (a), (b) and (c), what market structures and features will most effectively enable the delivery of roads and railways that support UK productivity and growth.

1.8 Building on the government's strategic steer to the CMA, and as reflected in our strategy for 2026-29,[17] 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 providing expert advice and recommendations to government, with a particular focus on public procurement and regulatory barriers.[18]

[15] Throughout the report, we use the term 'civil engineering market' for ease of exposition, however we note that true economic markets for civil engineering may well be local or regional and differ between different types of project. 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.
[16] 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.
[17] CMA (2025), CMA Strategy 2026 to 2029.
[18] In support of the CMA's third strategic objective of: Helping government deploy tailored pro-competitive interventions to support growth, innovation and investment-related policies.

1.9 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 types of intervention may help or hinder. We have brought this to bear in the civil engineering market, in particular by applying a competition lens to how approaches to procurement and regulation may be incentivising procurers and firms to behave in ways that drive poor outcomes.

1.10 The scope of the market study (as set out in the market study notice[19]) 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 the most insight and greatest impact. Together, rail and road, excluding HS2,[20] accounted for 70-75% of government expenditure on economic infrastructure in 2022.[21] This scope was designed to allow us to explore issues in depth and at pace, drawing comparisons across a range of practices. It enabled us to consider areas representing a high proportion of public sector investment in economic infrastructure and civil engineering activity.

Overview of process

1.11 We launched this market study on 19 June 2025. Following an evidence-gathering and analysis phase, we published our interim report on 17 December 2025. The interim report set out our provisional views on the issues we had identified, along with potential options for recommendations to governments to address these.[22] Interested stakeholders were invited to submit written responses to the interim report by 28 January 2026. We then undertook further evidence-gathering and analysis, including consideration of the consultation responses, and further development and testing of potential recommendations. This final report sets out the CMA's findings and final package of recommendations based on the totality of the evidence gathered throughout the study.

1.12 Our work has been informed by a variety of perspectives. Our information-gathering activities included the following:

(a) We issued an invitation to comment when we launched the market study and received 18 responses, which are published on our website.[23]

(b) We have met with a wide range of stakeholders, including contractors, public authorities, trade associations, local government associations, as well as the UK and devolved governments.

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[19] CMA (2025), Market Study Notice - Civil engineering in rail and road.
[20] 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.
[21] NIC (archived content), Second National Infrastructure Assessment.
[22] CMA (2025), Civil engineering: CMA sets out concerns and options for better outcomes.
[23] Non-confidential versions of these responses are available on our case page.

(c) We convened a civil engineering sector panel, bringing together both suppliers and procurers to participate in debate and gather views.[24]

(d) We received written responses to requests for information from a variety of procurers and suppliers.

(e) We reviewed literature on international comparators and met with officials working in other jurisdictions.

(f) We procured an independent research agency to carry out qualitative research with a sample of contractors operating lower down the supply chain.[25]

(g) We received and analysed 25 responses to our interim report[26] and have considered these carefully to inform our findings and recommendations.

(h) We held meetings with a wide range of stakeholders, including the UK and devolved governments and public bodies, to consider the possible recommendations set out in the interim report.

1.13 This is the first market study to apply the CMA's '4Ps' commitment to pace, predictability, proportionality and enhanced process to deliver more effective engagement with key stakeholders.

(a) On pace, the choice of the market study tool at the outset allowed us to complete the project in less than 12 months end-to-end. We benefited from sector expertise through our sector panel from an early stage to help identify and assess concerns more efficiently and effectively.

(b) On predictability, we published a roadmap to give businesses clarity about the key stages of the market study and channels for engagement with the CMA. We used webinars at launch and at the interim report stage to explain directly to market participants the issues we intended to focus on and our expectation for the outcomes of our work.

(c) On proportionality, we focused the scope and themes of the market study on areas that built on previous studies. We sought to avoid duplication with ongoing reforms, focusing on areas where there was potential to take tangible action.

(d) On process, we have used a range of engagement channels to hear from a full range of businesses in the civil engineering supply chain, as well as public sector bodies. Given the importance of government policy and the

[24] For more information on the make-up of the panel, see How to engage with the CMA's civil engineering market study.
[25] Jigsaw Research (2026), Qualitative Research with Civil Engineers.
[26] Non-confidential versions of these responses are available on our case page.

regulatory framework in the civil engineering market for public road and rail infrastructure, we engaged extensively with the UK, Scottish, and Welsh governments and the Northern Ireland Executive to test the possible options we identified to address our concerns.

Market Investigation Reference decision

1.14 When the findings of a market study give rise to reasonable grounds to suspect that a feature or combination of features of a market in the UK prevents, restricts or distorts competition, the CMA may decide to make a market investigation reference (MIR) where it would be appropriate and proportionate to do so.

1.15 As set out in chapters 3 and 4 below, the CMA has identified wide-ranging and often deep-rooted issues that are resulting in poor market outcomes. The core concerns arise from public policy-determined features, such as short-term funding settlements and uncertain project pipelines. As such, the main levers for addressing the identified concerns sit with governments and public bodies.

1.16 The issues we have identified are therefore more appropriately and proportionately addressed through formal recommendations, rather than using the specific order-making powers available to the CMA following an MIR. We have also not received any representations to the effect that an MIR should be made.

1.17 The CMA has therefore decided not to make a reference under section 131 of the Act in relation to the supply of public road and railway infrastructure in the UK.

Structure of remainder of report

1.18 The remainder of this report is structured as follows:

- **Market Overview**: This chapter sets out the CMA's observations on the size and shape of the market, market outcomes, and supply- and demand-side behaviours.
- **Procurement**: This chapter sets out how the public sector is shaping the market through its procurement activities. It considers the impact of pipeline uncertainty, procurement policy and approaches, and public authority capacity constraints on road and rail engineering firms and how these firms respond.
- **Regulation**: This chapter considers the impact of regulation – in particular, the role of technical standards, accreditations, and regulatory approvals for innovations, on the ability for firms to enter the market, scale up and innovate.

- **Recommendations**: This chapter sets out the CMA's recommendations to the UK, Scottish and Welsh governments and the Northern Ireland Executive designed to improve outcomes in the market.

Next steps

1.19 In its strategic steer to the CMA, the UK government commits to issuing an official response to the CMA's recommendations within 90 days of publication of this final report, with a presumption that the government will accept the recommendations unless there are compelling reasons not to do so.[27] The CMA stands ready to work with the UK, Scottish, and Welsh governments and the Northern Ireland Executive on the recommendations and their implementation.

[27] CMA (2025), Strategic steer to the Competition and Markets Authority.

2. Market Overview

2.1 As noted above, the focus of this study is the civil engineering market for public road and railway infrastructure.[28] In this section, we set out the relevant market characteristics we have observed which inform our analysis, including:

(a) outcomes we have observed, which inform the assessment of whether the market is working well;

(b) how firms on the supply side of the market are operating, including examining some indicators of the strength of competition; and

(c) how the public sector is operating on the demand side of the market, particularly in their role procuring public road and railway infrastructure.

Market Outcomes

2.2 In determining whether a market is working well for customers, business, and the wider UK economy, the CMA evaluates the outcomes of the competitive process, which include price, profitability, quality and levels of innovation. If the market were working well, we would expect to see (among other things) the following market outcomes:

(a) Competition between suppliers and procurement and contracting methods working to keep whole life costs (prices) for public road and rail infrastructure as low as possible.

(b) Delivery timelines being as fast and predictable as possible given the capacity and capability in the supply chain, which may be expected to adapt over time to the demands being placed on it.

(c) Quality standards meeting the expectations of customers.

(d) Innovation driving the adoption of new technology and ways of working that underpin productivity and/or quality improvements.

2.3 Prices tend to be more observable and measurable than some other outcomes, and an analysis of these can provide insight into the extent to which the market is working well. Other indicators, such as quality and innovation, although harder to quantify, may be no less important to buyers in the market.

2.4 We have sought to be targeted in gathering our own evidence in this area, as we are mindful that there is a wide body of existing research on infrastructure project

[28] As noted above, true economic markets for civil engineering may be local or regional and may differ between different types of project. We have focused on broader trends, data and behaviour relating to the process of undertaking civil engineering projects for road and railway infrastructure.

outcomes. In the following sub-sections, we set out the key findings from both these previous studies and data we have gathered, and our conclusions on the extent to which the market is falling short of the desired outcomes.

2.5 As explained below, we have found that the civil engineering market for road and rail 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. Further detail on the evidence we have examined and our findings is set out in Appendix A.

Cost

2.6 In order to examine costs, we have considered evidence on cost levels and trends, productivity levels (as a potential driver for cost levels) and cost overruns.

2.7 In terms of cost levels and trends, in its 2024 'Cost Drivers Report',[29] 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, along with broadly flat labour productivity in the sector since 2008.[30]

2.8 There are indications that costs have been increasing in real terms (ie faster than inflation), for example:

(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.[31] This is equivalent to a c.3.5% average annual real-terms increase.

(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.[32]

2.9 We have also considered productivity data as a potential driver of cost levels, and therefore an indicator of whether costs could be reduced. Office for National Statistics (ONS) analysis highlights that, while the level of civil engineering productivity is above that of the whole economy, the sector's productivity growth

[29] NIC (2024), Cost Drivers of Major Infrastructure Projects in the UK.
[30] NIC (2024), Cost Drivers of Major Infrastructure Projects in the UK, p4 and 8.
[31] ORR (2025), Annual Assessment of National Highways' performance: End of the second road period April 2020 to March 2025, pp36-38.
[32] ORR (2024), Cost benchmarking of Network Rail's maintenance and renewals expenditure: annual report 2023 to 2024, p6.

has been broadly flat over the last 15 years.[33] We judge that this weak productivity growth has contributed to infrastructure becoming relatively more expensive.[34]

2.10 There is also consistent evidence that costs regularly exceed initial expectations on many road and rail infrastructure projects. Specifically:

(a) CMA analysis of information from national procurement authorities for public roads projects undertaken between 2015 and August 2025 shows that, for the projects for which sufficient financial information was provided, each authority had between 29% and 79% of those projects exceed their contract budgets.[35] The average overruns on these projects varied between 12.2 – 19.0%, depending on the authority.[36]

(b) Analysis by Boston Consulting Group (BCG) indicates cost overruns for rail may be common as well.[37] Analysis of 25 UK rail projects by BCG indicated that 76% of those projects exceeded their budget, by an average of 41%. Similar analysis by BCG of 51 road projects indicated that 69% of those projects exceeded their budget, by an average of 66%. It notes that large-scale infrastructure projects will typically use a 'P50 schedule' when it comes to cost estimates: this means it has a 50% probability of being exceeded. As such, around 50% of projects would be expected to run over budget. It also found that the UK is not an outlier in having frequent and large overruns.[38]

2.11 While we place more weight on our own analysis of data gathered from public authorities on cost overruns, as this reflects a broader range of projects, both the CMA and BCG analyses indicate that cost overruns are a common occurrence, and the level of such overruns is often significant.

2.12 Based on the evidence we have examined, our assessment is that the market is not currently delivering optimal outcomes in terms of public road and rail infrastructure costs, in terms of both overall level of costs and predictability of costs.

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[33] ONS (2021), Productivity in the construction industry, UK: 2021.
[34] 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.
[35] We note that the data we received covered different proportions of the contracts they had awarded and so the precise percentages should be treated with caution. For example, for National Highways we received both budget and outturn data for 29/68 enhancement contracts; of these 29 contracts, 23/29 (79%) had an overrun. For Transport Scotland, 14/20 contracts had sufficient data to analyse overruns; of these 4/14 (29%) had an overrun. Further details of the data and results are set out in Appendix A. We have not provided an overall average to avoid amalgamating data of different levels of completeness, which would also disproportionately reflect results from larger authorities.
[36] CMA analysis of National Highways, Transport Scotland, the Welsh Government and Northern Ireland's Department for Infrastructure's (DfI) response to the CMA's information request [✂].
[37] BCG (2024), Improving Infrastructure Delivery in the UK.
[38] BCG (2024), Improving Infrastructure Delivery in the UK.

Delivery timescales

2.13 Project delivery overruns are also a common issue for road and railway projects, and these delays can increase project costs. Overruns also delay the benefits arising from the improved transport infrastructure. Analysis by 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 estimated duration by 29% on average.[39]

(b) For rail, based on a sample of 27 UK projects, 56% finished late and, when they finished late, they overran their estimated duration by 27% on average.[40]

Quality

2.14 Quality of UK public road and rail infrastructure is not easily measured quantitatively given the number of relevant factors. We summarise below and in Appendix A the evidence we have considered from Department for Transport (DfT) and devolved nations' statistics, ORR analysis and international benchmarking.

(a) Data from DfT on the proportion of different roads classified as red[41] shows that for local roads, 5% of 'A' roads and 7% of 'B' and 'C' roads were classified as red in 2025. However, as set out further in Appendix A, there is considerable variation in the proportions classified as red for different local authorities, as well as variation as to whether road conditions have been reported as improving or worsening over time.[42]

(b) The same source indicated that 4% of motorway and 6% of 'A' road in the strategic road network were classified as red in 2025, levels which have been broadly consistent since 2019.[43] However, the number of pavement (ie road surface) defects that National Highways reported in the final year of the second road period (April 2020 to March 2025) was 40% higher than in the first year.[44]

(c) For the devolved nations, in Northern Ireland, 2.4% of A class roads were categorised as being in poor condition requiring further investigation in 2024-

[39] BCG (2024), Improving Infrastructure Delivery in the UK.
[40] BCG (2024), Improving Infrastructure Delivery in the UK.
[41] A red classification means it should have been considered for maintenance. Treatment may or may not be required, but the road should be investigated fully. The other classifications are amber (maintenance may be required soon) and green (no further investigation or work is needed). DfT (2026), Road conditions in England to March 2025.
[42] DfT (2026), Road conditions in England to March 2025.
[43] DfT (2026), Road conditions in England to March 2025.
[44] ORR (2025), Annual Assessment of National Highways' performance: End of the second road period April 2020 to March 2025, pp46-47.

25.[45] Transport Scotland reported that in 2024-2025, 31% of the local authority A road network may require some kind of maintenance, following more detailed examination.[46] The Welsh Government reported that 7.4% of the motorway and 2.6% of the trunk road network is currently in need of close monitoring, as of the end of March 2025.[47]

(d) For Network Rail, key measures of asset reliability have been broadly steady at the start of its current control period, but ORR has highlighted some variability in this across regions and that this may not be sustained if renewal works are not maintained. It also highlighted concerns over Network Rail's management of its structures examinations and assessments as these are not being delivered in line with its standards.[48]

(e) 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.[49]

2.15 Overall, whilst there does not appear to be significant public authority concern about the quality of road and rail infrastructure, quality indicators used by those authorities suggest there is variability in quality and therefore scope for improvement. However, it is unclear whether this reflects issues with the initial quality of the infrastructure or failures to maintain the infrastructure in a timely manner.

Innovation

2.16 Innovation is a broad concept about creating and implementing many new products or processes.[50] Promoting innovation is a key driver of productivity and economic growth,[51] and the UK government has identified promoting innovation, along with investment and the adoption of technology, as key steps to kickstarting economic growth.[52]

2.17 We have gathered evidence from suppliers' views and internal documents on their current focuses for innovation, public authority initiatives to support innovation, and

[45] DfI, The Northern Ireland Road Network and Condition Statistics 2024-25 report has been published today, accessed on 22/04/26.
[46] Transport Scotland (2025), Scottish Transport Statistics 2025, p125.
[47] The Welsh Government, Road lengths and conditions: April 2024 to March 2025, accessed on 22/04/26.
[48] ORR (2025), Annual assessment of Network Rail 2024 to 2025.
[49] Ipsos (2024), Global infrastructure Index 2024, pp11-13.
[50] Innovation is defined by the OECD as 'a new or improved product or process (or combination thereof) that differs significantly from the unit's previous products or processes'. OECD (2018), Oslo Manual 2018, Guidelines for Collecting, Reporting and Using Data on Innovation, 4th Edition, p20.
[51] OECD (2018), Oslo Manual 2018, Guidelines for Collecting, Reporting and Using Data on Innovation, 4th Edition, section 2.4; and G20 (2016), G20 Blueprint on Innovative Growth, p2.
[52] Prime Minister's Office, Kickstarting Economic Growth, accessed on 26/02/26.

publicly available information. Our analysis of this evidence indicates that suppliers do compete on innovation, although it may be considered less important than other parameters of competition.

2.18 Innovation takes many different forms in these markets, including investment in new technologies and processes, and those that reduce the carbon footprint of projects. Innovation appears to be more prevalent in road than in rail, at least partially due to the regulatory environment and culture in rail.

2.19 Overall, based on the evidence set out in Appendix A, our view is that there is scope for the market to deliver higher levels of innovation, for example by ensuring innovative ideas are dispersed and taken up in practice, and addressing regulatory and cultural barriers to innovation, particularly in rail.

Supply side

2.20 In this sub-section, we consider the supply side of the market, focusing on certain indicators of the strength of competition.

2.21 According to ONS and Inter-Departmental Business Registration data, as at Q3 2024 (the most recent data available), there were 21,680 firms classified as working in civil engineering in Great Britain, 6,216 of which were active in highways, railways, or bridges and tunnels.[53]

2.22 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.

(a) Tier 1 contractors tend to be large national businesses which provide services in design and project management alongside some degree of infrastructure project delivery.

(b) Tier 2 firms 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.

(c) Tier 3 firms tend to be subcontractors for 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.

[53] Construction statistics annual tables 2024, table 3.7.

2.23 To build an understanding of the way the supply side of the civil engineering market functions, we have examined: indicators of concentration and market dynamism; the extent to which there are barriers to firms entering the market and expanding, which could dampen competition; and the implications of the current tiered market structure for effective delivery. Although some aspects of competition are not themselves directly observable from the evidence we have (for example, we cannot observe the interactions between suppliers and procurers or the strength of bids put forward), by looking at a range of indicators in this way, we can gauge whether a lack of effective competition may be driving the poor outcomes described above.

Market concentration

2.24 As discussed further in Appendix A, to analyse concentration, we have estimated the shares of supply for Tier 1 civil engineering firms using a dataset of road and rail infrastructure contracts sourced from Barbour ABI.[54] For Northern Ireland, we relied on data provided by Northern Ireland's Department for Infrastructure in response to our RFI, as the Barbour ABI coverage was more limited for this nation. We have also analysed contract information over the last 10 financial years from 2015/16 through to 2024/25 inclusive, which we received from public authorities, to analyse supplier bidding activity for the UK public road and rail contracts procured by them.

2.25 Our analysis of the Barbour ABI data and data from public authorities shows that around 15-20 civil engineering firms are active in regularly bidding for public authority contracts (although they do not all bid for every contract). As set out in more detail in Appendix A:

(a) For rail in Great Britain, several players have supplied Network Rail over the last 10 years, none of which have consistently held a greater than 10% share of supply throughout the 10-year period and no one supplier stands out as having consistently the highest share.[55]

(b) For National Highways contracts (which cover strategic roads in England), four large suppliers accounted for [50-60]% of the total contract value for the 10 years we examined. National Highways stated that contract value may overstate shares of supply as it does not represent actual incremental spend

[54] 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.
[55] The analysis described above is focused on shares of supply. With regard to bidding analysis for Network Rail, we only received information on a subset of contracts from Network Rail which generally had smaller value contracts. We therefore do not put weight on the results of the bidding analysis, and instead focus on shares information.

with the supplier.[56] We accept that concentration may be lower than indicated by our dataset, but in any event do not consider this analysis to indicate problematic levels of concentration. Bidding analysis for National Highways enhancement contracts[57] shows that, where work was allocated through competition (rather than directly awarded to suppliers already on a framework), there were on average six bidders competing for each contract, although this number varies depending on the type of contract or framework.

(c) Concentration in the nations is more difficult to assess given there are fewer contracts year to year. However, 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, Northern Ireland's 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.

2.26 Taken together, the evidence above does not point to concerning levels of concentration. However, this is not sufficient for us to conclude that competition is strong in this market. As we explain in Appendix A, there are a number of limitations to the shares and bidding 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 of weak competition: having several bidders is a necessary but not sufficient condition for a competitive tender process.

Business dynamism

2.27 In order to examine business dynamism,[58] we have considered rates of entry and exit, data on the evolution of entrant turnover, findings from our market research and rank persistence of large firms over time.

2.28 As set out in Figure 3.1, rates of firms entering and exiting civil engineering[59] – a common indicator of market dynamism – have fallen over the last 20 years. Civil engineering now appears to be more closely aligned with the wider economy, having previously outperformed the wider economy on this measure of dynamism.

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[56] National Highways indicated its data on actual supplier spend shows lower concentration. We have not relied on National Highways' data as it appears to include spend with non-civil engineering firms, but we accept that concentration on this metric may be lower than indicated by our dataset.
[57] National Highways did not provide data on renewals or maintenance contracts. This data therefore represents a narrower set of projects than contained in the Barbour ABI dataset.
[58] 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'.
[59] 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.

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)

2.29 As an alternative approach to assessing business dynamism, we have also considered whether new entrants – defined as firms with no revenue recorded in the Barbour ABI dataset[60] in any of the preceding years – are able to expand their activities in future years and displace incumbent civil engineering firms (see Figure 3.2).

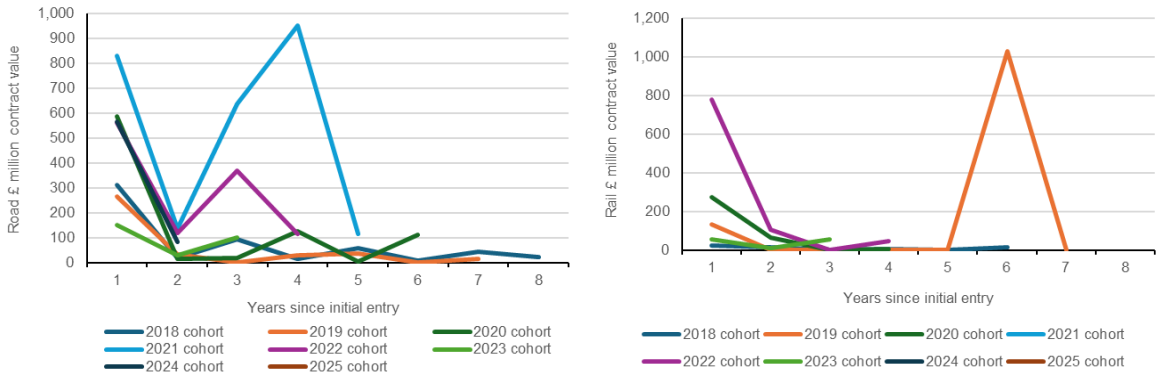
2.30 The charts show that entrants win a reasonable amount of business in the year they enter, but this often falls off in subsequent years. This indicates that, in both road and rail, new entrants are able to break into the market, but there appears to be a pattern of firms winning minimal further work 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 the barriers firms may face in expanding, which also supports that firms face barriers to growing.

2.31 The difficulties faced by entrants and smaller firms in growing, particularly more recently, were also highlighted in our market research. In our qualitative research, participants from Tier 2 and 3 firms reported changes in public road and rail markets over the last five years, many of which seemed to be having an adverse

[60] As previously noted, 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. 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.

effect, including an increasing sense of unpredictability, a reduction in the amount of enhancement work compared with renewals and maintenance, and processes around commissioning becoming more bureaucratic and time-consuming. These trends were leading to financial uncertainty in some firms and making it more difficult for some smaller firms to compete, putting pressure on pricing, the ability to attract and retain talent, and making it harder to enter new markets. They reported that these developments also drove consolidation, with large civil engineering firms acquiring smaller firms to build their capacity, skill base and resilience.[61]

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



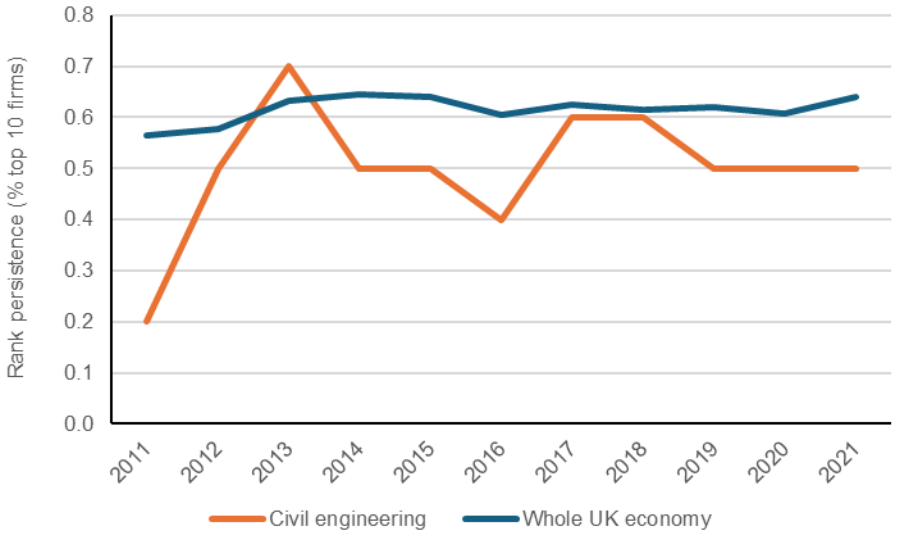
Source: CMA analysis of Barbour ABI data

2.32 We have also calculated rank persistence, which measures the fraction of the largest firms in the market that can maintain their position over an extended period. Higher rank persistence tends to point to lower dynamism and weaker competition.

2.33 In Figure 3.3 below, we present average rank persistence in civil engineering of the top 10 firms, in terms of turnover, in civil engineering and the whole UK economy.

[61] Jigsaw Research (2026), Qualitative Research with Civil Engineers, p7.

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

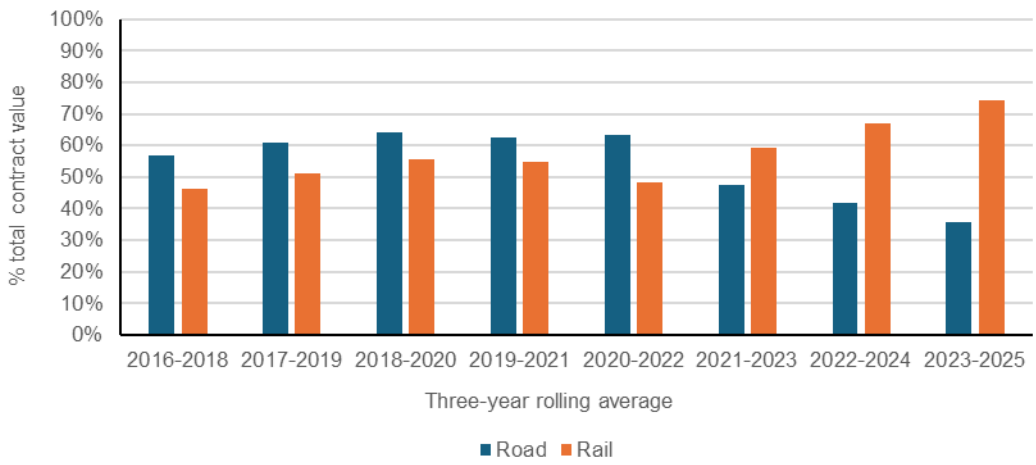


Source: CMA analysis of data from Business Structure Database (1997-2022)
Note: Rank persistence is calculated based on the top 10 firms in terms of turnover and considers a three-year window. For example, a rank persistence of 0.25 means that a quarter of the firms in the top 10 today were also in the top 10 in each of the three previous years.

2.34 Average rank persistence in civil engineering has typically been below the UK economy-wide level over the period. Although it is now higher than it was at the start of this period, potentially indicating that there is less replacement of civil engineering firms at the very top, it may be that the earlier data points in the series, in 2011 and 2012, are influenced by post-financial crisis volatility.

2.35 To further explore persistence at the top, we have 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.

2.36 Our analysis suggests that established firms tend to win a large fraction (often the majority) of the contracts awarded each year (particularly in rail), but this is spread among a relatively large group of suppliers.

2.37 Overall, our evidence indicates that there are many competitors active in the sector, some of which are large, although it may be difficult for new or smaller firms to scale sufficiently so they can break into this group. Civil engineering is not out of line with the wider economy on these metrics, but had previously shown higher levels of dynamism, particularly as measured by entry and exit. There therefore appears to be some potential for market dynamism to increase, which would strengthen competition between firms. Greater levels of competitive pressure would incentivise firms to bring down costs and/or increase quality in order to win contracts. Compounding over time, improving these incentives would be expected to boost the productive capacity of the sector.

Barriers to entry and expansion

2.38 Our findings on business dynamism, particularly declining entry rates and the indication that firms may face difficulty scaling up, could indicate that there are barriers to firms entering and expanding in this sector. In order to examine such barriers, we have gathered information from market participants to understand the types of barriers encountered by firms and the extent to which they may be inherent or influenced by the behaviours of market participants.

2.39 In the civil engineering market, some barriers are to be expected as a natural consequence of the nature of the activity, such as the availability and costs of employing staff with the necessary skills, or the upfront costs of equipment and materials. Given the upfront investment required, the market is also likely to exhibit economies of scale. As set out in more detail in Appendix A, many of the Tier 1 and Tier 2 firms we engaged with considered costs to enter and expand[62] and economies of scale to be barriers to entry and expansion, and some also highlighted access to inputs (such as specialist labour and raw materials).[63] Many respondents to the question on barriers in the interim report commented that barriers to expansion were more significant for suppliers than barriers to entry (although we note that several of these responses came from incumbent

[62] These costs included both investments in capital and procurement and regulation-related costs, such as resources to plan bids and accreditation costs.
[63] Responses to the CMA's information requests [✂].

suppliers).[64] However, other respondents disagreed, indicating that both entry and expansion barriers are important.[65]

2.40 Barriers to expansion commonly identified by industry stakeholders include:

(a) a lack of incentive to invest due to pipeline uncertainty[66]

(b) onerous requirements for tenders, including disproportionate administrative and insurance burdens;[67]

(c) procurement strategies prioritising cost and risk minimisation over quality and thus discouraging long-term capability building and investments;[68]

(d) low margins experienced by small suppliers and Tier 1 firms, which restrict a firm's ability to invest and scale;[69] and

(e) firms that secure a place on frameworks receiving less work than anticipated, which undermines the economic rationale for expansion.[70]

2.41 Some practices in the market may also disproportionately affect small or entrant firms more than others, acting as barriers to growth and scaling up as well as making entry more difficult. We discuss these elsewhere in the report but for example:

(a) How public authorities undertake procurement could either directly or indirectly favour large firms or those with whom they have existing relationships. We consider this in the procurement section below.

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[64] Balfour Beatty, BAM Nuttall, CECA, Laing O'Rourke, TICS, and Rail Forum's responses to the CMA's interim report, question 1; RIA's response to the CMA's interim report, p3.
[65] NEPO noted not all SMEs want to expand, but there are barriers to small firms maintaining a sustainable level of success. NEPO's response to the CMA's interim report, question 1. Amey recognised there are barriers to expansion, but considered these are inherent to the market such as the fact that there are minimum levels of capital and technical resource required not just to demonstrate credibility, but to be able to quickly mobilise on projects as well. Amey's response to the CMA's interim report, question 1. SCAPE considered barriers to entry and expansion are closely linked and should be considered with equal importance. SCAPE's response to the CMA's interim report, question 1. Mott MacDonald also considered both entry and expansion are equally important to the health of the market. Mott MacDonald's response to the CMA's interim report, question 1. ACE reported split views among its members, with some seeing entry and expansion barriers as equally important and others seeing expansion barriers as more critical. ACE's response to the CMA's interim report, question 1.
[66] Balfour Beatty, BAM Nuttall, CECA, Laing O'Rourke, SCAPE, and Skanska's responses to the CMA's interim report, question 1. Sector panel members agreed that lack of pipeline certainty has an impact on the willingness of firms to invest in graduate and apprentice schemes. Note of meeting with the sector panel [✂].
[67] FSB, ACE, and Balfour Beatty's responses to the CMA's interim report, question 1.
[68] CECA, Balfour Beatty, RIA, and BAM Nuttall's responses to the CMA's interim report, question 1. Sector panel members observed that EU contractors have stronger vertical integration, higher margins, and self-delivery capacity, while the UK employs a lowest-cost model with UK firms relying heavily on supply chains. Note of meeting with the sector panel [✂].
[69] CECA, Laing O'Rourke, and Costain's responses to the CMA's interim report, question 1; Note of meeting with ICE [✂].
[70] CECA; Laing O'Rourke; Balfour Beatty; and RIA's responses to the CMA's interim report, question 1. Some sector panel members echoed that centralised frameworks act as pooling tools, though work does not always consistently materialise. Note of meeting with the sector panel [✂].

(b) Regulatory requirements may be more difficult to navigate for smaller businesses or those less familiar with how the requirements work. We consider this in the regulation section below.

2.42 There does not appear to be a clear distinction between inherent barriers in the market and those which are influenced by market participants. Instead, we found that barriers which are inherent to the proper working of the market may be exacerbated by the behaviours of market participants. For example:

(a) There will usually need to be some form of bidding process to choose suppliers, which will require firms to have the technical and commercial expertise to put together a credible bid.

(b) Getting access to such expertise can present a barrier for new firms, but one which is necessary to ensure they are capable of undertaking the work.

(c) Where bidding processes are unnecessarily or disproportionately onerous, this would increase the expert resources firms need to be able to compete, which is likely to disproportionately affect new or smaller firms.

(d) Even where smaller firms have access to expertise, being seen as credible by public authorities to expand beyond a certain size or specialism, given the level of resources needed, may also act as a barrier to expansion.[71]

2.43 Overall, firms appear to face barriers to entering and expanding in the market. Some of these barriers are inherent to the market – for example, the need for a certain level of capital and expertise to be credible. However, the extent of these and other barriers are influenced by actions on the demand side. Our analysis set out in the rest of the report has largely focused on those which we consider could reasonably be reduced through different behaviours which still meet the underlying need of the procurer or regulation. Different approaches on the demand side may therefore be able to reduce these barriers and support greater competition.

Subcontracting

2.44 Subcontracting is a ubiquitous feature of the delivery of civil engineering projects[72] for road and railway infrastructure in the UK, leading to multi-tiered supply chains

[71] There is not a clear delineation between the different tiers in the supply chain. However, Tier 1 seems to be regarded as somewhat distinct: in our market research, participants sometimes described their firm as operating at Tier 2 even where it is directly commissioned by the public authority – for example, due to the size or specialism of the work it can undertake in that role. Some participants in our market research whose generalist Tier 2 firms were looking to expand and pick up more of the larger, principal contractor roles currently going to Tier 1s, felt their size either explicitly or implicitly prevented them from pursuing those large contracts. These participants felt the only thing distinguishing their firms from the Tier 1s was size, rather than skillset. Jigsaw Research (2026), Qualitative Research with Civil Engineers, p26.
[72] As set out in Appendix A, even small projects can have multiple subcontractors involved.

for most major projects. In this section we consider whether the prevalence of subcontracting may be contributing to poor outcomes.

2.45 As set out further in Appendix A, those seeking to procure subcontractors' services will generally use competitive selection practices and target receiving multiple bids. However, choice can sometimes be limited, for example when specialist skills and equipment are required.

2.46 CMA analysis of data from Barbour ABI on subcontracting activity by the top 9 Tier 1 firms[73] between 2016 and 2025 indicates that the firms have preferred subcontractors, which may increase efficiency but may also inhibit other subcontractors from gaining access to Tier 1s they have not worked with previously.[74] This also aligns with evidence received from stakeholders, as set out in Appendix A, that relationships are important in this market, both between contractors at different levels of the supply chain, and between subcontractors and the public authority, which can lead to softer competition in some cases.

2.47 As set out in Appendix A, we recognise that there are many benefits to firms and public authorities of subcontracting, including allowing flexible access to skills and resources and increasing competition among subcontractors (including by providing an entry point for new firms). Multiple Tier 1 firms told us that they have measures in place to mitigate subcontracting inefficiencies, as also discussed further in Appendix A.[75]

2.48 However, drawing on the relevant literature and our stakeholder engagement, we have identified several ways that the structure of the supply chain for civil engineering of road and railway infrastructure could contribute to worse market outcomes. As set out in more detail in Appendix A, 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.[76]

(b) The application of margins and overheads by each individual firm at different tiers of the supply chain contributing to higher costs/ prices.[77]

[73] The analysis is based on nine of the ten top Tier 1 players because one did not have any qualifying projects for the analysis.
[74] All of the top 9 Tier 1 firms undertook some degree of subcontracting to their own subsidiaries, and at least 75% of each Tier 1's subcontractors only worked with one of the top 9 firms over the period. See appendix A for further information.
[75] Responses to the CMA's information requests [✂].
[76] Responses to the CMA's information requests [✂]; Balfour Beatty's response to the CMA's invitation to comment, question 6.
[77] Responses to the CMA's information requests [✂].

(c) Difficulties in implementing consistent quality standards across multiple subcontractors.[78]

(d) Difficulties in aligning incentives throughout the supply chain where there are more levels and different business models involved.[79]

(e) The comparatively small size of firms may mean they are more restricted in their available capital, restricting their ability to take on risk and invest.[80]

2.49 We do not have evidence as to how often the downsides of subcontracting outweigh its benefits, and so whether the net impact of subcontracting on market outcomes is negative. However, we consider it likely subcontracting contributes to poor outcomes on at least some occasions.

2.50 Multiple firms stated a preference to self-deliver where possible, although only two Tier 1 firms, Laing O'Rourke and Murphy, said they self-deliver the majority of their work.[81] This implies there may be factors inhibiting firms from using self-delivery as much as they would prefer.

2.51 As discussed further below in the procurement section, this fragmentation in the supply chain is to some extent a reaction to the circumstances firms face, particularly the uncertainty over future resourcing needs given the lack of clarity over long-term pipelines of work.[82] Firms may therefore not have sufficient confidence that projects will actually proceed, with sufficient funding attached, to make investments in their own assets and resources in anticipation of delivering those projects.

2.52 Overall, firms often choose to subcontract, forming tiered supply chains. While this has some advantages, for example where it gives more flexible access to specialist resources, it also brings disadvantages where the costs of coordinating different suppliers and aligning standards and incentives outweigh these gains. There is also a balance in how firms choose to subcontract: relying on subcontractors with which a Tier 1 or public authority has a long-standing relationship can ease some of the inefficiencies in having separate suppliers at

[78] Responses to the CMA's information requests [✂]; Murphy's response to the CMA's invitation to comment, question 6.
[79] NIC highlighted that the incentives of Tier 1 firms – which tend to own little capital and instead charge for staff time, and so potentially incentivised to prolong projects – are different to those of lower tiers in the supply chain which own capital and face incentives to deploy this continuously, delivering on time and minimising downtime between projects. Designing a commercial strategy which works for all tiers throughout a project's life requires clients with high levels of expertise. NIC, (2024), Cost Drivers of Major Infrastructure Contracts in the UK, p37.
[80] BCG stated "The fragmented nature of the UK construction sector often means multiple small construction firms are required. This not only increases costs and complexity on individual projects, but also means none of the firms have the incentive or even ability to invest in capital/technology improvements that would benefit the industry at large." BCG (2024), Improving Infrastructure Delivery in the UK.
[81] Laing O'Rourke's response to the CMA's information request [✂]; Note of meeting with Murphy [✂]; Responses to the CMA's information requests [✂]; Note of meeting with [✂].
[82] See for example M Group, Laing O'Rourke, Balfour Beatty, Amey, Kier, RIA, Costain, ACE, and Mott MacDonald's responses to the CMA's interim report, question 2; NIC, (2024), Cost Drivers of Major Infrastructure Contracts in the UK, p36.

different tiers in the supply chain, but may also reduce the degree of competition between subcontractors.

2.53 The widespread use of subcontracting appears to be at least partially driven by behaviour on the demand side (specifically a lack of certainty over future demand), which reduces the incentive for firms to invest in holding their own capital and labour even where it would otherwise be beneficial for them to do so. To the extent that subcontracting is carried out to a greater degree than would be optimal, this will contribute to negative outcomes.

Demand side

2.54 In this sub-section, we provide an overview of the demand side of the market. This comprises the public sector, disaggregated into local and national procuring authorities.

2.55 Across the UK, the public sector spends approximately £19 billion a year on maintaining and enhancing public roads and railways (excluding HS2).[83] 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.

2.56 The UK government and devolved governments act as project sponsors for public road and railway infrastructure projects, setting the policy agenda and funding settlement. Major cross-Great Britain rail projects are procured by the UK government, while development of strategic roads and local rail infrastructure is devolved to the Scottish Government, the Welsh Government, and the Northern Ireland Executive. The UK government and devolved governments are also responsible for setting the regulatory frameworks and planning systems for infrastructure projects and, in the case of some large infrastructure projects, considering planning applications.

2.57 Road and railway infrastructure is procured by a range of public authorities across the UK. For public road:

(a) In England, National Highways is responsible for operating, maintaining and improving the strategic road network (ie motorways and major A roads). Local authorities tend to be responsible for the enhancement and maintenance of local roads.

[83] 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.

(b) In Scotland, Transport Scotland is responsible for managing, maintaining, and improving the strategic road network. Local authorities tend to be responsible for the enhancement and maintenance of local roads.

(c) In Wales, the North and Mid Wales Trunk Road Agent and South Wales Trunk Road Agent are responsible for managing, maintaining, and improving the strategic road network. Local authorities tend to be responsible for the enhancement and maintenance of local roads.

(d) In Northern Ireland, the Department for Infrastructure is responsible for the enhancement and maintenance of road infrastructure.

2.58 For railways:

(a) In Great Britain, Network Rail owns, repairs, and develops most railway infrastructure. Local authorities also have responsibility for light rail infrastructure (eg trams).

(b) The Welsh Government and Transport for Wales also manage some railway infrastructure.

(c) In Northern Ireland, Translink is responsible for managing the rail network.

(d) The UK government has announced its intention to legislate to establish Great British Railways, which would be responsible for rail services and infrastructure.[84]

2.59 Local authorities account for over half (£5.6 billion in 2023-24) of the spending on roads, 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.

2.60 Civil engineering projects are generally procured through bidding processes, either for one-off requirements or as part of broader programmes or portfolios of work. Public road and rail civil engineering contracts tend to be of relatively high value and long duration compared to those in other types of market.

2.61 We explore the impact of the procurement approaches and processes further in chapter 3.

[84] DfT (2025), Great British Railways and the public ownership programme.

3. Procurement

Introduction – how public procurement shapes this market

3.1 Public procurement plays a fundamental role in shaping market dynamics and behaviour by suppliers, both at the market- and project-level:

(a) Governments set the overall strategy for road and rail infrastructure. They also make decisions on public authority funding (for both capital and procuring authorities' current resources), and public procurement policy and regulations. Taken together, this sets the environment and constraints in which procuring authorities work.

(b) Governments – and procuring authorities within their areas of authority – shape expectations of future demand by setting out their strategic aims and a pipeline of projects, which the market then responds to in making its own plans, including for investment.

(c) For individual projects, procuring authorities set the project requirements, the procurement method and the award criteria, which set the parameters of competition for suppliers. Procuring authorities may then seek to maintain competitive pressure during the delivery phase. These project-level decisions not only impact individual project outcomes but have an aggregate impact on incentives within the market, including incentives to expand, invest, and innovate.

3.2 In the following sections, we examine:

(a) how **pipeline uncertainty** may be undermining long-term planning which would drive efficiency and investment, and leading to poor outcomes on individual projects. We find that there are a range of missed opportunities and incentives for the public sector to more actively and collectively set incentives that shape the market. Further, a combination of short-term funding pressures, uncertainty over longer-term budgets, and changing government priorities undermines long-term planning by both public authorities and the supply chain.

(b) how **procurement policy and approaches** may be raising barriers to expansion, impacting investment and delivering poor outcomes. We find that procurement approaches do not consistently drive long-term value, actively shape the incentives for firms nor harness effective competition, with a recurring challenge around inconsistent adoption of best practice.

(c) how **public authority capacity constraints** may be impeding their ability to make choices which drive the best long-term value from projects. We find

that public authorities can struggle to build, recruit, and retain sufficient procurement and engineering capabilities to drive better outcomes, and miss opportunities to coordinate in ways which could help to alleviate these constraints.

Pipeline uncertainty

3.3 The forward pipeline of work will determine what public authorities will be trying to procure, and what firms will therefore be competing to provide. When working well it is a clear signal to the market about future opportunities, which we would expect to incentivise firms to invest in their capability and capacity in order to compete for future opportunities rather than seeking to subcontract this in. We have therefore examined the nature of pipeline visibility in this market, in particular in this section:

(a) we describe the way national and local public authorities' strategy, funding and pipelines are set and review recent developments to improve pipeline visibility;

(b) we look at the impact of this approach for public authorities, particularly local authorities; and

(c) finally, we consider the impact that the present situation has on firms' ability to plan and invest.

Pipeline strategy, funding and visibility

3.4 A range of strategies guide the overarching approach to public road and rail infrastructure:

(a) NISTA was established in 2025 to address systemic challenges in the UK Government's infrastructure system, in part through combining expertise in strategy and delivery under one organisation.[85] In June 2025, NISTA published its 10-year Infrastructure Strategy, which represents a significant commitment to long-term planning across all areas of infrastructure.

(b) For rail, the UK Government is legislating to introduce a Long-Term Rail Strategy[86]. If this becomes law, it would set out strategic objectives for the railway over a 30-year period.

[85] HM Treasury and NISTA, Government ushers in new era for UK infrastructure delivery, accessed on 28/04/26.
[86] DfT (2025), Railways Bill factsheet: the Long-Term Rail Strategy.

(c) The Scottish Government has been consulting on a 10-year Infrastructure Strategy, which proposes a framework to guide investment across economic, social and natural infrastructure.[87]

(d) The Welsh Government published a 10-year Infrastructure Strategy in 2021, with a rolling programme of Infrastructure Finance Plans to set out the focus of infrastructure investment across 16 strategic outcomes.[88]

3.5 Evidence we have gathered points consistently to the need for improved sector planning and more proactive market-shaping. While some of the older evidence may have influenced the strategies above, the totality of evidence indicates more is needed:

(a) In responses to our interim report, several stakeholders emphasised that a clear, credible and funded multi-year pipeline would enable firms to plan resources, invest in skills and innovation, and reduce inefficient peaks and troughs.[89]

(b) The NIC identified a lack of strategic direction as a root cause for systemic failures in its cost drivers of major infrastructure projects report.[90]

(c) In its annual report, NISTA noted that the delivery of infrastructure in the UK has long been challenged by complexity and fragmentation.[91]

(d) ICE recently called for a more joined-up approach to infrastructure-related policy making across government, with clear roles and responsibilities for delivery, and also highlighted that growth sectors identified in the industrial strategy will need the right infrastructure in place to flourish.[92]

3.6 We have also identified international examples where other countries have put in place greater public sector coordination and longer-term planning in road and rail infrastructure to drive better outcomes. For example, the Republic of Ireland has the National Roads 2040 Strategy to set long-term investment priorities[93] and the Australian infrastructure plan commits to a planning horizon of at least 40 years for very large transport investments.[94] More detail of international examples are set out in Appendix B.

3.7 The strategies set out by the UK, Scottish and Welsh Governments and NISTA are complemented by funding cycles that enable government procuring authorities to

[87] The Scottish Government, Infrastructure Strategy 2027-2037: consultation, accessed on 28/04/26.
[88] The Welsh Government (2025), The Wales Infrastructure Investment Strategy.
[89] Balfour Beatty p1, Skanska pp1-2 and Transport Scotland's p2 responses to the CMA's interim report.
[90] NIC (2024), Cost drivers of major infrastructure projects in the UK, p17.
[91] NISTA (2025), NISTA Annual Report 2024-25.
[92] ICE's response to the CMA's interim report, question 3, p3.
[93] Transport Infrastructure Ireland, National Roads 2040 Final Report, accessed on 11/05/26.
[94] Infrastructure Australia, 2021 Australian Infrastructure Plan, accessed on 10/04/26.

set out their strategic aims and a pipeline of projects. Overall, the funding landscape is fragmented and complex. Funding cycles vary across the road and rail sectors, across the devolved nations, and across national and local projects.

3.8 For major road projects:

(a) National Highways has a 5-year funding pipeline, which in principle should allow for longer term planning and visibility of future projects. However, 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.[95] 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.[96] 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.

(b) Transport Scotland has a 4-year funding pipeline, although there are multiple annual budget settlements within Transport Scotland's pipeline period. The constraints placed by annual budget dependencies makes it difficult to plan a pipeline of projects.

(c) The Welsh Government and Northern Ireland's Department for Infrastructure primarily have annual pipeline and budget lengths.[97] This makes it difficult for them to undertake long-term planning, and to structure and group future projects effectively.

3.9 For local road projects:

(a) Local authorities are responsible for procuring local road projects in England, Scotland and Wales. In England, in December 2025, the Government announced £7.3 billion of capital funding for local highways maintenance in England over the four-year period from 2026-27 to 2029-30. [98] Although previous spending reviews set indicative multi-year totals, DfT had historically

[95] ORR (2025), Annual Assessment of National Highways' performance: End of the second road period April 2020 to March 2025, p34.
[96] 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 to assess 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. DfT (2025), Interim Settlement: Investment and management of the strategic road network from April 2025 to March 2026.
[97] The Northern Ireland Department of Finance has indicated plans for a multi-year funding model in its draft Budget for 2026-29/30. Minister of Finance (2026), Public Expenditure: Proposed Draft Budget 2026-29/30, p3.
[98] DfT, Highways maintenance block: formula allocations 2026 to 2030, accessed on 27/04/26.

confirmed individual authority allocations only annually.[99] The new settlement provides confirmed allocations across the full four-year period, and extends the highways maintenance block to London boroughs and the City of London for the first time, giving all local highway authorities in England multi-year capital funding certainty. Further, we understand that previously local authorities must assemble funding from different sources[100] 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.[101] We understand that the change to funding approach described above should also alleviate this concern. We note that as this is a recent change, it is too soon to tell whether it will be implemented in a way which has the desired effect of 'enabling [local authorities] to better plan ahead and move away from expensive, short-term repairs and to invest in proactive and preventative maintenance'.[102]

(b) By contrast, road maintenance is a devolved responsibility in Scotland and Wales, where local authorities continue to receive funding through annual settlement circulars – the Welsh Government's Revenue Support Grant and the Scottish Government's General Revenue Grant – with no multi-year equivalent in place in either nation.[103,104] As for major roads, this limits the ability for local authorities to plan ahead and commit to future projects.

3.10 For rail projects:

(a) Network Rail is responsible for the rail infrastructure in Great Britain and has a 5-year funding and pipeline period, known as a Control Period (CP), set by the UK government. Similar to National Highways, this should allow for better forward planning. However, Network Rail told us that enhancement projects are generally funded on a project-by-project basis outside the CP due to uncertainty and work bank variability. [105] Network Rail stated that

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[99] NAO, The condition and maintenance of local roads in England, accessed on 27/04/26. The 2024 NAO report – the condition and maintenance of local roads in England – found that DfT's funding for local roads has generally been short term and provided through multiple funds. Although spending review settlements include multi-year annual totals for local road maintenance, DfT only provided certainty over total funding to the majority of local authorities on an annual basis. The exception is DfT's City Region Sustainable Transport Settlement (CRSTS), which provided transport funding, including for local road maintenance, to eight combined authorities in five-year periods.
[100] NAO found DfT had provided funding to local authorities through multiple funds over the preceding decade, including six block funds and two top-up funds distributed based on road network length; three competitive funds which local authorities bid for; and one incentive fund. It also noted funding had become more fragmented over time: in 2015-16, 73% of funding was through the Highways Maintenance Block, but this fund accounted for only 32% in 2024-25. NAO, The condition and maintenance of local roads in England, p24, accessed on 30/04/26.
[101] Note of meeting with the sector panel [✂].
[102] DfT, Highways maintenance block: formula allocations 2026 to 2030, accessed on 27/04/26.
[103] The Welsh government, Written Statement: Final Local Government Settlement 2026-27, accessed on 27/04/26.
[104] The Scottish Government, Local government finance circulars, accessed on 27/04/26.
[105] 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, Our Control Period 7 (CP7) delivery plans, accessed on 11/05/26).

enhancements are often drip-fed funding which can lead to non-optimal solutions and a stop/start nature to the work.[106]

(b) For Northern Ireland, Translink[107] is responsible for holding and managing property assets of Northern Ireland Railways,[108] and has an annual pipeline based on the annual budget cycles of the Northern Ireland Executive. As for roads projects, this period is too short to allow for long-term planning.

3.11 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. In March 2026 it published an updated version with additional information included – information it plans to expand on further.[109] However, NISTA makes clear that it does not reflect a fully comprehensive view of the pipeline of UK road and rail projects, and does not imply certainty of funding.[110] 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[111] and the UK government's Infrastructure Pipeline.

3.12 As we set out in Appendix A, the information available on different pipelines across the nations varies. For example, across all the nations, published pipelines include information on budget and process timings, but only some break down the pipeline by sector or region. Consultation responses to our interim report proposed a range of additional information which would help potential suppliers make informed investment and broader business planning decisions; this is discussed further below and in Appendix B.

3.13 Overall, the combination of short-term funding pressures, uncertainty over longer-term budgets, and fragmented and changing government priorities is acting as a barrier to strategic planning and engagement with suppliers.

Public Authorities' pipelines

3.14 The issues with funding certainty described above have a number of impacts on public authority decision making. It is driving decision-makers in public authorities

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[106] 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 [✂].
[107] Translink is the trading name of the Northern Ireland Transport Holding Company.
[108] Translink is the brand name of the integrated public transport operation of Metro, Ulsterbus and NI Railways.
[109] NISTA, Infrastructure Pipeline: Introduction, accessed on 11/05/26.
[110] NISTA, Infrastructure Pipeline: Methodology, accessed on 11/05/26.
[111] 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.

to default to lower risk, short-term projects, rather than focusing on more complex and potentially transformative schemes.[112] For local authorities, limited levels of funding, uncertainty over funding from central government, and time pressures within which central government funds must be deployed[113] can act as a barrier to strategic approaches to procurement.[114,115] Short-termism is particularly acute in local authorities that typically have been operating with one-year funding settlements,[116] and only a short period of time to spend a budget allocation.

3.15 As well as setting out expected forward plans of infrastructure work, certain procurement approaches can provide greater certainty of future funding for projects:

(a) Programmatic procurement[117] and portfolio contracting[118] can shift away from 'transactional' project-by-project procurement to 'strategic' procurement that uses purchasing power and longer-term certainty to de-risk innovation and to create markets.[119] [120]As well as providing certainty and commitment, these approaches can also provide other benefits such as space for learning, collaboration, and standardisation.[121]

(b) Long term contracts can also be used to provide stronger forward commitments and inherently provide certainty of funding further into the future.

3.16 However, while there are examples of public authorities using these contracting approaches, their use is inhibited (particularly in the devolved nations) by annual funding settlements, alongside other factors such as not wanting to disadvantage SMEs (for example, if it reduced the number of smaller opportunities, or if SMEs

[112] Responses to the CMA's information requests [✂]; Note of meeting with the sector panel [✂].
[113] Responses to the CMA's information requests [✂].
[114] Responses to the CMA's information requests [✂]; Note of meeting with [✂].
[115] 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 [✂].
[116] 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.
[117] Programmatic procurement is an approach which involves managing a suite of works that are coordinated at the programme level rather than treating projects as standalone schemes.
[118] Portfolio contracting refers to bringing multiple related projects together under a common commercial and management approach rather than as individual contracts that are let project by project.
[119] See for example Project 13 and Institute of Civil Engineers (2017), From Transactions to Enterprises: A new approach to delivering high performing infrastructure, pp2-3, pp11-13 and p16. The role of public procurement in influencing and creating markets is also noted in the literature, such as Edler, J. (2026), Demand, Public Procurement and Transformation, The New Role of the State for Transformative Innovation pp322-323 and 325; Selviaridis, K. (2016), Public procurement and innovation: A review of evidence on the alignment between policy and practice, p1.
[120] We understand that in Germany many road infrastructure projects are part of ongoing incremental programmes (such as road widenings, renewals and junction upgrades) rather than one-off projects to encourage learning and stable supply chains.
[121] NIC (2024), Cost drivers of major infrastructure projects in the UK, p22.

were less able to commit to long-term or larger scale projects).[122] Network Rail also makes limited use of long-term contracting, with the main barriers including funding certainty alongside in-period funding volatility, exposure to macroeconomic shocks, annual delegated budget limits, value-for-money risks which can incentivise cautious work release rather than full portfolio commitments,[123,124] regulation and governance.[125]

3.17 Programmatic procurement is used overseas. For example, the Victorian Government in Australia has used a programmatic approach in its Level Crossing Removal Project, which is removing 110 level crossings in Melbourne between 2016 and 2030.[126] An intention of the programmatic approach has been to strengthen opportunities for innovation and continuous improvement.[127]

3.18 We have also heard from one stakeholder that, where there are short-term funding settlements, local authorities feel inhibited from engaging early with suppliers about the pipeline of work or make best use of longer-term contracts. This in turn prevents suppliers from being 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.[128]

3.19 The Chartered Institute of Highways and Transportation (2025) white paper noted if England's funding for maintenance and management of local roads were more long-term and strategic, in a way 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.[129] In general, short-term thinking can reduce the value for money that the public sector as a whole is able to derive from markets.[130]

Pipeline impact on supply side

3.20 We have gathered evidence from stakeholders to understand how uncertain pipelines impact suppliers' ability to plan and invest. The evidence we have considered includes the following:

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[122] DfI TRAM told us with Northern Ireland's supplier base being predominately made up of SMEs, the use of long-term aggregated multi-function contracts risks disadvantaging smaller firms as the longer-term contracting approaches may restrict SME access to public contracts. DfI's response to the CMA's information request [✂].
[123] Network Rail said if funding must be diverted from committed work banks under long-term contracts, there can be penalties or sunk costs. Network Rail's response to CMA information request [✂].
[124] Network Rail said it does not include break clauses in contracts as these seen as potentially costly and therefore riskier. Note of meeting with Network Rail [✂].
[125] Note of meeting with Network Rail [✂].
[126] Victoria's Big Build, Level Crossing Removal Project: Project overview, accessed on 11/05/26.
[127] Victoria's Big Build, Level Crossing Removal Project: Innovation, accessed on 11/05/26.
[128] Note of meeting with [✂].
[129] Chartered Institute of Highways and Transportation (2025), Unlocking the Benefits of Long-Term Funding for Local Roads: Key message for policy makers, p1.
[130] The Construction Playbook, p55.

(a) In response to the interim report, stakeholders consistently ranked increasing funding certainty and improving pipeline visibility as the most important measures that governments could take to improve outcomes.

(b) Sector panellists noted that uncertain funding restricts effective planning by suppliers seeking to bid.[131] 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.[132]

(c) 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.[133] 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.[134]

(d) 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.[135]

(e) 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.[136] 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.[137]

(f) 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.[138]

(g) Many stakeholders have highlighted that pipeline certainty is important as a platform to support investment in innovation.[139]

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[131] Note of meeting with the sector panel [✂].
[132] Note of meeting with the sector panel [✂].
[133] Note of meeting with CECA [✂]; Note of meeting with Skanska [✂].
[134] Note of meeting with RSS Infrastructure [✂].
[135] Balfour Beatty's response to the CMA's information request [✂].
[136] Note of meeting with the sector panel [✂].
[137] Murphy's response to the CMA's information request [✂].
[138] Note of meeting with National Highways [✂].
[139] Responses to the CMA's information requests [✂]; Notes of meetings with [✂]; Jigsaw Research (2026), Qualitative Research with Civil Engineers, paragraph 3.5.5.

(h) Previous reports have also found that pipeline uncertainty reduces the willingness of firms to invest in building their own capacity. [140]

3.21 Further, multiple stakeholders reported that a lack of pipeline visibility, alongside its certainty, acts as a barrier in this market, particularly in relation to innovation and investment.[141] For example RIA told us that a visible pipeline was vital to enabling investment in training and innovation.[142] Suppliers need to be able to see what is in the pipeline for it to assist in planning.

3.22 The evidence we have gathered, consistent with previous reports, clearly shows that lack of funding certainty and pipeline visibility undermines suppliers' ability to plan ahead effectively, which inhibits investment in innovation, skills and capacity. This also impacts on their decisions whether to build in-house capacity or sub-contract, as discussed in the subcontracting section.

Conclusions on pipeline uncertainty

3.23 The evidence we have gathered shows that a combination of short-term funding pressures, uncertainty over longer-term budgets, and changing government priorities is leading to short-termism by public authorities. It compromises public authorities' ability to plan and undertake procurement as effectively as possible to secure value for money. On the supply-side, it results in market participants having limited visibility of and confidence in the pipeline of future projects. This reduces the incentives for firms to make future plans and invest effectively, as they are uncertain about future expected demand. It is also contributing to a high degree of subcontracting in the market, which can be inefficient, as discussed in the subcontracting section and Appendix A.

3.24 We recognise that governments have sought to lengthen funding settlements and 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, increasing pipeline visibility and confidence further and as far as possible appear key to improving the efficiency of the sector and driving investment and innovation.

[140] NIC, (2024), Cost Drivers of Major Infrastructure Projects in the UK, pp18-22 and 36. BCG also included securing certainty in the supply chain as one of its recommendations, noting 'A steady flow of projects in the pipeline will ensure predictability, increasing willingness to invest and drive cost and time savings. The value chain must be confident that priorities will survive beyond parliamentary cycles to ensure a return on investment.' BCG (2024), Improving Infrastructure Delivery in the UK.
[141] Responses to the CMA's information requests [✂]; Responses to the CMA's invitation to comment, question 7 and 8.
[142] Note of meeting with RIA [✂].

Procurement Policy and Approaches

3.25 Procurers also shape market conduct and outcomes in the way that they scope, award and manage projects. In this section we consider:

(a) The role of scoping in ensuring good project outcomes.

(b) The impact of different procurement methods, including the use of frameworks.

(c) Procurement processes and how they impact barriers to entry.

(d) The role of bid evaluation.

(e) Allocation of risk and incentives for efficiency in project delivery.

3.26 Across all these areas, we have observed that there is already a considerable amount of guidance as to what good practice looks like in the procurement of civil engineering projects for roads and railways – for example, in relation to how to carry out effective scoping and early contractor involvement (ECI),[143] how to structure frameworks,[144] and how risk should be allocated in different types of projects.[145] In particular, the Construction Playbook and Sourcing Playbook, and Client Guide in Scotland aim to guide public authorities on best procurement practice.[146] However, various factors appear to limiting the practical impact of this guidance:

(a) The Construction Playbook is primarily aimed at UK government and arm's length bodies, rather than local authorities or devolved governments,[147] which have separate guidance as set out above.

(b) We have also heard that best practice is not always followed,[148] potentially leading to an inconsistent approach between different authorities. We do not have a complete picture as to how far national procuring authorities are following best practice. However, the evidence suggests most such bodies do try to apply the principles set out in best practice, although are not always able to do so completely.[149]

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[143] The Construction Playbook, section 3.
[144] Gold Standard Report.
[145] The Construction Playbook, pp54-56. Different NEC contract options align with different approaches to allocating risk: NEC4 ECC pricing provisions – an introduction for new NEC users, accessed on 11/05/26.
[146] In addition to The Construction Playbook and The Sourcing Playbook, public authorities also utilise The Green Book, and regional guidance (such as the Welsh Transport Appraisal Guidance, the Construction Toolkit in Northern Ireland or Local transport guidance notes).
[147] CCS (2021), The Construction Playbook – what is it and what does it mean for you?.
[148] Amey's response to the CMA's invitation to comment, p4; ACE's response to the CMA's invitation to comment, p6; AtkinsRéalis' response to the CMA's invitation to comment, p3; Note of meeting with [✂]; BAM Nuttall's response to the CMA's invitation to comment, p11; Response to the CMA's information request [✂].
[149] For example, Transport Scotland indicated their procedures align with the Scottish Government's Construction Procurement Handbook guidance, although their procedures may be applied slightly differently as individual projects

(c) 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.[150]

3.27 We appreciate that no guidance or best practice will be able to account for all eventualities, and so there will always need to be a degree of flexibility and judgement in how it is applied in practice. We have therefore sought to understand whether there are areas where there appears to be scope to apply best practice more consistently even taking this into account. We highlight in the sections below, and corresponding detail in Appendix A, how far public authorities appear to be adhering to some of the key elements of best practice, including on scoping, procurement methods and risk allocation.

Scoping

3.28 There is broad agreement by stakeholders on both the demand and supply side that getting scoping right is critical to being able to deliver effectively in later stages of the project.[151] In this section, we set out current issues with how scoping is done, and the impacts this has on projects. We then examine the factors which contribute to deficiencies in scoping.

Current issues with scoping

3.29 Many of the Tier 1 and 2 firms we have engaged with have identified issues with scope and design as a driver for project overruns,[152,153] as have some public authorities.[154] For instance, Balfour Beatty and Skanska told us that business

never offer the 'perfect scenario'. Note of meeting with Transport Scotland [✂]. Network Rail estimated that they have hit 75-80% compliance of the Construction Playbook, but don't monitor compliance as well as they could. Note of a meeting with Network Rail [✂]. However, National Highways stated that it is guided by the principles set out in the Construction Playbook and Gold Standard Report, and considers itself to be complying with them. Note of meeting with National Highways [✂].

[150] Note of meeting with the sector panel [✂]. As noted above, Transport Scotland procedures may be applied slightly differently to the 'perfect scenario' set out in the Client Handbook. Note of meeting with Transport Scotland [✂]. A sector panel member observed that where there is greater political involvement in, and oversight of, the operations of a local authority that can result in the local authority not using the Construction Playbook.

[151] For example, 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. NIC (2024), Cost Drivers of Major Infrastructure Projects in the UK, p27. The Construction Playbook also states 'Clear outcome-based specifications will help to innovate, to provide cost effective solutions that deliver social value, net zero and improved sustainability and enable effective contract management through the life-cycle.' The Construction Playbook, p26.

[152] While we discuss factors affecting cost and time in terms of overruns, we note that these factors are also likely to be closely related to cost inflation in general ie even if costs are accurately predicted, they may still be higher than necessary.

[153] When asked about the drivers for the largest financial overruns on enhancement projects over the last 10 years, the most mentioned driver by far was scope changes, with other design and planning related factors such as unexpected ground conditions and incomplete/inaccurate design also mentioned multiple (although fewer) times. Further, multiple Tier 1 firms told us that one of the main causes of cost or time overruns was an underdeveloped project scope. Responses to CMA's information requests [✂]. The CMA market research with Tier 2 and Tier 3 suppliers also identified poor project design as a key source of delay. Jigsaw Research (2026), Qualitative Research with Civil Engineers, paragraph 3.4.2.

[154] Network Rail identified multiple different drivers including incomplete or outdated ground and asset information and early scope definition based on incomplete information among others as drivers of cost overruns. Network Rail's

cases and requirements are often insufficiently developed, which can lead to subsequent changes as the requirements have not been properly tested.[155]

3.30 We have also seen evidence that scopes are often overly prescriptive or gold-plated. Previous work has highlighted that "[a] common theme across UK infrastructure is that specifications and standards go beyond what is necessary".[156] For example, Murphy highlighted that project requirements often expand as multiple stakeholders add their individual 'wants', resulting in an unmanageable list of deliverables that go beyond the core scope and include numerous 'nice to haves'.[157]

3.31 As explained below, deficiencies in scoping often impact budget setting and subsequent project delivery.

Budget setting

3.32 Deficiencies in project scoping, or in reflecting the reality of the project scope in budget needs, mean budgets may not be realistic. 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,[158] and Laing O'Rourke said that Strategic Outline Case cost estimates are not always reflective of a project's complexity.[159] Mott MacDonald highlighted that schemes are given approval before they have reached an adequate level of design maturity, and so budgets are frequently set prematurely, before cost, risk, and delivery implications can be assessed with confidence.[160]

3.33 Budgets often appear to be set too optimistically in any event. Although existing guidance in approaches to setting cost and timeline estimates recommends adjusting for optimism bias,[161] multiple suppliers told us that cost estimates can be optimistic, over and above the optimism bias adjustment routinely added to budgets.[162] This optimism is likely partially driven by limited information and

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response to the CMA's information request [✂]. One local authority mentioned forced scope changes or forced redesigns after contract award as a result of unforeseen site conditions, other external factors impacting the work and changing strategic demands. Note of meeting with [✂]. Another local authority said design failures, particularly external designs that do not reflect local conditions, were also a cause of overruns. Note of meeting with [✂].

[155] Balfour Beatty's response to the CMA's information request [✂]; Skanska's response to the CMA's information request [✂].

[156] BCG (2024), Improving Infrastructure Delivery in the UK.

[157] Murphy's response to the CMA's information request [✂].

[158] Balfour Beatty's response to the CMA's information request [✂]; Morgan Sindall's response to the CMA's information request [✂].

[159] Laing O'Rourke's response to the CMA's information request [✂].

[160] Mott MacDonald's response to the interim report question 4, p4.

[161] HM Treasury and Government Finance Function, The Green Book, accessed on 11/05/26.

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

inappropriate integration of past data.[163] Taking into account past data is important 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. Political considerations are also likely to incentivise optimistic planning in some cases.[164]

3.34 Unrealistic budgets deter firms from bidding,[165] limiting competitive pressure on those who do bid and so limiting the choice of supplier for the public authority. In principle, trying to select a supplier to meet an unrealistic budget may also put a public authority more at risk of selecting a supplier which has under-priced the work, although we have not heard or observed this directly. Selecting under-priced bidders can lead to added cost in the long-run[166] and so deliver less value for money than where a more realistic budget had been determined upfront.

Impact on project delivery

3.35 Where changes are needed to project scopes once the project is underway, this often leads to additional costs and delays.

(a) 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.[167]

(b) Costain submitted that when contracting authorities are budget-constrained (eg by annualised budgets) during early project phases, opportunities to de-risk and optimise the design are often not pursued and risks can then manifest later, during construction.[168,169] Such unplanned changes in

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[163] We understand that public authorities at national levels use cost databases and benchmarking tools to set budgets at the scoping phase – see for example ORR (2019), Assessment of Highways England's cost estimation approach for RIS2, p26 and ORR (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.
[164] 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.
[165] For example, Tier 2 and 3 participants in the CMA's market research reported that public road and rail contracts with too much uncertainty, too much risk, and insufficient budget commonly deterred firms from competing. Jigsaw Research (2026), Qualitative Research with Civil Engineers, p41 and 43.
[166] Tier 2 and 3 participants in the CMA's market research alleged that some competitors may under-price to win work, and highlighted a number of ways this can add cost in the long run. Jigsaw Research (2026), Qualitative Research with Civil Engineers, p58.
[167] 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 [✂].
[168] Costain's response to the CMA's information request [✂].
[169] Similarly, in our market research poor designs were also commonly linked to issues being uncovered on the ground, stoppages, late changes, or multiple contract variations during delivery, all of which can add cost and delays. Jigsaw Research (2026), Qualitative Research with Civil Engineers, p49.

procurement timelines 'can incur great costs for suppliers and damage the credibility and reputation of the buyer…[and] raises prices unnecessarily across the board.'[170]

3.36 Some stakeholders highlighted that there are instances where incentives are misaligned between different parties in how far they are exposed to the costs of changes, which mean they are not addressed expeditiously.[171] 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.[172]

Factors contributing to issues with scoping

3.37 We have identified a number of factors that are contributing to deficiencies in scoping: constraints on resources, inconsistent use of early engagement with suppliers and risk aversion in scoping. We consider each of these in turn.

Constraints on resources

3.38 First, some public authorities lack sufficient capability to undertake effective scoping, either using in-house resource or procuring it from consultants. As discussed in the capacity constraints section, public authorities can struggle in attracting and retaining sufficient expertise. There can also be issues arising from the use of external consultants, for example where their incentives are not sufficiently aligned with those of the public authority as noted above.

3.39 Second, even where authorities may wish to engage in detailed early scoping, they may not have sufficient time available to do so, particularly for those authorities with limited budget and pipeline certainty. Specifically, 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.[173] In addition, one sector panel

[170] HM Government (2022), The Sourcing Playbook: Government guidance on service delivery, including outsourcing, insourcing, mixed economy sourcing and contracting, p50.
[171] Some participants in the CMA's market research described a lack of imperative to improve designs, as there seemed to be fewer negative consequences for consultants or Tier 1 firms if they 'designed in' issues at the start of projects than for the Tier 2 and Tier 3 firms who have to implement them. Some alleged this could be done intentionally in that later design revisions were additional, billable work for the consultants concerned. Jigsaw Research (2026), Qualitative Research with Civil Engineers, pp49-50. BAM Nuttall highlighted that over-reliance on consultants, advisors and cost consultants within client strategy and procurement teams can lead to mis-aligned objectives where the consultant is not incentivised to deliver the 'best value and outcomes'. BAM Nuttall's response to the CMA's invitation to comment, question 7.
[172] Network Rail's response to the CMA's information request [✂].
[173] Note of meeting with ADEPT [✂].

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.[174]

Not consistently making best use of early involvement of suppliers

3.40 Best practice set out in the Construction Playbook recommends early involvement of suppliers to help improve design delivery and operational outcomes.[175] 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[176] and that they run market engagement events once the project scope has been defined to seek views on the approach.[177] For Network Rail, several regions use some form of early contractor involvement to help develop the project scope and design for enhancements, although the approach is more mixed for renewals work.[178]

3.41 However, as set out further in Appendix A, some public authorities tend not to use early engagement, or have raised concerns about doing so. 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.

3.42 Multiple national public authorities have highlighted the desire to avoid legal and reputational challenges arising during procurement awards.[179] 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.'[180]

3.43 Related to legal and reputational challenges, engaging with a given supplier at pre-tender stage could weaken, or be perceived to weaken, the competitive

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[174] Note of meeting with the sector panel [✂].
[175] The Construction Playbook, pp26-28.
[176] Response to CMA's information requests [✂].
[177] Response to CMA's information requests [✂].
[178] Southern Region told us they rarely engage with suppliers early for their renewals work-bank due to the repetitive nature and the need for like-for-like replacements for most works. Network Rail Southern's submission to the CMA [✂]. But Network Rail Scotland told us that for their renewals work they aim to work in partnership with key framework suppliers to deliver early contractor engagement and to consider value engineering opportunities, and take a 'delivery to cost' approach where appropriate. Network Rail Scotland submission to the CMA [✂].
[179] 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 Highway [✂]. Northern Ireland's Department for Infrastructure 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. DfI's response to the CMA's information request [✂].
[180] NIC (2024), Cost drivers of major infrastructure projects in the UK, p29.

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. We also note that the Construction Playbook and its Guidance Note 'Market, Supplier & Supply Chain Engagement in Construction'[181] provides guidance on how early supplier involvement can be pursued whilst maintaining competitive tension.

3.44 In principle, it is also possible that 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.

3.45 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.[182] Respondents to the interim report highlighted a number of ways early engagement could be used more effectively, including following Construction Playbook Guidance more closely,[183] having more involvement of suppliers who are further down the supply chain,[184] early inclusion of experienced engineers,[185] and having an output-focused approach,[186] such as aligning with Project 13 principles which take a holistic collaborative approach.[187] Involving the whole supply chain in project scoping and design could also encourage innovation by helping surface ideas from the ground up more effectively, particularly as innovation is often implemented by Tier 2 and 3 firms delivering the works.[188] Better support for the application of scoping principles within the Construction Playbook would help to support adoption of best practice regarding scoping and early engagement.

3.46 Overall, we consider that early supplier engagement, when pursued with reasonable safeguards, is a valuable tool for procuring authorities to use in preparing for road and rail infrastructure projects.

Risk aversion in scoping and design

3.47 Public authorities are often risk averse in their approach to scoping and design, for example, either by being conservative in their approach, avoiding scopes and designs that involve innovative approaches or by overspecifying bespoke designs

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[181] GCF (2022), Market, Supplier & Supply Chain Engagement in Construction: Guidance Note.
[182] Response to CMA's information requests [✂].
[183] BAM Nuttall, Balfour Beatty, ICE, Combined Response and M Group's responses to the CMA's interim report, question 5.
[184] Combined Response, ACE, Balfour Beatty, Kier and ICE's responses to the CMA's interim report, question 5.
[185] ACE, BAM Nuttall and Kier's responses to the CMA's interim report, question 5.
[186] Rail Forum, Balfour Beatty and Mott MacDonald's responses to the CMA's interim report, question 5.
[187] Balfour Beatty and Mott MacDonald's responses to the CMA's interim report, question 5. Project 13 is an initiative that was launched by ICG in 2018 to improve infrastructure delivery and management. It follows a set of core principles designed to improve infrastructure delivery through collaborative processes. Under it, project owners, partners, advisers, and suppliers all work together more closely and develop long-term relationships.
[188] Multiple stakeholders have said that innovation opportunities come from the lower tiers of the supply chain.

in order to mitigate the risk of challenge. A number of stakeholders have highlighted that project briefs can be overly prescriptive, restricting the ability for contractors to innovate.[189]

(a) BAM Nuttall told us road and rail clients are often cautious about owning the risk of new products, processes and techniques and it is not viable for suppliers to own the whole risk given the low profits in the sector.[190] This suggests that where appropriate risk is not scoped in by the authority, firms may default to over-cautious or more established approaches, missing the potential to deliver longer-term value.

(b) Costain noted that there is an understandable risk aversion from public authorities, Tier 1 firms and designers when it comes to innovative, untested 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.[191]

3.48 We have heard a range of reasons for risk aversion in scoping. 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.[192] Some participants in our market research indicated that innovation is hindered by procurers favouring tried-and-tested approaches and having slow approval methods for new approaches, as they may not have the expertise, resource, or appetite for trying newer products or methods (especially in the rail sector).[193]

3.49 Previous reports have also highlighted that over-engineered designs can be the result of taking a cautious approach in order to mitigate the risk of challenge in planning processes.[194] With regard to gold-plated designs, the risk of over-specification is exacerbated by lack of standardisation in design. Bespoke designs are currently the norm in the UK,[195] which leaves greater scope for procurers to introduce different design elements which go beyond what is necessary.

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[189] Morgan Sindall's response to CMA's information request [✂]; Amey's response to the CMA's information request [✂]; CECA, SCAPE, RIA and ACE's responses to the CMA's interim report, question 3.
[190] BAM Nuttall's response to the CMA's information request [✂].
[191] Costain's response to the CMA's information request [✂].
[192] Amey's response to the CMA's information request [✂].
[193] Jigsaw Research (2026), Qualitative Research with Civil Engineers, p72.
[194] BCG highlighted that a common theme across UK infrastructure is that specifications and standards go beyond what is necessary as "it is usually easier to design assets to go 'above and beyond' to pre-empt or respond to planning concerns than to set out a more economical design and defend it". BCG (2024), Improving Infrastructure Delivery in the UK. NIC also stated that amongst designers, risk aversion to mitigate the risk of challenge in the planning system can lead to over-engineered design which costs more than is strictly necessary. NIC (2024), Cost drivers of major infrastructure projects in the UK, p32.
[195] ICE highlight that traditionally bridges, retaining walls and other transport infrastructure assets are designed on a bespoke, site-specific basis. ICE (2018), Standard design key to offsite manufacture.

3.50 Multiple stakeholders were supportive of greater standardisation of designs in civil engineering projects in response to our interim report.[196] We note there can be a trade-off between standardisation and innovation, as innovation can introduce variability, although this depends on the type of innovation involved.[197] However, it does not appear that allowing significant levels of bespoke design is being used to drive innovation, given the concerns set out above. There are a number of ways trade-offs between standardisation and innovation can be managed, including through having transparent, structured processes for approving exceptions to standards and ensuring standards are kept updated, and greater focus on outcome-based scoping, where procurers specify the outcome they want to achieve and allow suppliers to come up with the specifics for how to deliver this. A number of stakeholders have expressed support for greater use of outcome-based approaches to encourage innovation and investment.[198]

Conclusions on scoping

3.51 As set out above, we have heard from stakeholders that, across projects, the current standard of scoping is less than could reasonably be achieved, with knock-on impacts on budgets and project delivery. This is driven by several factors: public authorities sometimes have insufficient expertise or time to effectively scope projects or to challenge the scopes prepared for them by consultants, and we see that procurement authorities often do not use early engagement with suppliers as effectively as they could. Public authorities are often also conservative in their approach to scoping, leading them to avoid scopes and designs that would involve innovative approaches. This is exacerbated by the limited use of standardised designs, which can allow designs to become gold plated to avoid challenge.

3.52 We note that guidance on scoping, particularly regarding the use of early engagement with the supply chain, is set out in the Construction Playbook, which assists with managing some of the risks we discuss above. However, use of this guidance is currently inconsistent, which mutes its impact. We also note that the OECD has been developing tools to support public authorities' procurement strategy, which involves using economic principles to break down projects into work packages and determine, based on the features of the packages and supply chain capabilities, whether to build in-house or procure externally – and for the latter, how to bundle packages and how to choose between contractual arrangements.[199] Pilots utilising this approach have been undertaken in Norway[200]

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[196] Balfour Beatty and Kier's responses to the CMA's interim report, question 7; M Group and BAM Nuttall's responses to the CMA's interim report, question 20.
[197] ICE highlighted that standardisation is needed to benefit from off-site manufacture, but that "a compromise is needed from what might traditionally have been considered an 'optimised design'." ICE (2018), Standard design key to offsite manufacture.
[198] CECA, BAM Nuttall and Rail Forum's responses to the CMA's interim report, question 3.
[199] OECD, Support Tool for Effective Procurement Strategies (STEPS), accessed on 11/05/26.
[200] OECD (2021), Procurement strategy in major infrastructure projects: Piloting a new approach in Norway.

and Germany[201] (in the latter case not in a road and rail context), although it is too early to evaluate whether these have resulted in better outcomes. We consider this approach is likely to be particularly valuable for larger scale or more complex projects, given the best approach may be less clear cut in such cases.

Procurement methods and use of frameworks

3.53 Public authorities tend to choose between one of three procurement methods:

(a) Open competition (sometimes also referred to as competitive tendering) – a tendering procedure without a restriction on who can submit tenders.[202] Open competition allows for the widest possible set of suppliers to compete, but as a result tends to be slower and more costly as procurers must have procedures to consistently evaluate a potentially wide range of bids.

(b) Use of a framework – a contract between a contracting authority and one or more suppliers that provides for the future award of contracts by a contracting authority to the supplier or suppliers.[203] Suppliers compete upfront to be allowed onto the framework, which narrows the field of suppliers who may then be selected for work assigned to that framework. There may be some subsequent competition for work allocated via the framework, but this will be restricted to those who were successful in the initial competition. This more limited competitive stage allows for the work to be allocated more quickly.

(c) Direct award – where a public contract is awarded without a competitive tendering procedure and the public contract is placed directly with the supplier of the contracting authority's choosing.[204] Direct awards allow work to be allocated quickly, but involve no competition, and so are only possible in certain circumstances.

3.54 The procurement method can influence who wins the contract, presenting an opportunity to encourage the right level of competition in the market and ultimately shape outcomes.[205] As noted above, each method involves trade-offs between level of competition and speed and resource needed to award work, and so will be appropriate in different circumstances. However, if the appropriate method is not chosen, this may lead to unnecessarily limited competition which may lead to worse outcomes. In addition, while all procurement methods involve some costs

[201] OECD (2025), The Procurement Strategy for the German Federal Criminal Police Campus: Applying the STEPS Methodology to Infrastructure, accessed on 11/05/26.
[202] Cabinet Office, Guidance: Frameworks, accessed on 11/05/26.
[203] Procurement Act 2023, section 20.
[204] Cabinet Office, Guidance: Direct Award, accessed on 11/05/26.
[205] 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, The Construction Playbook, p48.

for suppliers and procurers, if these costs are unnecessarily high, this may limit the number of firms which choose to compete as well as using up scarce procurement resources.

3.55 In this section we set out how frameworks are used by public authorities and their advantages and disadvantages. We also examine the extent to which other reviews and recent policy developments are starting to improve the use of frameworks. We then consider how open competition is used, and how it could be made less costly for market participants.

Frameworks

3.56 In 2021, there were over 2,000 active public sector construction frameworks.[206] The NAO has also noted there has been a growing trend in the use of frameworks in public procurement.[207] We have heard evidence to suggest that there is considerable variance between frameworks, for example, in the extent to which they are underpinned by committed schemes[208] and the number of suppliers within them.[209]

3.57 Market participants value the use of frameworks for several reasons. For example, stakeholders have highlighted that:

(a) Procuring through frameworks can reduce time, cost[210] and uncertainty by facilitating working relationships with suppliers.[211]

(b) Longer-term frameworks build relationships and trust.[212]

(c) Further, multiple Tier 1 firms submitted that frameworks allow for certainty of repeat work, compared with open competitions that require a higher upfront investment of time, resource and risk.[213]

3.58 However, there are also drawbacks to using frameworks where they are not well-designed, which raises barriers to entry for some firms and adds to system costs of procurement. Examples of these drawbacks include:

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[206] Cabinet Office (2021), An Independent Review of Public Sector Construction Frameworks, p2.
[207] Specifically, NAO found government procured 72% of its large contracts through frameworks in 2021-2022, compared to 43% in 2018-2019. NAO (2023) Lessons learned: competition in public procurement, p10.
[208] 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. Note of meeting with [✂].
[209] Note of meeting with the sector panel [✂].
[210] NAO (2023) Lessons learned: competition in public procurement, p10; Submissions to the CMA [✂].
[211] 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 [✂].
[212] Note of meeting with the sector panel [✂].
[213] Responses to the CMA's information requests [✂].

(a) Awarding contracts to the pre-selected group of suppliers on long-standing frameworks may exclude new entrants.[214]

(b) Some frameworks provide participating suppliers with little or no guaranteed work, despite the costs they incurred to join the framework. 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.[215]

(c) Once on a framework, there can be further costs to gain work as a result of mini-competitions, which can be inefficient.[216] 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 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[217] (which can lead to duplication of costs) and a sometimes disproportionate bidding process relative to the framework's purpose.[218]

Developments in best practice use of frameworks

3.59 There have been two relatively recent developments that have the potential to address some of the limitations of frameworks identified above: the 2021 Gold Standard Report and the Procurement Act 2023.

(a) In 2021, an independent review of public sector construction frameworks was commissioned by Cabinet Office.[219] The report from this review (the Gold Standard Report) sets out 24 recommendations that establish a 'gold standard' for the assessment of new frameworks. These recommendations covered points such as: ensuring that frameworks offer sustainable pipelines of work; harmonising, digitising and rationalising framework demand; reducing procurement costs by consistent and proportionate assessment of economic and financial standing of firms; and considering the optimum duration, scope and continuity of framework call-offs as part of the framework strategy to respond to industry concerns regarding inefficient and costly mini-competitions. This report was endorsed in the 2022 update of the

[214] Responses to the CMA's information requests [✂].
[215] Responses to the CMA's information requests [✂]; Balfour Beatty's response to the CMA's invitation to comment, p8.
[216] Responses to the CMA's information requests [✂].
[217] Note of meeting with the sector panel [✂].
[218] FM Conway's response to the CMA's invitation to comment, pp4-5.
[219] The review examined framework procurement documents, contracts, guidance and case studies shared by 20 clients and framework providers, with additional contributions from clients, framework providers, industry membership organisations, consultants, contractors, specialists and advisers. Questionnaires were designed for participants to share views and experiences as to how current frameworks operate. Gold Standard Report, p94.

Construction Playbook,[220] and a 'Constructing the Gold Standard' verification scheme was launched in November 2023.[221]

(b) In England, Northern Ireland and Wales, the Procurement Act 2023 introduced a new concept of an 'open framework',[222] which provides contracting authorities with the flexibility to appoint new suppliers during the life of a procurement framework.[223] 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.[224] These also reflect the recommendations of best practice outlined by the Gold Standard Report by allowing for ongoing supplier engagement and ensuring a diverse range of suppliers (including SMEs) can contribute to public contracts.[225] The introduction of open frameworks and dynamic markets could help overcome some of the limitations of frameworks in terms of excluding new suppliers.

3.60 As set out in Appendix A, our evidence-gathering indicates that while a number of public authorities are adhering to the recommendations,[226] they are not yet being consistently adopted or fully effective in driving best practice.

(a) In particular, there is scope for wider implementation of the Gold Standard Report across the devolved nations, as some national guidance documents have not explicitly endorsed the Gold Standard Report.[227] The Welsh Government also noted that several Construction Playbook principles align with existing the Welsh Government practice, and wider adoption of the Gold Standard framework would be beneficial.[228]

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[220] Constructing Excellence, Constructing the Gold Standard Verification Scheme, accessed on 19/03/26.
[221] Constructing Excellence, Constructing the Gold Standard Verification Scheme, accessed on 19/03/26.
[222] 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.
[223] 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.
[224] 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.
[225] Trowers & Hamlins, Procurement Act 2023 – Frameworks and Gold Standard, accessed on 12/02/26.
[226] The Gold Standard verification scheme has certified a few contracting authorities that procure civil engineering works, including the Crown Commercial Service and SCAPE. National Highways told us that they are compliant with all aspects of the Gold Standard Report, where it is used as a checklist when procuring to ensure they are guided by principles outlined in the report.
[227] The Scottish Government (2019), Construction Procurement Handbook; the Northern Ireland Executive (2025), Public Procurement Policy Statement.
[228] Note of meeting with the Welsh Government [✂].

(b) The CMA's evidence gathering has also identified several of the same concerns the recommendations were designed to address, such as lack of clarity as to the pipelines of work that are planned or committed to be procured under specific frameworks, and onerous and inconsistent processes.

3.61 In addition, as further set out in Appendix A, there is also some further scope to improve the design of frameworks in various ways which would align with the recommendations, such as authorities sharing frameworks (which would assist in ensuring sufficient pipelines of work) and standardising some elements of their design to a greater extent – although we note there may be limitations to the extent to which this is feasible given differences between procuring authorities and their requirements.

3.62 There are a number of reasons that could explain why the recommendations in the Gold Standard Report and tools in the Procurement Act are not being as widely adopted as intended:

(a) There may be existing frameworks that do not align with best practice as they were procured before the Gold Standard Report was published in 2021, or endorsed in the 2022 Construction Playbook update.

(b) Other aspects of how the market is working may impede how far the recommendations can be implemented. For example, limitations in pipeline certainty and ability to set out portfolios or long-term contracts, are likely to inhibit the effective design of projects procured through frameworks.

(c) Until there are more examples of these new approaches being used, some framework owners may be risk averse in how they use them. One sector panellist noted that Crown Commercial Service (CCS) is launching new commercial framework agreements under the new Procurement Act powers, which offers new flexibility under frameworks and under the competitive flexible procedure. However, there is a lack of case law on the Procurement Act 2023 and a lack of practical experience with frameworks under this new legislation, leading to some risk-aversion as regards the opportunities under this new legislation.[229]

(d) Some elements may be being implemented, but not as far as industry would like. For example, some suppliers may view any form of mini-competition once they are on a framework as unnecessary, and so continue to argue this should be removed from framework design even where the cost of it has

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

been reduced as far as possible. However, such further competition may be warranted to ensure the best placed contractor takes on that work.

3.63 Some of these reasons are less problematic than others, but in the round, we consider more should be done to embed the recommendations.

Open competition

3.64 As set out in Appendix A, open competition is generally used where a framework would not be suitable, for example due to the high value of the work or the pipeline of work being insufficient to justify a framework. However, open competition is generally more costly for both suppliers and public authorities compared to procuring via a framework (once it has been set up). For example, there is a time cost associated with open procurement methods versus procuring through frameworks, particularly with larger projects.[230] Network Rail submitted that open, competitive procurement is more resource-intensive and slower.[231]

3.65 Stakeholders have highlighted scope to reduce some of these costs, and so make competitive processes less resource-intensive for both procurers and suppliers. Responses to the interim report highlighted scope for:

(a) greater standardisation of procurement across public authorities (for example through standardised pre-qualification questionnaires and accreditations,[232] and use of standard templates,[233] among other suggestions); and

(b) greater digitalisation, as intended by the launch of the new Central Digital Platform in connection with the Procurement Act.[234] Balfour Beatty stated this platform has not seen the expected simplification or standardisation of pre-qualification submissions expected and suggested it could be developed further.[235] Some respondents also suggested ensuring that the information requested is proportionate to the project,[236] although we note this should not be at the expense of public authorities having the information they need to make the best choice between bidders.

3.66 We consider it is likely there is scope to reduce some of the costs of open competition as suggested above, although note there are likely to be limits to how far some of these suggestions can be adopted. For example, some aspects of procurement are likely to differ across public authorities for good reason, and as

[230] Response to the CMA's information request [✂].
[231] Network Rail's response to the CMA's information request [✂].
[232] Combined Response to the CMA's interim report, question 7.
[233] Balfour Beatty and ACE's responses to the CMA's interim report, question 7.
[234] The Procurement Act 2023 legislated for provision of a central digital platform, where all suppliers can input their commonly used information. GCF, Central Digital Platform - factsheet, accessed on 12/03/26.
[235] Balfour Beatty's response to the CMA's interim report, question 7.
[236] Balfour Beatty and CECA's responses to the CMA's interim report, question 7.

noted there is a minimum level of information authorities will need to be able to properly assess bidders.

3.67 There are a number of reasons why making open competition as efficient as possible is important, beyond ensuring best use of the scarce resources of both suppliers and procurers. Given that open competition can be used for the most high value projects, it is important that the competition to deliver these is as effective as possible to ensure value for money is achieved. Reducing the cost of open competition may also make it a more viable option in a wider range of circumstances, resulting in more competitive outcomes.

Conclusions on procurement methods

3.68 The evidence set out above and in Appendix A indicates there is scope to reduce the cost and complexity for suppliers in bidding for both frameworks and open competition, which should induce stronger competition. With regard to frameworks, a previous independent review identified a number of recommendations to improve the use of frameworks.[237] These have since been adopted in the Construction Playbook, and some of these are reflected in developments under the Procurement Act 2023. However, the extent to which these recommendations are being followed appears to be inconsistent. While open competitions are always likely to be more costly than using a framework, there may be scope to reduce the costs of these processes through greater standardisation and digitalisation, and ensuring the process is proportionate.

Procurement processes and barriers to entry

3.69 Beyond the procurement method, other aspects of the design of the procurement process can impact competitive dynamics.

3.70 The evidence shows there are a number of ways procurement processes can raise barriers to entry or expansion, negatively affecting the market structure as well as project outcomes, as set out below:

(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[238] are costly, with a number of Tier 1 firms reporting

[237] Gold Standard Report.
[238] 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 [✂].

that this acts as a barrier to entry and expansion in the market.[239] Participants in the CMA's market research reported significant time and burden involved in assessing whether to bid and then, if there is a decision to do so, in preparing proposals, with days spent by legal experts, quality experts, and others alongside those who are core to determining project approach such as surveyors, estimators, and engineers.[240] Similarly, National Highways and Network Rail said that costly, resource-intensive procurement processes can deter smaller companies.[241] National Highways noted smaller or entrant companies may be particularly deterred given the significant volatility experienced across their sector. We discussed in the previous section, and in Appendix A, that there may be ways to reduce the resource burdens of both framework and open competition procurement.

(b) Tender evaluation criteria and contracts may disadvantage those seeking to enter new markets where they implicitly or explicitly require specific experience. 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.[242] Similarly, participants in the CMA's market research indicated the requirement or perceived preference for evidence of previous work on public infrastructure (rather than similar private infrastructure experience) was seen to favour incumbents and reduce interest in bidding for smaller or new entrants to the market.[243]

(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.[244] 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.[245] Some participants in the CMA's market research mentioned that they received feedback on failed bids, but information can feel limited and come via procurement teams or non-specialists.[246] Without clear, constructive feedback, firms might struggle to improve future bids or feel discouraged from participating.

3.71 Relatedly, existing Tier 1 suppliers are more likely to understand a given public authority's procurement process and evaluation approach, giving them a competitive advantage compared with non-incumbents with limited past

[239] Responses to the CMA's information requests [✂].
[240] Jigsaw Research (2026), Qualitative Research with Civil Engineers, p61.
[241] National Highways' response to the CMA's information request [✂]; Network Rail's response to the CMA's information request [✂].
[242] Responses to the CMA's information requests [✂].
[243] Jigsaw Research (2026), Qualitative Research with Civil Engineers, p61.
[244] Note of a meeting with [✂].
[245] Responses to the CMA's information requests [✂].
[246] Jigsaw Research (2026), Qualitative Research with Civil Engineers, p52.

experience. Multiple Tier 1 suppliers cited reasons why long-standing relationships with public authorities could be beneficial to incumbent firms.[247] Public authorities also recognise repeat interactions with suppliers can shape competitive dynamics. For example, National Highways notes 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.[248] 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.[249]

3.72 There may also be less resource required by public authorities in working with familiar suppliers. As noted above, familiarity with a public authority's ways of working can increase efficiency. Contracting with larger firms also saves from the cost of managing multiple points of contact along the supply chain.[250]

3.73 While there are some efficiencies in working with familiar suppliers, there also appear to be some unnecessary frictions in processes which may disadvantage new or smaller suppliers, such as unnecessarily complex processes or lack of feedback. Our view is that there are therefore opportunities to reduce the barriers faced by new or smaller firms in how the procurement process works and how they are evaluated, so that they are not unduly disadvantaged compared with other bidders.

Bid evaluation

3.74 Procurers also shape the market through the way they evaluate bids. 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. We consider in this section concerns that procurers are disproportionately focused on (upfront) price, potentially at the expense of other important considerations, such as value for money, deliverability and quality.

3.75 Across Tier 1 and Tier 2, some suppliers told us that price is usually the main deciding factor in contract award decisions,[251] which some suppliers indicated was due to budgetary and funding constraints.[252,253] A weighting that overly favours

[247] Responses to the CMA's information requests [✂].
[248] National Highways' response to the CMA's information request [✂].
[249] Note of meeting with Network Rail [✂].
[250] Transport Scotland told us it can be efficient for the client to have a single Tier 1 point of contact. Transport Scotland's response to the CMA's information request [✂].
[251] Responses to the CMA's information requests [✂].
[252] Responses to the CMA's information requests [✂].
[253] Some participants in the CMA market research mentioned that it was common for procurers to focus on finding the cheapest bidder, but many public authority procurers now put more value on quality. They noted budgets for some

price in evaluation criteria can incentivise firms to under-price risk or strip out innovation.[254,255] 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.[256] An over-focus on price can deter some firms from competing for the contract.[257] It can also make a strategy of under-pricing bids more likely to be successful. A few participants in the CMA's market research alleged that some competitors may under-price to win work, which made competing hard and added cost in the long run. Such under-pricing may be intentional (to win work at a loss or no profit to generate experience in a new sector or to keep staff working, sometimes with the aim of renegotiating variations at a later stage), unintentional (as a result of error or inexperience and failure to understand risks, which can lead to variations, renegotiations, or disputes or failure to deliver) or the result of delivering lower quality work that requires more maintenance or has shorter lifespan.[258]

3.76 However, we have seen evidence from some public authorities that they are mindful of the impact of the weighting of the various evaluation criteria.[259] There are also many non-price attributes which may be evaluated in different ways, including quality,[260] innovation,[261] and social value.[262] National Highways and

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projects can be tight, especially in rail, and focus on minimum upkeep instead of fixing issues for the long-term. Jigsaw Research (2026), Qualitative Research with Civil Engineers, p52.

[254] 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 [✂].

[255] Responses to the CMA's information requests [✂]; Amey's response to the CMA's invitation to comment, question 2.

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

[257] Some participants in the CMA's market research reported that their firm would decide not to bid on price-driven contracts if they felt they could not deliver a high-quality service for the price. This was also to avoid a 'race to the bottom' on price (and avoid existential risk). Jigsaw Research (2026), Qualitative Research with Civil Engineers, p58.

[258] Jigsaw Research (2026), Qualitative Research with Civil Engineers, p58.

[259] 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 [✂].

[260] 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 [✂].

[261] 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 [✂].

[262] 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

Transport Scotland told us that non-price criteria are important considerations.[263] For example, National Highways told us quality is prioritised in certain circumstances, and it has been exploring 'absolute' assessment methodologies, such as price per quality point or weighted value for money index quality assessment.[264]

3.77 Effective evaluation of non-price criteria requires time and expertise.[265,266] For example, we have heard from National Highways that effectively evaluating the social value generated by a bid is a constraint when contracting projects[267] as it requires time and resource to plan and implement. Where it is difficult to assess non-price criteria, putting more significant weight on those criteria is unlikely to assist in rebalancing evaluations alone, as public authorities are not able to properly differentiate between offers, and so it is likely to be difficult for firms to differentiate themselves effectively. Public authorities need to have the expertise to properly evaluate more difficult to assess criteria for such rebalancing to be effective.

3.78 There is some variation in whether public authorities have access to this expertise in-house or via external consultants. For example, in terms of current capabilities, 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.[268] Several Network Rail regions also reported using internal expertise in evaluating quality.[269] For Northern Ireland, DfI highlighted difficulties in recruiting specialist engineering/procurement staff continues to be prevalent.[270] However, the Welsh Government and Transport Scotland have reported the use of external agents when evaluating criteria that require specialist technical knowledge.[271] Local authorities vary in their level of in-house expertise, although we set out later in the public authority capacity constraints section in general they may struggle more with attracting and retaining technical expertise.

3.79 Further, in principle some benefits may not be properly weighted in evaluation criteria as they have wider impacts than on the specific project, known as spillover

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reducing unemployment for young people in the local area by providing opportunities. Kier's response to the CMA's information request [✂].
[263] Transport Scotland's response to the CMA's information request [✂].
[264] National Highways response to the CMA's information request [✂].
[265] Cabinet Office (2021), Bid Evaluation guidance note, p16.
[266] Mott MacDonald submitted that public sector organisations no longer have the depth of technical engineering capability to fully understand the technical challenges and therefore are not able to differentiate supply chain solutions effectively. This leads to the over reliance of price criteria to the detriment of quality in evaluations. Mott MacDonald's response to the CMA's invitation to comment, p5.
[267] 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 note, p11.
[268] National Highways' response to the CMA's information request [✂].
[269] Network Rail's submissions to the CMA [✂].
[270] DfI's response to CMA's information request [✂].
[271] Note of meeting with the Welsh Government [✂]; Transport Scotland's response to the CMA's information request [✂].

effects. Spillover effects are impacts of economic activity that affect economic actors (society, businesses, and government) that are not directly undertaking the activity.[272] These can comprise rent (or market) spillovers, knowledge spillovers, and product/network spillovers.[273] A previous report estimates that the social returns from spillovers across R&D investments accounts for a rate of return in the region of 20-100%.[274]

3.80 We consider that public authorities are generally unlikely to consider the positive spillover effects into the wider economy of encouraging innovative approaches or investment into new technologies or processes. This is understandable, given that individual public authorities will generally be most concerned with providing the best outcomes for their individual area of focus, rather than considering benefits for the broader economy. In general, we would not expect individual public authorities to promote industry-transforming innovations without coordination or encouragement by central government.

3.81 We note that procuring authorities such as National Highways and Network Rail, as well as the UK government, have some initiatives designed to provide areas of focus for innovation, in some cases backed by funding.[275] However, there appear to still be challenges in getting successful innovations adopted into business-as-usual projects, as set out further in Appendix A and the regulation section.

3.82 In general, we have found that public authorities are conscious of considering non-price criteria such as quality and innovation in their assessment and there are some examples of good practice. However, robust assessment and reward of innovative approaches can be challenging, particularly due to the safety-critical nature of projects and challenges in evaluating novel propositions. We have heard that weighting or assessment by public authorities means that price, rather than harder to assess criteria such as quality and whole life cost, will often determine the outcome, despite guidance in the Construction Playbook.[276] 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.

Allocation of risk and incentives for efficiency

3.83 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 delivery risk (ie the risk that costs are higher than anticipated, either due to unforeseen events or

[272] ICF GHK, An economic analysis of spillovers from programmes of technological innovation support, p21.
[273] ICF GHK, An economic analysis of spillovers from programmes of technological innovation support, p21.
[274] ICF GHK, An economic analysis of spillovers from programmes of technological innovation support, pp14-15.
[275] For example, National Highways has Designated Funds it allocates focused on themes and activities that can enhance road users and communities' experiences on or near the SRN. National Highways, Designated Funds, accessed on 27/02/26. Details of further initiatives are set out in Appendix A.
[276] The Construction Playbook, p62.

inefficiency) in contracts between the public authority and contracting firm, and broader contractual control mechanisms.

3.84 Pricing mechanisms allocate the burden of delivery risk 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,[277] but conversely the firm bears the risk of overrun.

(b) Cost reimbursable contracts (often used for high-risk or emergency works) place the risk of cost overruns onto the procuring authority,[278] as well as reducing the firm's incentive to operate efficiently and minimise costs.

(c) Target cost contracts share cost underspend or overspend between the procuring body and firm 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.[279]

3.85 In addition, risk is allocated between the contracting firm and its subcontractors down the supply chain using similar contract mechanisms. In this section, we first consider how risk is allocated between public authorities and Tier 1 firms, including the impact of how risk is allocated on performance, and what factors affect risk allocation. We then consider how risk is allocated further down the supply chain.

How risk is allocated between public authorities and Tier 1 firms

3.86 We have received mixed evidence on whether public authorities try to shift risk inappropriately onto contractors: many of the Tier 1 and Tier 2 firms we have engaged with considered that risk is generally allocated appropriately,[280] but

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[277] Note meeting with [✂].
[278] Responses to the CMA's information requests [✂],
[279] 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.
[280] Amey p3, BAM Nuttall p11 and Ringway Infrastructure's p4 responses to the CMA's invitation to comment; 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.

several expressed concerns that too much risk is often placed on contractors.[281] 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'.[282]

3.87 The collapse of Carillion has been cited to us by a contractor as an example of the negative consequences of placing too much risk on contractors.[283] This is supported by findings from the Institute for Government and other public inquiries into Carillion.[284] 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,[285] in part due to firms becoming more selective in the contracts they bid on given past experience and increased demand for civil engineering capacity.[286] 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'.[287]

3.88 Particular concerns around the use of 'Z clauses' in risk allocation have been raised by a range of market participants. [288] Some Tier 1 and Tier 2 firms have told us that Z clauses (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,

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[281] AtkinsRéalis p3, Balfour Beatty p9, BAM Nuttall p12 and Murphy's p2 response to the CMA's invitation to comment; Responses to the CMA's information requests [✂].
[282] Balfour Beatty's response to the CMA's invitation to comment, question 4d.
[283] A Tier 1 supplier described that the risk appetite of contracting firms changed following the collapse of Carillion. Note of meeting with [✂].
[284] 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'. Institute for Government (2020), Carillion: Two years on, 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.
[285] 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 [✂].
[286] 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 [✂].
[287] Note of meeting with the Welsh Government [✂].
[288] 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.

weather or changes in law. Amendments can also add complexity to the contract which can act as a barrier to participation.[289] We note that public authority contracts with Tier 1s can contain dozens, and sometimes hundreds, of Z clauses, although we note not all of these will be for the purpose of reallocating risk.[290] We understand that there are appropriate uses for Z clauses, with National Highways and the Welsh Government telling us that Z clauses are necessary to address the bespoke requirements of each project.[291] However, using Z clauses to reallocate risk runs counter to New Engineering Contract (NEC)[292] guidance as they can fundamentally alter the intended risk allocation and make the contract one-sided.[293]

Impact of risk allocation and incentives for performance

3.89 The Construction Playbooks states that '[t]he approach to risk management and proposals for risk allocation should be subject to extensive scrutiny before formally going to market.'[294] This is because it is important to strike the balance in how risk is allocated to drive the right incentives for different parties.

3.90 On the one hand, placing too much risk on suppliers can lead to a range of negative outcomes. Examples of these outcomes include receiving fewer bids,[295] raising barriers to participation for smaller and mid-size contractors,[296] higher bid prices,[297] and firms under-pricing risk,[298] which can lead to disputes.[299]

3.91 On the other hand, suppliers need to be sufficiently motivated to deliver effectively, and public authorities need sufficient mechanisms to ensure this. As set out in

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[289] Responses to the CMA's information requests [✂]; Bam Nuttall's response to the CMA's invitation to comment, question 7, p15.
[290] We received information from six Tier 1 suppliers on the average number of Z clauses contained in public authority contracts broken down by NEC contract type. As set out in Appendix A, for roads contracts the average number of Z clauses ranged from 22 for Option C contracts to 101 for Option B contracts and for rail ranged from 31 for Option B contracts to 210 for Option E contracts, although we note contract types classified as 'Other' had fewer Z clauses on average.
[291] 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 [✂].
[292] 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.
[293] NEC (2025), NEC4 option Z for additional contract conditions: clarity or curse?.
[294] The Construction Playbook, p54.
[295] Contracts seen as placing disproportionate risk on contracting firms can be unattractive, making firms more reluctant to bid. FM Conway p5, Mott MacDonald p5, Taylor Woodrow pp5-6, Transport Scotland's p9 responses to the CMA's invitation to comment.
[296] 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.
[297] 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.
[298] Response to the CMA's information request [✂].
[299] Taylor Woodrow's response to the CMA's invitation to comment, p6; Welsh Audit Office (2020), A465 Section 2 – interim findings, pp15-22.

Appendix A, some stakeholders have indicated that poor contractor performance or approach[300] and poor contract management[301] can be drivers of cost and time overruns, and so it is important for public authorities to have sufficient controls in place to minimise or mitigate these risks. Risk-sharing mechanisms 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.

3.92 To drive better market outcomes, it is important that all parties are incentivised to address issues and challenges effectively, requiring coordination and cooperation between public authorities, Tier 1 firms and the wider supply chain. Collaborative approaches to risk management can be a way to achieve this. A number of stakeholders have highlighted the importance of collaborative approaches to risk management.[302] This often goes hand in hand with appropriate allocation of risk, ensuring risk is shared between parties according to who is best placed to manage it. Several stakeholders also indicated that more appropriate risk sharing could lead to better outcomes specifically regarding innovation.[303]

Factors affecting risk allocation and management between public authorities and Tier 1 firms

3.93 Various factors impact how risk is allocated between public authorities and Tier 1s:

(a) **Tier 1 capacity and willingness to accept risk**: As noted above, one factor influencing risk allocation being shifted more towards public authorities is suppliers having greater choice as to which projects they take on, given higher demand for civil engineering capacity.

(b) **Maturity and certainty of scope**: There is a link between the certainty of the project scope and the ability to specify details in contracts: where the scope is clear and well-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.[304] Several suppliers also highlighted underdeveloped design and scope as one of the key risk factors in delivering road and rail projects.[305] We have already set out above our concern that public authorities are often not ensuring scopes are appropriately specified.

[300] Responses to the CMA's information requests [✂]; Note of meeting with [✂].
[301] Responses to the CMA's information requests [✂].
[302] Responses to the CMA's information requests [✂]; Note of meeting with [✂].
[303] BAM Nuttall, Kier and ACE's responses to the CMA's interim report, question 3.
[304] National Highways' response to the CMA's information request [✂]; Network Rail's response to the CMA's information request [✂].
[305] Responses to the CMA's information requests [✂].

(c) **Public authority capacity for risk management**: Capacity constraints could in principle 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.[306] We have also identified concerns over whether public authorities have the necessary commercial expertise to determine the appropriate allocation of risk.[307] We consider capacity constraints on public authorities in more detail in the capacity constraints section.

(d) **Public authority need for budget certainty**: Public authorities may also prefer risk allocations which give them greater certainty as to outturn costs. Some local authorities we have engaged with generally use lump sum contracts that put most of the risk on the contractor,[308] with two local authorities indicating that this is because they need cost certainty due to their funding constraints.[309] However, we note that such an approach can lead to higher overall costs, as firms may be incentivised to be more conservative in their cost estimates in case potential downside risks to which they are exposed come to pass.

How risk is allocated between Tier 1 firms and subcontractors

3.94 Risk allocation down supply chains is also important for effective delivery of civil engineering projects. Poor contract management by Tier 1s can contribute to project delays,[310] while proactive engagement with the supply chain helps mitigate issues which may otherwise arise.[311]

3.95 Similar to concerns around the allocation of risk between public authorities and Tier 1 firms, some parties have described Tier 1 firms passing down disproportionate or inappropriate levels of risk.[312] For example, participants in the CMA's market research noted that risks such as ground risks or consequential

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[306] Network Rail's response to the CMA's information request [✂].
[307] Note of meeting with the sector panel [✂]. 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, page 6,
[308] Notes of meetings with [✂].
[309] Notes of meetings with [✂].
[310] For example, the CMA's market research found some reports of multiple consultants and Tier 1 managers on site who are not involved in delivery, making liaison inefficient for Tier 2s. Tier 2 and Tier 3 firms also reported that some managers and consultants seemed less incentivised to stick to timetable and avoid delays as they could get ongoing management fees. However, we note there were fewer mentions of issues in general of contract management day-to-day by public authorities or contractors higher up the supply chain, with more frustration with the original policymaking, contracting and terms. Jigsaw Research (2026), Qualitative Research with Civil Engineers, pp66-67.
[311] Several Tier 1 firms described taking active steps with their supply chain to minimise or avoid disruption when issues arise. Responses to the CMA's information requests [✂].
[312] A E 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. A E 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 [✂].

loss were often out of subcontractor's control but allocated to them by Tier 1 firms.[313] While others indicated Tier 1 firms pass on or retain risk according to who can manage them,[314] based on the evidence we have seen in the round we consider it is likely there are at least some instances where risk is passed on inappropriately.

3.96 The evidence we have gathered provides some indication that how risk is allocated down supply chains impacts how projects are being delivered. More specifically:

(a) Disproportionate risk being held by smaller Tier 2 and Tier 3 firms may restrict innovation by these firms. Our market research indicates that SMEs, including specialist contractors, are often well-placed to innovate and deploy new technologies, but can be more vulnerable to cash flow issues and are less equipped to handle downside risk.[315]

(b) Information we have gathered on Tier 1 subcontracts shows that these can also have a significant number of Z clauses (although as for public authority contracts, not all will be designed to reallocate risk), particularly for road contracts, which as noted above adds to the complexity of contracts.[316]

(c) Public authorities may have limited visibility of the extent to which risk is passed on, [317] and so may not be aware that risk is not being appropriately managed.

3.97 There is some indication that there is a relationship between the approach taken by the public authority, and the approach which replicates through the rest of the supply chain. D Morgan stated that their approach to passing on risk to subcontractors is influenced by the strategy of the Tier 1 or public authority.[318] Similarly, one of the sector panel indicated that the approach to cascading risk

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[313] Jigsaw Research (2026), Qualitative Research with Civil Engineers, p8.
[314] 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 [✂]. Multiple Tier 1 firms submitted that they allocate risk appropriately to subcontractors. Responses to the CMA's information requests [✂].
[315] Some participants in our market research noted smaller, specialist firms are well-placed to develop new products or ways of working due to their specialist expertise. However, it was these same firms that were most vulnerable to cash flow issues, late payments, and risk being pushed down the chain, meaning innovation was deprioritised in favour of more existential factors. Jigsaw Research (2026), Qualitative Research with Civil Engineers, p72. We have noted previously that multiple other stakeholders have said that innovation opportunities come from the lower tiers of the supply chain. Responses to the CMA's information requests [✂].
[316] We received information from six Tier 1 suppliers on the average number of Z clauses contained in Tier 1 subcontracts broken down by NEC contract type. As set out in Appendix A, for roads contracts the average number of Z clauses ranged from 42 for Option C contracts to 80 for Option A contracts and for rail ranged from 15 for Option A contracts to 47 for Option E contracts, although we note contract types classified as 'Other' had fewer Z clauses on average (there was also one Option C contract, which had 0 Z clauses).
[317] We have heard from a local authority that it has no oversight of onward risk allocation, whilst noting that it is of interest to them to maintain some level of oversight over this. Note of meeting with [✂]. National Highways noted that it outsources risk allocation as part of project management to the primary contractor, but continually monitors supply chain risk through a dedicated team to inform preventative measures or appropriate resilience actions. Note of meeting with National Highways [✂].
[318] D Morgan's response to the CMA's information request [✂].

down the supply chain is influenced by the contractual relationship with the public authority.[319] Therefore, public authorities may be able to indirectly drive a collaborative approach to risk and contract management throughout the supply chain.

Conclusion on allocation of risk

3.98 Overall, the evidence we have considered does not point to a systematic misallocation of risk, either between procurers and contracting firms, or between the tiers of the supply chain, although there are likely to be instances where this does occur. Our view is that it is important that all parties are incentivised to address issues and challenges effectively, requiring coordination and cooperation between different contracting parties: public authorities, Tier 1 firms and the wider supply chain. As a result, we judge that allocation of risk should be better aligned with the ability to control these risks and create appropriate incentives for all parties in mitigating such risks. One way to achieve this would be through more consistent, collaborative approaches between parties to a contract or set of contracts to determine which risks are allocated to different parties, which would allow for more accurate assessments of risks and for parties to be more willing to accept risks they are best placed to manage. Much has already been done to set out best practice, so the key opportunity is ensuring best practice is adopted.

3.99 We note that the approach to risk allocation by public authorities may also be impacted by other factors we have considered, such as approach to scoping and capacity. We discuss the specific issue of risk aversion on the part of public authorities in more depth below.

Public authority capacity constraints

3.100 Public authority capacity determines the resource and expertise they have available to determine what projects to take forward, how best to procure them and how they oversee and manage their delivery. It may also influence the degree to which authorities are comfortable with different types of risk. To understand the significance of capacity constraints in this market, we have considered:

(a) evidence on skills shortages, and their impact;

(b) the degree to which public authorities collaborate and coordinate their activities and share best practice as a way of boosting their capacity; and

(c) the role of risk appetite on the part of public authorities in driving outcomes, and how capacity constraints may play a role in this.

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

Skills shortages

3.101 Skills shortages in relation to civil engineering in general are well-documented. According to Department of Education research, there were 5,900 skills shortage vacancies in civil engineering registered in 2024, an 84 per cent rise from 2022.[320] Further, modelling by Construction Industry Training Board (CITB) indicates the UK would need 1,470 additional civil engineers per year between 2024 and 2029 to meet the increase in work it had identified (a 2.7% increase on the 2024 workforce).[321] 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.[322] This industry-wide gap in expertise can contribute to extended procurement timelines and project delays.

3.102 While skills shortages affect both the demand and supply side, we consider gaps in capacity and skills on the demand side can have a significant effect on public authorities' ability to procure effectively. We have heard particular concerns over the ability of public authorities to resource for, attract and retain sufficient staff with the necessary technical skills to manage different aspects of the procurement process effectively, such as:

(a) having the relevant knowledge and technical skills to set out project requirements.[323] Particularly where public authorities are not using an outcome-based approach, they will need to have sufficient expertise to specify what they want, or at least to be able to vet what external designers propose to ensure that it is fit for purpose and deliverable.[324]

(b) having sufficient technical resource and time to effectively assess non-price criteria,[325] given the need for such staff to deliver on day-to-day roles.[326] Evaluation teams need sufficient technical and commercial expertise, supported by effective training, to be able to assess non-price criteria in bids.[327]

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[320] Department for Education, Step 6: Explore data - Create your own tables on employer skills survey, accessed on 11/05/26.
[321] CITB and Oxford Economics (2025), Construction Workforce Outlook: Labour Market Intelligence Report 2025-29, p11.
[322] Responses to the CMA's information requests [✂]; Note of a meeting with [✂]; ICE, Next Steps Panel Debate: What are the pinch points that could derail the UK's infrastructure ambitions?, accessed on 11/05/26.
[323] Notes of meetings [✂].
[324] Tier 2 and 3 participants in the CMA market research identified that early project designs are commonly unclear or not prepared to a sufficient level of detail due to a combination of insufficient in-house skills in public authorities to scrutinise and challenge the designs prepared by consultants or Tier 1 firms, insufficient knowledge and understanding of delivery among consultants and Tier 1 firms, insufficient input from specialists, and insufficient site surveying or understanding. Jigsaw Research (2026), Qualitative Research with Civil Engineers, paragraph 3.4.2.
[325] Cabinet Office (2021), Bid Evaluation guidance note.
[326] 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 [✂].
[327] RIA, Balfour Beatty and M Group's responses to the CMA's interim report, question 8.

(c) 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),[328] although some public authorities told us they have the relevant procurement expertise.[329]

3.103 More broadly, capacity constraints affect different authorities to different extents. Capability reviews undertaken by ORR in preparation for the third road period indicate that National Highways has sufficient commercial capability and capacity but may need to build further civil engineering capability and capacity, due to a shortage of skilled engineers and competition from other sectors for them, as well as initiatives by National Highways to bring more functions in-house and increase forecast delivery volumes.[330] It also highlighted that Independent Reporter assessments had found Network Rail's capability had improved over CP6 (April 2019 to March 2024), although it acknowledged Network Rail's capability varies across the country.[331] In general, local authorities may struggle more with attracting and retaining technical expertise.[332] 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.[333] This can lead to a waste of resources in getting external validation unnecessarily, and over time may disincentivise authorities from investing in their own expertise.

3.104 In addition, even larger national authorities face some constraints in their ability to attract and retain specialist skillsets. As in other professions requiring specialist expertise, restrictions on public sector pay rates can make it difficult to recruit and

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[328] 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.
[329] 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 [✂].
[330] ORR's submission to the CMA [✂]. A capability review of National Highways in 2023 found it had improved its commercial and procurement management, but that there was room to improve its programme management capability and initiatives to deploy digital capabilities and repeatable production approaches. Nichols (2023), Road Investment Strategy 3: Procurement & Project Management Capability Review, pp27-28. A separate capability review also found that National Highways had improved its asset management capabilities. AMCL (2023), National Highways & Office of Rail and Road: Asset Management Capability & Efficiency Review - Final Report.
[331] ORR's submission to the CMA [✂]. ORR highlighted the ARUP(2024), Independent Reporter - Capital Investment Capability Framework Assessment. This found improved levels of maturity across the major enhancement programme and the Regions since 2020, although improvements were more significant in enhancements than renewals.
[332] Tier 2 and Tier 3 participants in the CMA market research felt the absolute competency levels across local authorities was both variable and, on average, lower than they found at national bodies. This lack of in-house technical expertise meant that local authorities were more prone to hiring external consultants or relying on less-experienced staff to procure work. Jigsaw Research (2026), Qualitative Research with Civil Engineers, p36. Work by the Local Government Association highlighted that the Civil Engineering Skills Partnership Hub identified recruitment and retention challenges across all roles, grades and regions. These issues are particularly evident in key technical and specialist areas including highways, traffic and traffic signals, and also extended into managerial positions. LGA, Local Government Civil Engineering Workforce Strategy and Action Plan, accessed on 11/05/26.
[333] Note of meeting with [✂].

retain such specialists.[334] 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.[335] 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.[336]

3.105 As noted above, skills shortages also affect the supply side. We noted in the pipeline section that pipeline uncertainty can contribute to the loss of skills from the private sector as well.

3.106 Overall, 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, which are necessary to drive better practice. These constraints appear to affect smaller authorities to a greater extent, although even larger authorities face some such constraints.

Coordination

3.107 Coordination between public authorities could alleviate some of the constraints they face by providing them better access to information (such as cost benchmarking or best practice) or allowing them to pool resources, including to jointly procure common or overlapping projects. It could also allow better utilisation of scarce civil engineering capacity on the contractor side, for example, by smoothing demand from local authorities (particularly those in close proximity), to avoid creating unnecessary peaks and troughs in demand. We set out below and in Appendix A the evidence we have gathered as to the scope for public authorities to coordinate more effectively.

3.108 We appreciate there may be good reasons why coordination is not always 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. For example, we have heard from National Highways and the Welsh Government that they communicate with local authorities, either for benchmarking costs with them or by

[334] NIC (2024), Cost drivers of major infrastructure projects in the UK, p26. [✂].
[335] 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, p26. [✂].
[336] 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, p26. 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's response to CMA's information request [✂].

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.[337] We also 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.[338]

3.109 However, there appears to be room for greater coordination between more similar types of public authority. There was some support for greater capacity pooling[339] and joint procurement[340] from respondents to the interim report, although some also noted challenges.[341] There are some examples of coordination occurring, but not necessarily widespread:

(a) 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,[342] whereas National Highways mentioned that they do communicate with other arm's length bodies, through a forum facilitated by DfT for specific purposes.[343]

(b) At local authority level, we have heard examples of local authorities sharing learning and information. For example, one local authority 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.[344] A Welsh local authority told us that it benchmarks costs against other local authorities in Wales and other highway authorities across the UK.[345] A third local authority mentioned that there is an opportunity for cross learning between councils, and that this could be improved.[346]

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[337] 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 Highways' 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 panel [✂].
[338] In response to the interim report, SCAPE raised concerns that joint procurement could deter SME participation. SCAPE's response to the CMA's interim report, question 18, p6.
[339] Mott MacDonald p9, CECA p6 and ACE's p10 responses to the CMA's interim report, question 18.
[340] Amey p5, Costain p5, Rail Forum p6 and RIA's p9 responses to the CMA's interim report, question 18.
[341] For example, Transport Scotland welcomed the concept of pooled capacity to creates centres of excellence, but did raise concerns around resource challenges, conflicts of interest, funding mechanisms, variable role requirements and differing processes. Transport Scotland's response to the CMA's interim report, p3.
[342] Note of meeting with the Welsh Government [✂].
[343] Note of meeting with National Highways [✂].
[344] Note of meeting with [✂].
[345] Note of meeting with [✂].
[346] Note of meeting with [✂].

(c) Regarding joining up procurement, one local authority 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.[347] We are aware of some initiatives by local authorities to coordinate their procurement activity,[348] and several instances of shared frameworks between local authorities. [349] There are also instances of collaborative procurement in Wales[350] and Scotland.[351][352]

(d) Within rail, Network Rail operates a regional delivery model, and most of its procurement activity is undertaken individually by each of the five regions. Network Rail told the CMA it shares information across the different Network Rail regional heads of cost estimation.[353] Throughout our market study, suppliers have told us that this can lead to a lack of coordination which creates added complexity and cost in the bidding process. For example, in response to our interim report, the Rail Forum and Railway Industry Association highlighted that there is scope for more co-ordinated procurement, standardised approaches, and better information sharing across the Network Rail regions.[354]

3.110 Differences in funding cycles and the disaggregation of funding into different pots 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.[355] Multiple Tier 1 firms highlighted suppliers must monitor multiple sites to obtain project leads for the same sector,[356] which can lead to inefficiencies.

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[347] Note of meeting with [✂].
[348] For example, STAR Procurement supports Knowsley, Rochdale, St Helens, Stockport, Tameside, and Trafford Councils in providing procurement and consultancy services. STAR Procurement, accessed on 11/05/26.
[349] Frameworks have been developed by organisations like the North Eastern Procurement Organisation (NEPO), the Midlands Highways Alliance (MHA) and SCAPE. NEPO is governed by 12 local authorities in the North East, and the MHA similarly has a membership of 35 highway authorities, local to the Midlands region. SCAPE is governed by six local authority shareholders. NEPO, About NEPO; Midlands Highway Alliance Plus, About Us; SCAPE, Civil Engineering framework; Sell2Wales, SWWRCF - South West Wales Regional Contractors Framework, accessed on 08/04/26.
[350] The Wales collaborative procurement hub is an approach to central procurement in Wales, providing access to frameworks. Sell2Wales, Wales Collaborative Procurement Hub, accessed 09/04/26.
[351] For example, the Scottish Government recently procured a new construction framework with support from Transport Scotland. Note of meeting with Transport Scotland [✂].
[352] Scotland Excel offers framework contracts for professional services including the design of capital infrastructure, serving Scotland's 32 local authorities. Scotland Excel, About Us | Scotland Excel, accessed on 21/04/26; Note of meeting with [✂].
[353] Note of meeting with Network Rail [✂].
[354] Rail Forum's response to the CMA's interim report, question 4, p3; RIA's response to the CMA's interim report, questions 17-18, p9.
[355] Note of meeting with ACE [✂].
[356] Responses to the CMA's information requests [✂].

3.111 Learning lessons from past projects – either its own or from those undertaken by other authorities – also helps to enhance procurers' capability in future. As set out further in Appendix A, many of the national public authorities have some form of lessons learned process in place,[357] although there are some cases where they could be more effective.[358] We have also heard some examples of lessons learned processes used by local authorities,[359] although we cannot tell from the information available how widespread these are. However, as noted above different authorities take different approaches to sharing information, and so such lessons learned may not always be disseminated effectively across procurers. There may also be scope for better dissemination of lessons learnt information to help spread the use of new effective technologies and processes, for example to more easily allow a technology or material which has been well-established in one sector to be adopted in another.[360]

3.112 Overall, the evidence we have gathered indicates there is greater scope for coordination between public authorities, at least to the extent they are undertaking similar types of procurement activities.

Risk Appetite

3.113 We have discussed previously how risk is allocated between public authorities and suppliers. We now consider what influences the overall level of risk public authorities are willing to accept.

3.114 Public authorities need to carefully consider the level of risk they are willing to accept in different aspects of the civil engineering projects they procure. For example, aiming for too low risk in the design and scope of a new piece of infrastructure can stifle new ideas and approaches from being tested and implemented. Nevertheless, we acknowledge the vital role that low risk levels play in safeguarding health and safety in civil engineering projects and that the risk standards in this area must not be compromised. In this section, we first set out what our evidence shows on the general level of risk appetite in public road and rail, in the non-safety-critical aspects of procurement, and the impact this can have. We then set out factors which influence this risk appetite.

[357] Responses to the CMA's information requests [✂].
[358] An ORR report from 2022 on technology adoption at Network Rail reported on repeated examples of failure to learn from past experiences. ORR (2022), Technology Adoption Case Studies, Targeted Assurance Review.
[359] Notes of meetings with [✂].
[360] For example, on A585 Windy Harbour to Skippool improvements, Kier adopted a spray applied concrete to coat the surface of a secant piled wall – a technology common in the rail industry but that was not in the design manual for roads and bridges. As a result, Kier needed to secure a departure from standard solutions which was described as being a difficult process requiring additional requirements. Kier's response to the CMA's information request [✂].

3.115 Several suppliers and industry organisations submitted that risk aversion is ubiquitous in the public road and rail sector.[361] A community interest company said that the civil engineering sector is inherently risk averse.[362]

3.116 However, not all public authorities would accept that they are driven towards excessive risk aversion, and some other stakeholders agree that it is not universal.[363] For example, local authorities we have engaged with have expressed mixed attitudes towards risk:

(a) One local authority said that it is risk-averse by nature, operates within a risk-averse environment and suggested that the external factors are likely to be the drivers of this behaviour, such as scrutiny and governance checks.[364]

(b) Another local authority said that the risk appetite is reasonable and dependent on the project complexity.[365]

(c) A local authority said that it seeks innovation to enhance work effectiveness, rather than allow time and budget constraints to lead to risk aversion and preference for traditional, familiar processes.[366]

(d) One local authority said that risk attitudes and decision-making are shaped by the need to justify both action and inaction, ensuring that resources are allocated only where there is evidence of need.[367] Similarly, another local authority said that it looks at projects individually and assesses the extent of risk and value to the authority.[368]

(e) One local authority said it does not perceive itself as a risk averse client and takes the responsibility for appropriate risk management.[369]

3.117 Where risk aversion is too high, it can have a number of impacts. For example, 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 are delivered later than expected and require more expensive and time-consuming works.[370] A Tier 2 firm submitted that risk aversion in the form of culture of predictability over

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[361] NEPO, Rail Forum, CECA, Laing O'Rourke, Amey, Balfour Beatty, SCAPE, Kier, ACE, BAM Nuttall, RIA, and Mott MacDonald's responses to the CMA's interim report, question 12.
[362] Note of a meeting with [✂].
[363] For example, Mott MacDonald stated risk aversion is not universally excessive, but it can become problematic when risk positions lack transparency or are not well understood. Mott MacDonald's response to the CMA's interim report, question 12.
[364] Note of meeting with [✂].
[365] Note of meeting with [✂].
[366] Note of meeting with [✂].
[367] Note of meeting with [✂].
[368] Note of meeting with [✂].
[369] Note of meeting with [✂].
[370] BAM Nuttall's response to the CMA's information request [✂].

efficiency has led to longer delivery times and higher costs, through extra layers of approval, overplanning, and hampering innovation.[371]

3.118 Our evidence suggests that a range of factors reduces the risk appetite of public authorities.

(a) A number of stakeholders have highlighted political and regulatory influences on risk appetite. For example, factors that can reduce appetite for risk-taking and act as barriers to innovation include risk aversion inherently embedded in government policies,[372] safety and regulatory compliance requirements[373] and political sensitivities.[374]

(b) Previous research has highlighted that public authorities may also attract media scrutiny,[375] face high expectations regarding transparency and accountability[376] and be vulnerable to reputational risks[377] – all of which can further reinforce low risk tolerance. Rail Forum noted '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'.[378] NEPO submitted that it is often difficult to take risks due to enhanced scrutiny and the pressure of wasting taxpayers' money if things go wrong.[379]

(c) Some stakeholders have also highlighted that in recent years, inflation, skill shortages, and shifting policy priorities have added market volatility, increasing uncertainty which may further lower risk appetite.[380] Balfour Beatty submitted that excessive risk aversion in public authority decision-making can be driven, among others, by funding volatility and fear of litigation.[381] Bam Nutall suggested that this risk aversion is often structural rather than behavioural, reflecting, inter alia, constrained and annualised budgets, and the separation of capital and operational expenditure.[382]

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[371] Response to the CMA's information request [✂].
[372] Response to the CMA's information request [✂].
[373] Responses to the CMA's information requests [✂].
[374] Responses to the CMA's information requests [✂]; Note of meeting with the sector panel [✂]; Torugsa, N. and 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.
[375] Torugsa, N. and 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.
[376] Uyarra, E., Edler, J., Garcia-Estevez, J., Georghiou, L. and Yeow, J. (2014), 'Barriers to innovation through public procurement: A supplier perspective', Technovation, 34(10), pp631-645. Pahlke, J., Strasser, S. and Vieider, FM. (2012), 'Risk-taking for others under accountability', Economics Letters, 114(1), pp102-105.
[377] The Construction Playbook, p55.
[378] Rail Forum's response to the CMA's interim report, question 12, p5.
[379] NEPO's response to the CMA's interim report, question 12. See also ACE's response to the CMA's interim report, question 12.
[380] Responses to the CMA's information requests [✂].
[381] Balfour Beatty's response to the CMA's interim report, question 12.
[382] BAM Nuttall's response to the CMA's interim report, question 12.

(d) Cultural and behavioural factors can also shape organisational decision-making.[383] Public authorities may have preference for maintaining the status quo – following the most familiar, and thus perceived as less risky, processes and solutions.[384] For example, RSS Infrastructure submitted that the rail sector primarily runs on a 'we have always done it this way' mindset.[385]

3.119 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, on balance we consider the incentives currently faced by public authorities and firms are too often not sufficiently weighted towards accepting greater, but still well-considered, risk where this allows for new and innovative approaches to be tried which could drive future productivity improvements.

3.120 Changing the risk appetite of public authorities is likely to be necessary to drive change in their approach to procuring public road and rail civil engineering services. However, to the extent their risk appetite is itself partly driven by the constraints they face (such as over funding stability[386] and internal capabilities)[387] as some stakeholders have suggested, changing these constraints may in itself help to shift attitudes to risk.

Conclusion on procurement

3.121 There are four main challenges relating to how public procurement levers shape incentives for procuring authorities and suppliers, market dynamics and outcomes.

3.122 First, the public sector procurement landscape is fragmented and lacks a clear strategic direction. Funding settlements and procurement policies set by different parts of the UK, Scottish and Welsh Governments and the Northern Ireland Executive, with a range of national and local authorities procuring public road and railway infrastructure. There are a range of missed opportunities for the public sector to more actively and strategically set incentives that shape the market.

3.123 Second, a combination of short-term funding pressures, uncertainty over longer-term budgets, and changing government priorities undermines long-term planning by both public authorities and the supply chain. We recognise that governments

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[383] 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. and Scopelliti, I. (2024), 'Mitigating cognitive bias to improve organizational decisions: An integrative review, framework, and research agenda', Journal of Management, 51(6), pp2182-2211.
[384] 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. and Niehaves, B. (2023), 'How to measure the status quo bias? A review of current literature', Management Review Quarterly, 73, pp1667-1711.
[385] RSS Infrastructure's response to the CMA's information request [✂].
[386] ACE, BAM Nuttall and Balfour Beatty's responses to the CMA's interim report, question 12.
[387] RIA, SCAPE and Kier's responses to the CMA's interim report, question 12.

have sought to lengthen funding settlements and improve pipeline visibility, and that there are trade-offs with ensuring the use of public funds remains appropriate over time. Nevertheless, increasing pipeline visibility and confidence appear key to driving investment and innovation and improving efficiency in the sector.

3.124 Third, public procurement approaches are not consistently used effectively throughout the procurement and contracting lifecycle to shape incentives for firms, harness effective competition and focus on long-term value. Use of best practice guidance is often inconsistent, which mutes its impact.

3.125 Finally, funding constraints and skills shortages in civil engineering contribute to challenges faced by public authorities to build, recruit, and retain sufficient procurement and engineering capabilities, which are necessary to drive better practice. More coordination between procuring authorities, where they are undertaking similar types of procurement activities, would help alleviate these constraints.

4. Regulation

Background and context

4.1 As we highlight above, governments have several levers it can use to shape markets and achieve policy objectives. Alongside public procurement, the public sector has the opportunity to shape markets through regulation. A clear, predictable and proportionate regulatory and compliance landscape provides market participants with the clarity and certainty they need to invest, innovate and compete.

4.2 High regulatory standards can preserve and promote a range of societal goals, such as environmental protection and health and safety. Proportionate and well-targeted regulation that upholds high safety standards helps create a predictable and efficient environment for infrastructure development, supporting higher quality outcomes (infrastructure lifespan and safety) and more reliable project delivery. By clearly signalling the parameters within which firms can invest and innovate, well-designed regulation increases certainty, minimises barriers to entry, and helps create the conditions for businesses to scale and grow. However, unduly onerous regulatory requirements can increase costs and constrain investment and innovation.

4.3 Over time, it is a common feature of regulatory landscapes that rules and compliance processes can accumulate, as new requirements are added to the existing stock of regulation.[388] This can increase complexity and raise barriers to entry and operation for smaller challenger firms unable to take on or afford this compliance burden, undermine the positive effects of certainty and clarity, and deter innovation and investment.

4.4 In the following sections we examine:

(a) The market dynamics which may be impacted by regulation. These dynamics are key drivers of business dynamism and growth. We set out this analytical framework below to describe the potential impacts on the market.

(b) specific areas of regulation which, based on our evidence, create unnecessary burdens on existing and prospective market participants, and there are opportunities for governments to improve market outcomes, encourage firms to enter, innovate and grow without undermining the benefits of high regulatory standards.

[388] HM Treasury, New approach to ensure regulators and regulation support growth, accessed on 22/04/26.

4.5 Based on the evidence discussed below, we consider that complex and slow regulatory processes are unnecessarily adding to the burden on public authorities and firms in the road and railway infrastructure sectors.

Market dynamics impacted by regulation

4.6 We have considered the potential impact of regulation on the key drivers of business dynamism and growth: new entry, growth and scaling, new business models and the adoption of new technology.

New Entry

4.7 As discussed in chapter 2, there are barriers to firms expanding in this sector. We noted that the decline in entry rates could also indicate that barriers to entry have increased over time. 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.

4.8 It is crucial to ensure that regulation (including its application) does not unduly inhibit or hinder companies (particularly newer start-ups that favour innovative approaches) from entering and viably competing in the market. For example, the evidence set out in chapter 2 and Appendix A highlights that overly onerous requirements – including technical standards, preferential engineering,[389] and duplication of accreditation systems and pre-qualification questionnaires, which are required for both public and private contracts, make it harder for smaller firms to enter the market, scale and compete, particularly in the rail sector.[390] Data we have collected also indicates a material and sustained increase in the cost of regulatory compliance for larger firms over time.

Growth and Scaling

4.9 The CMA's discussion paper on scale-ups and competition policy identifies the significant impact of regulation on potential scale-up firms, noting that smart regulation can signal to investors a predictable environment where potential market opportunities exist.[391] By contrast, regulatory burden or bias within the supply chain (which unequally favours incumbents, for example) can also unduly limit and prevent the ability and incentives of smaller and medium-sized firms to grow and scale to be able to compete effectively.

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[389] Preferential engineering refers to design or engineering changes requested by a client or owner that go beyond the original project scope, which reflect personal or strategic preferences rather than technical necessity.
[390] Jigsaw Research (2026), Qualitative Research with Civil Engineers, p63; Response to the CMA's information request [✂]; Jigsaw Research (2026), Qualitative Research with Civil Engineers, p59 and 65; Laing O'Rourke p5, BAM Nuttall p21, Rail Forum p4 and Balfour Beatty's pp22-23 responses to the CMA's interim report, question 22.
[391] CMA (2025), Scale-ups and competition policy discussion paper.

4.10 Where this occurs, incumbents face weaker competitive pressure to deliver high-quality products and services at fair prices for the public sector. This can also limit firms' ability to be in a position to introduce innovation, reduce firm diversity and inhibit broader growth in the market. For example, the CMA's market research highlights instances where smaller firms have chosen not to bid for contracts (a direct reduction in competition for tenders) in some cases when they deem that the complexity, risk, or cost of compliance is too high to outweigh the benefits.[392] As we discuss later, we have found overlapping accreditations and pre-qualification questionnaires are also acting as barrier to firm's ability to grow and scale.

New Business Models

4.11 Badly designed, prescriptive or burdensome regulation may also hinder novel business approaches to delivery or solving problems that could improve delivery efficiency and quality, and align with strategic sector shifts and evolutions – for example, more agile firm structures that use non-traditional business models and technology to deliver infrastructure in ways fit for the future of civil engineering, such as the green transition.

4.12 New business approaches such as industrialised construction, which includes offsite building and modern methods of construction (MMC), are important developments in civil engineering that provide more efficient ways of building; however, the significantly different workflow to traditional building means that a recalibration of ways of working is required to be able to scale this method effectively.[393] As further discussed in Appendix A, stakeholders told us that a lack of standardisation of designs and slow approval processes or standard test methods are limiting the rollout of these new business models, which aligns with the surrounding literature.

4.13 Where the UK government is aiming to drive transformational change in other sectors, it has recognised the role of innovative approaches. For example, the UK's housebuilding targets recognise that key reforms and strategic sector shifts are needed to be able to deliver the target of building 1.5 million new homes.[394]

Technologies and Approaches

4.14 The development, investment and deployment of novel technologies, particularly AI, can play a critical role in ensuring a modern and efficient civil engineering sector capable of delivering society's continually evolving infrastructure needs. The UK government's AI Opportunities Action Plan identifies AI adoption across

[392] Jigsaw Research (2026), Qualitative Research with Civil Engineers, p55.
[393] RICS (2018), Modern Methods of Construction; ICE (2018), Standard design key to offsite manufacture.
[394] MHCLG and The Rt Hon Angela Rayner MP, Housing targets increased to get Britain building again, accessed on 27/04/26.

the public and private sector as critical to fulfilling government objectives.[395] Devolved Governments have also highlighted how AI can transform our public services and have taken steps to embed the skills needed to do this, through their respective action plans on AI.[396]

4.15 However, the way the regulatory system is designed and operationalised can disincentivise and make it harder than necessary for suppliers to test and adopt innovative solutions, particularly where combined with a culture that is resistant to change and new untested ideas and methods. For example, as we discuss further in Appendix A, stakeholders across the supply chain noted slow approval processes hinder the introduction of new products and processes, particularly in rail. Respondents to the CMA's market research also highlighted that procurers can favour tried-and-tested approaches and approval methods can be slow, as procurers may not have the expertise, resource, or appetite for trying newer products or methods.[397]

4.16 This can deter and prevent firms from investing in developing and implementing new or even existing technologies and methods that could ultimately improve efficiency, lower costs and speed up delivery.

Impact of regulation on firms' incentives

4.17 We have heard from industry in response to our interim report that Tier 1 firms generally considered regulatory barriers to be less of a problem than other areas of concern.[398] However, multiple stakeholders agreed that there is scope to improve how our regulatory regime works to improve the delivery of civil engineering projects.[399]

4.18 Through responses to our interim report, desk research, requests for information and international comparisons, we have identified scope to improve certain aspects of the regulatory environment and processes to deliver more effective and efficient outcomes, incentivise innovation and support growth and scaling. We discuss this in more detail in Appendix A on the impact of regulation on effectiveness and efficiency in civil engineering for rail and public road.

4.19 We have heard consistent feedback across the supply chain, as well as from other industry stakeholders and public bodies, that rail is characterised by more complex regulatory processes and higher barriers to entry than the road sector, which

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[395] Department for Science, Innovation & Technology (2025), AI Opportunities Action Plan.
[396] The Welsh Government (2025), AI Cymru: Shaping a Smarter, Fairer, More Prosperous Wales; the Scottish Government (2026), Scotland's Artificial Intelligence strategy 2026-2031; The Executive Office (2025), New AI and Digital office will drive innovation and transform services – O'Neill and Little-Pengelly.
[397] Jigsaw Research (2026), Qualitative Research with Civil Engineers, pp72-73.
[398] See Rail Forum, Amey, Balfour Beatty, BAM Nuttall, SCAPE, Rail Industry Association, ACE's responses to the CMA's interim report, question 13.
[399] Skanska, Rail Forum, CECA, Laing O'Rourke, ORR, Balfour Beatty, BAM Nuttall, Transport Scotland, SCAPE, Rail Industry Association, ACE and TICS' responses to the CMA's interim report, question 10.

reflects high standards and unique safety considerations.[400] However, stakeholders provided feedback on ways to improve and streamline processes across both the road and rail sectors.

4.20 We have found that duplicative compliance process and overly onerous technical standards, duplicative and overlapping accreditation and pre-qualification requirements, and slow regulatory processes for new technologies and approaches are limiting effective delivery of road and rail civil engineering projects. We set out these findings in more detail below.

4.21 Information provided by Tier 1 firms indicates that both the full time equivalent (FTE) number and cost of staff required to work on regulatory, legal or procurement functions has steadily increased for Tier 1 firms over the last 10 years.[401] In the data we have received, growth in the cost of FTE for those functions has on average occurred at a higher rate than overall FTE growth, which suggests that in addition to requiring more staff, complying with regulation itself for these firms has become more costly. In addition, for firms that provided data on their spending on external resource or professional advisers (consultants) for their regulatory, legal and procurement obligations across road and rail, there were increases in spend over the last 10 years, particularly for rail.[402] While the sample size of this information is limited, it indicates that not only are costs of regulatory compliance increasing amongst Tier 1 firms that provided data, but these firms are also increasingly using external resource and consultants for compliance or regulatory functions. Within our evidence, multiple other stakeholders across levels of the supply chain and public authorities also noted a reliance on design consultants across both the road and rail sector.[403]

4.22 While there may be specific reasons for using external consultants, these substantial increases could suggest that the complexity of regulation has grown over time such that firms feel the need to use professional advisors. This could act as a barrier to smaller challenger firms that are unable to afford such external advisors.

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[400] Responses to the CMA's information requests [✂]; Jigsaw Research (2026), Qualitative Research with Civil Engineers, p25.
[401] See evidence Appendix A section on barriers to entry, growth and scaling. For all 10 firms who provided data, the average % increase in FTE working on regulation over the last 10 years compared to the base year of 2016 is around 12%. For all 10 firms who provided data, the FTE cost of regulation has increased since 2016, with an average increase in cost across all 10 firms of 78.5% in 2025 vs 2016. The lowest increase in cost for those that provided data was 18% over the ten years, and the highest increase was 169%.
[402] See evidence Appendix A section on barriers to entry, growth and scaling. The average % change on external resource spend since the base year of 2016 across 7 firms that provided data on rail was 272%, and the average % change on external resource spend since the base year of 2016 across 6 firms that provided data on road was 103%.
[403] Balfour Beatty's response to the CMA's interim report, question 14, p16; Notes of meetings with [✂]; Jigsaw Research (2026), Qualitative Research with Civil Engineers, p36.

Streamlining regulatory compliance

4.23 We have gathered evidence from stakeholders across the supply chain and from public authorities to assess where regulation could affect market dynamics. In Appendix A, we note how stakeholders highlighted aspects of the regulatory compliance landscape which are limiting effective delivery of civil engineering projects, rather than the substance of regulations themselves.[404] As such, our analysis has focussed on opportunities for streamlining of the regulatory compliance process rather than distinct regulations.

4.24 Although standardised benchmarking is not yet available to provide detailed comparisons, OECD indicators place the UK slightly above the OECD's average on regulatory frameworks, permitting and licensing, and governance of economic regulators, factors which are all relevant to and impact general infrastructure investment and delivery.[405] As we highlight above, the UK typically also has higher unit costs for infrastructure and slower delivery times, which is attributed in part due to slow and overly risk averse planning processes, as well as other issues such as gold-plating and a lack of standardisation.[406] The UK government's own figures show that Nationally Significant Infrastructure Project (NSIP) delivery time increased by 65% between 2012 and 2021, which is largely due to slow pre-application process, including planning.[407] This indicates that streamlining regulation would be expected to reduce costs and delivery timescales.

Planning

4.25 The planning system, when functioning well, has the potential to drive forward a predictable system and framework for infrastructure development in the civil engineering market. By providing certainty around a balanced set of national planning policies covering the economic, social and environmental aspects of development, it has the opportunity to provide the predictable conditions for stable investment in civil engineering projects.

4.26 Consultation responses to our interim report, which consisted of industry organisations, Tier 1 firms and some public authorities, as well as relevant studies, consistently identify that the current system is delivering suboptimal outcomes and contributing to delays in the delivery of infrastructure.

(a) Existing literature cites infrastructure permitting as one of the most critical bottlenecks to timely and cost-effective infrastructure delivery.[408] BCG note how the infrastructure permitting process and project delivery is also held up

[404] NEPO, Skanska, Rail Forum, CECA, ORR, Balfour Beatty, BAM Nuttall, SCAPE, RIA, TICS and ACE's responses to the CMA's interim report, question 10.
[405] OECD, Promote a coherent, predictable and efficient regulatory framework, accessed on 11/05/26.
[406] BCG (2024), Improving Infrastructure Delivery in the UK.
[407] Edie, New fast-track pathway in the works to tackle energy development bottlenecks, accessed on 28/04/26.
[408] BCG, Infrastructure Investments in an uncertain world, accessed on 02/04/26.

when there are multiple opportunities for objection within the planning process.[409]

(b) The planning and permitting process was one of the key areas of regulation that industry stakeholders identified as contributing to delays. 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.[410]

4.27 Following the implementation of the Planning and Infrastructure Act[411], proposed updates to the National Policy Planning Framework[412], statutory consultee reform[413], as well as DEFRA's lead environmental regulator model[414] are ongoing in England. The CMA supports these reforms, which are expected to address many of the concerns we have heard from stakeholders by significantly simplifying the planning and environmental approvals process across England and speeding up critical delivery of civil engineering projects.

4.28 Devolved governments are also undertaking a number of key reforms:

(a) In Northern Ireland, planning reform is also underway through the Department of Infrastructure's planning improvement agenda, which includes support for local authorities as well as amendments to the Planning Regulations which are designed to streamline decision making.[415]

(b) The Welsh Government has also recently introduced The Infrastructure (Wales) Act 2024. These reforms are designed to speed up the consenting process for planning applications.[416] The UK Government's new Planning and Infrastructure Act 2025 will also apply to Wales. This is being supported by a number of policy updates and technical advice notes designed to complement these reforms and support a pro-growth planning policy [417]

(c) The Scottish Government has recently produced the fourth National Policy Planning Framework, as well as its delivery programme earlier this year.[418]

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[409] BCG, Infrastructure Investments in an uncertain world, accessed on 02/04/26.
[410] Multiple Tier 1 firms noted the difficulty in knowing which statutory consultees must be consulted. Responses to the CMA's information requests [✂].
[411] MHCLG, The Rt Hon Steve Reed OBE MP, Emma Hardy MP and The Rt Hon Rachel Reeves MP (2025), Landmark Planning and Infrastructure Bill becomes law.
[412] MHCLG (2026), National Planning Policy Framework: proposed reforms and other changes to the planning system.
[413] MHCLG (2025), Reforms to the statutory consultee system.
[414] DEFRA, The Rt Hon Steve Reed OBE MP and The Rt Hon Angela Rayner MP (2025), Environmental reforms to break planning system gridlock.
[415] DfI (2025), Kimmins announces further improvements to the planning system.
[416] Planning and Environment Decisions Wales (2025), New process to speed up planning for infrastructure projects and make Wales a better place to invest.
[417] CBI (2025), Planning for Growth in Wales: How to create jobs and meet net zero targets.
[418] The Scottish Government, Planning and architecture: Reforming the planning system, accessed on 11/05/26.

Their plans also include a map of national developments which document progress updates within the planning process.

4.29 As such, we have not made any formal recommendations in this area but in Appendix B we have explored options the UK and devolved governments may wish to consider in future to achieve greater transparency throughout the planning process.

Technical Standards

4.30 As set out in Appendix A, we have found evidence of overly prescriptive technical standards, including those mandated through contracts by procuring authorities, that are accumulating alongside other regulations and resulting in a complex and burdensome compliance landscape.[419] Stakeholders across Tier 1 firms, industry bodies and public authorities provided clear feedback that efforts to streamline technical standards are crucial to address this issue.[420] This fits with our chapter on risk aversion in scoping and design, in which we found that scopes are often overly prescriptive to minimise risk. One way to adopt a less prescriptive approach is to focus on outcomes, which may encourage the development of new innovations.[421]

4.31 We consider that adopting a transparent and demand-side led approach to challenge existing standards, will enable regulators and public bodies responsible for standards such as ORR, National Highways, Network Rail and the Rail Industry Safety and Standards Board (RSSB) to focus on high-impact areas or particularly onerous or duplicative requirements industry are struggling with as a priority. We also heard that preferential requirements for standards and designs from procuring authorities can be mandated through contracts, and sometimes create onerous requirements, which accumulate on top of stringent technical standards to add to the burden on suppliers.[422]

4.32 We have therefore also set out that, where possible, non-mandatory standards imposed by procuring authorities should be aligned across authorities to reduce the impact of overly prescriptive requirements on suppliers. Previous research into overlapping technical standards has found that this is a longstanding problem,[423] and we consider this to be a key driver of inefficiencies in the current regulatory compliance system.

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[419] Industry Standards Group (2012), Specifying Successful Standards, p39; DfT (2017), Transport infrastructure efficiency strategy, p57; TICS response to the CMA's interim report, question 10, p1.
[420] Notes of meetings with [✂].
[421] TICS' response to the CMA's interim report, question 21, p5; Response to the CMA's information request [✂]; RIA's response to the CMA's interim report, para 7.4, question 12.
[422] TICS response to the CMA's interim report, question 10, p1; Notes of meetings with [✂].
[422] Notes of meetings with [✂]; TICS response to the CMA's interim report, question 10, p1.
[423] Industry Standards Group (2012), Specifying Successful Standards, p39.

4.33 Through our stakeholder engagement, we also heard that for rail projects, delays and increases in costs occur due to a Transport and Works Act Order being required in England and Wales in order to access adjacent land for enhancement and renewals for civil engineering projects, which can take multiple months to years and requires Secretary of State approval.[424] For road projects, obtaining this access is already provided for within the highways and utilities legislation.[425]

Consolidated accreditations and qualifications

4.34 We have heard from market participants across the supply chain that current accreditation requirements imposed by different procurers (both government and industry) are acting as a barrier to entry and growth in the civil engineering market by constraining smaller firms from being able to compete and grow.[426] Industry accreditations can be important in showing a firm's ability to carry out specified work or approaches. However, our evidence shows that accreditations are costly to attain, and that there is an overlapping system of accreditations across road and rail, meaning suppliers often need multiple different accreditations for similar work.[427] Evidence also suggests that within each of the road and rail sectors there is minimal mutual recognition of accreditations so that businesses are forced to hold more than one accreditation that address many of the same or similar competencies. This system introduces unnecessary cost and adds barriers to entry and expansion.

4.35 We have found that this disproportionately affects SMEs, as strict requirements are often passed along and required down the full length of supply chains.[428] The CMA's market research participants observed that their firms are being asked for multiple mutually recognisable certificates by accreditation providers, such as Safety Schemes in Procurement (SSIP) schemes and Common Assessment Standard (CAS) providers.[429] These participants also submitted that some Tier 1 firms are 'gold-plating' certain accreditation requirements when sub-contracting along the supply chain, which is adding to unnecessary costs for smaller firms.[430] Stakeholders noted overlapping prequalification questionnaires required from contracting authorities, which contributes to inefficiencies.[431] As one stakeholder

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[424] Submission to the CMA [✂]; Network Rail (2019), Transport and Works Act Order Process; DfT, Transport and Works Act orders: a brief guide, accessed on 28/04/26. Note that the Transport and Works Act Order only applies to England and Wales. In Scotland, access to adjacent land can be granted by Ministers as set out in the Transport and Works (Scotland) Act 2007.
[425] Highways Act 1980, section 291, accessed on 11/05/26.
[426] Jigsaw Research (2026), Qualitative Research with Civil Engineers, p59 and 65; Laing O'Rourke p5, BAM Nuttall p21, Rail Forum p4, and Balfour Beatty's pp22-23 responses to the CMA's interim report, question 22; Response to the CMA's information request [✂].
[427] Submission to the CMA [✂]; Rail Forum p4, Laing O'Rourke p6, Balfour Beatty p13, BAM Nuttall p21, Mott MacDonald p11 and ACE's p11 responses to the CMA's interim report, question 22.
[428] Jigsaw Research (2026), Qualitative Research with Civil Engineers, p63.
[429] Jigsaw Research (2026), Qualitative Research with Civil Engineers, p72.
[430] Jigsaw Research (2026), Qualitative Research with Civil Engineers, p64.
[431] Balfour Beatty, Costain, Rail Forum, CECA, Amey, RIA, BAM Nuttall and SCAPE's responses to the CMA's interim report.

noted, pre-qualification questionnaires are supplementary to accreditations, and measure many of the same competences that are assessed as part of the formal accreditation process.[432]

4.36 We consider these strict contract requirements from procuring authorities as well as duplicative pre-qualification questionnaires are also adding to the compliance burden, and that these additional costs and compliance burdens are also less likely to be able to be absorbed by smaller firms.

Fast-tracked regulatory approvals

4.37 We have also found that slow approvals processes for innovations (which includes products and designs and new methods and techniques) are limiting the incentives to invest in and ability for these innovations to be deployed and scaled across the industry. Evidence gathered from a range of industry sources suggests that this burden is most significant in rail.[433] As we highlight in Appendix A in our section on regulatory barriers to new technologies, methods and models, we asked public authorities across England and the Devolved Nations responsible for product and design approvals for the numbers of applications, acceptances, and approvals over the last 10 years. Only Transport Scotland and Northern Ireland's Department for Infrastructure were able to provide accurate data.[434] Therefore, we have relied more heavily on our evidence from industry bodies, and firms across the supply chain. Stakeholders were clear about the need for a safety-critical approach to road and rail regulations but noted a sometimes risk-averse culture that hinders innovations and had feedback on suggestions to improve the process of adopting new innovations that would improve delivery without necessarily risking safety.[435]

4.38 Some industry stakeholders, including both Tier 1 firms and industry bodies, explicitly expressed support for more pilots for innovations, fast-track routes for low-risk innovations, reference-class data, and having more clear guidance on how to effectively and efficiently procure innovation.[436] Pilots can speed up the route to acceptance of new technologies and suggest ways for improvements in the way in which the regulatory approvals system works. For example, in Norway, Nye Veier, the authority responsible for the major road network, has run pilots with the supply chain to test new production methods on projects – such as road materials – with a view to identifying solutions that could be in scaled production.[437] Within the CMA's market research, some Tier 2 firms also

[432] Balfour Beatty's submission to the CMA [✂].
[433] Jigsaw Research (2026), Qualitative Research with Civil Engineers, p65; Rail Industry Association's response to the CMA's interim report, question 21, p5; Responses to the CMA's information requests [✂].
[434] DfI's response to the CMA's information request [✂]; Transport Scotland's response to the CMA's information request [✂].
[435] Notes of meetings with [✂]; RIA's response to the CMA's interim report, question 10, p5; TICS response to the CMA's interim report, question 10, p1; BAM Nuttall's response to the CMA's interim report, question 21, p21.
[436] Balfour Beatty, RIA, Laing O'Rourke and GIRI's responses to the CMA's interim report, question 21,
[437] BVM Vegbygging, Pilotering, accessed on 10/05/26.

supported faster timescales for approving innovations.[438] However, implementing changes to product approvals systems will also need to be combined with better risk sharing through the supply chain, as well as increasing procurement authority capacity and support.

[438] Jigsaw Research (2026), Qualitative Research with Civil Engineers, p53 and 72.

5. Recommendations

Introduction

5.1 In this section, we set out the remedies that we have designed in response to our analytical findings. These findings concern five root causes that are holding back the market. Our remedies are therefore aimed at addressing:

(a) **Fragmented public sector landscape:** strengthening opportunities and incentives for the public sector to actively and collectively shape the overall market.

(b) **Pipeline uncertainty:** Providing stable, long-term funding and transparency over future project pipelines, to support planning, investment and innovation for both procurers and suppliers;

(c) **Capacity constraints:** Addressing capacity and skills shortages to ensure public authorities are equipped to deliver value for money in effective procurement and project delivery;

(d) **Procurement policy and approaches:** Ensuring consistent adoption of best practice, and favouring long-term value over short-term cost; and

(e) **Regulatory barriers:** Simplifying and streamlining regulatory processes to support project delivery, lower barriers to entry and expansion, and accelerate innovation.

5.2 Our proposals include recommendations to the UK, Scottish and Welsh governments and the Northern Ireland Executive.[439] Governments have significant influence over the market structure and parameters of competition in civil engineering for road and rail infrastructure. This is due to government:

(a) Signalling strategic demand to the market;

(b) Being a strategically important customer for many suppliers; and

(c) Being responsible for the wider regulatory and planning framework.

5.3 We consider that HM Treasury – as the department responsible for infrastructure strategy across the public sector, and with the central position and power within government to drive the necessary system-wide change – should oversee the implementation of our recommendations for UK government. HM Treasury is well-positioned to provide the necessary strategic approach to the recommendations as

[439] The UK government has committed to issuing an official response to the CMA's recommendations within 90 days of report publication, with a presumption that the government will accept the recommendations unless there are compelling policy reasons not to do so.

a package, and to draw lessons from this work to drive broader changes across other infrastructure sectors where appropriate. There is also a clear role for other departments and public authorities in implementing our recommendations, and the precise allocation of responsibilities would be a matter for government to consider as part of its response to the market study. We have set out below our indicative view of which departments would be involved in delivering each recommendation.

5.4 Devolved governments will be accountable and responsible for implementing recommendations that fall within the scope of their devolved powers, and we recognise that HM Treasury will need to work closely with devolved governments in areas that are within devolved competence.

5.5 Where our recommendations refer to 'procuring authorities', we mean public authorities that procure public road or rail infrastructure. We advise that these recommendations should be delivered as soon as possible. We encourage government in its response to this report to set out the specific intended timeline for delivery against each recommendation.

5.6 Our recommendations apply to road and rail specifically, but we recognise that there may be strong parallels with other civil engineering sectors. We think the UK, Scottish, and Welsh governments and the Northern Ireland Executive should therefore consider whether the recommendations we set out below should also be applied to other types of infrastructure.

5.7 We summarise our package of recommendations below. Further detail, including on how these recommendations could be applied, is set out in Appendix B.

Our package of measures

5.8 Taken as a whole, our package of mutually reinforcing measures aims to improve the market dynamics for civil engineering in road and rail infrastructure to bring about better outcomes, with the corollary of boosting UK productivity and growth. The size of the opportunity is considerable, with possible efficiency savings of up to £5 billion per year.[440]

5.9 Key benefits for the road and rail infrastructure markets – and wider UK economy – would include:

(a) **Reducing costs:** through measures that incentivise standardisation of designs to reduce costs and support innovation in production, reduce bid

[440] The National Infrastructure Commission (2024), Cost drivers of major infrastructure projects in the UK – Methodology and technical annex, p18 indicates a range of possible efficiency savings of 10-25%. When applied to the annual expenditure noted in Appendix A (paragraph A.1), which the CMA estimated to be approximately £19 billion in 2023/24, this amounts to approximately £2-5 billion of potential savings.

costs for suppliers, and increase the capacity and effectiveness across public authorities in deploying their market shaping role;

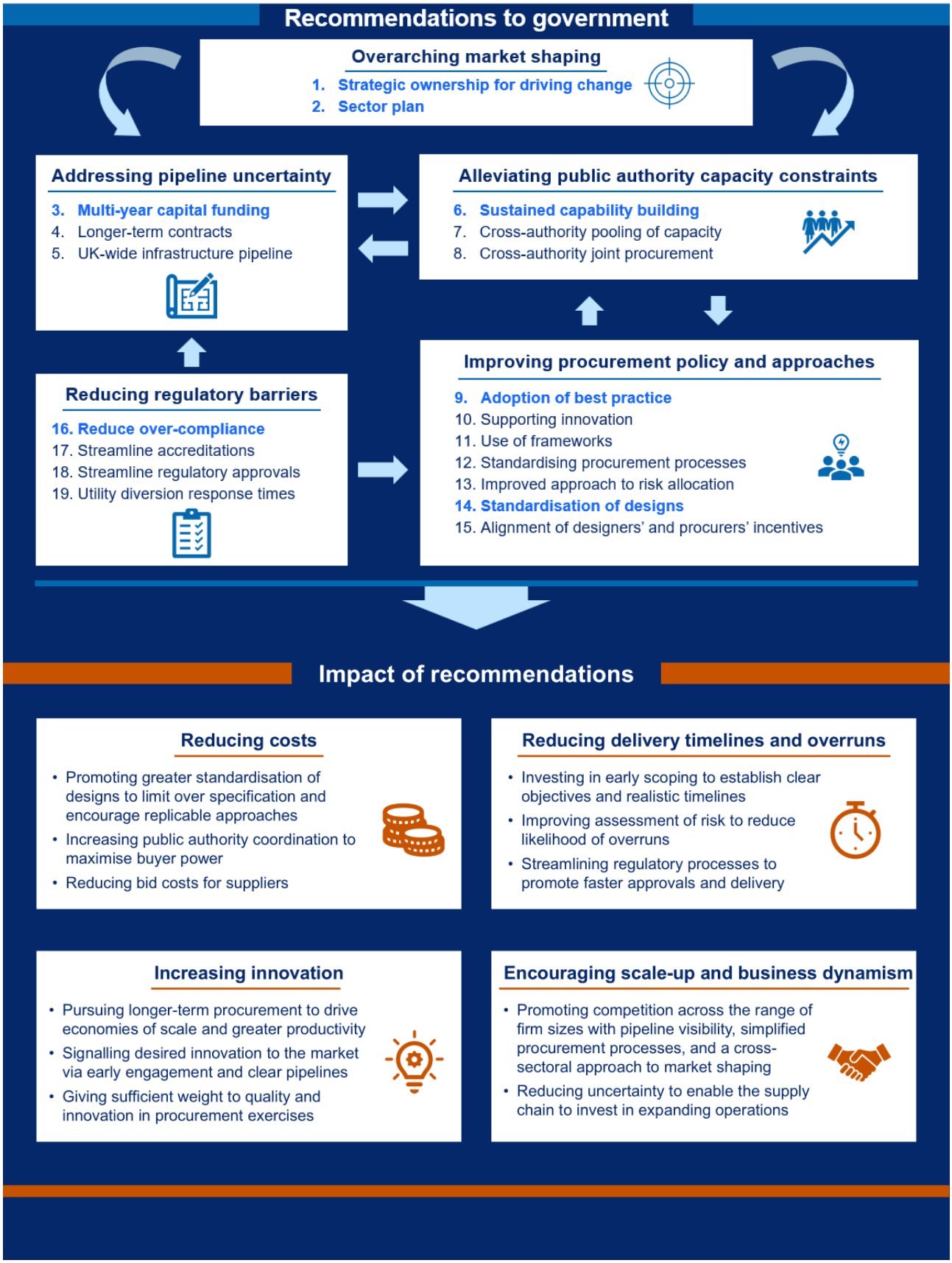
(b) **Reducing delivery timelines and overruns:** through measures that improve scoping, early market engagement and the handling of risk to reduce the likelihood of overruns, and streamline regulatory processes;

(c) **Increasing innovation:** through measures that pursue longer-term procurement to drive economies of scale and returns to investment, provide transparent pipelines and desired innovations for future works, and give sufficient weight to quality and innovation in procurement exercises; and

(d) **Encouraging scale-up and business dynamism:** through measures that promote competition across the range of firm sizes with simplified procurement processes, streamlined regulation, and reduced uncertainty to enable the supply chain to invest in expanding operations.

5.10 **Figure 6.1** below summarises how our measures would deliver better outcomes. The package is aimed at addressing the root causes we identified as holding back the market. Some of these recommendations are more fundamental to achieving the desired impact (highlighted light blue). However, our recommendations' overall impact would be maximised with implementation of the package in full, reflecting mutually reinforcing improvements and positive feedback loops.

Figure 5.1: Summary of impact of recommendations



5.11 We set out the recommendations below, grouped under each of the root causes being targeted. We also note the interdependencies between the different elements of the package, which make some measures mutually reinforcing, and how we have weighed up relevant trade-offs. We recognise that some of our recommendations involve trade-offs with other policy aims, on which it will be for government to determine the appropriate balance – though we would note that the counterfactual, of taking no action in the direction we recommend, would involve the continuation of current sub-optimal outcomes. In order to help inform decision-makers, we also note possible key implications and impacts of adopting our recommendations below.

Overarching market shaping

5.12 The public sector, in its role as the primary source of demand and regulation in the road and rail civil engineering sector, shapes and influences industry structures and the parameters of competition. Government thus has powerful tools at its disposal to shape the market; but a fragmented or un-strategic approach across the public sector as a whole risks failing to capitalise on this potential impact, or to drive and embed necessary system-wide reforms. Furthermore, ongoing monitoring and transparent reporting can play a valuable role in supporting accountability and incentivising delivery against government initiatives and objectives.

Recommendation 1 – Strategic ownership for driving change

Recognising its overarching responsibility for infrastructure strategy across the public sector, and its ability to deploy the necessary convening powers and levers within the UK government, we recommend that HM Treasury takes strategic ownership for driving and overseeing the necessary system-wide changes to actively shape the market.

This is a critical recommendation and is necessary to overcome the fragmentation of accountability for civil engineering across a range of departments and bodies; address the persistent failure to track and drive forward the implementation of previous recommendations and reform initiatives; and tackle the range of interlinked and deeply-rooted issues in the sector. Strategic ownership by HM Treasury would also enable a cross-sectoral approach if the UK government decides to extend the scope of our recommendations to other areas of civil engineering.

In practice, we would envisage NISTA playing a central role in providing the necessary strategic coordination, advice and oversight to deliver the system-wide change that is required. This aligns with NISTA's mandate – under its foundational Memorandum of

Understanding between HM Treasury and Cabinet Office – to drive improvements at the policy, project, programme, portfolio and system level.[441]

Recommendation 2 – Sector plan

We recommend that the UK government, in consultation with the Scottish and Welsh governments and the Northern Ireland Executive: (i) publish a strategic sector plan for civil engineering in the road and rail sector; and (ii) report annually on progress against that sector plan.

This is a critical recommendation. An overarching, integrated, strategic plan for the market and supply chain will play a core role in tackling the range of interlinked and deeply-rooted issues in the market, and in delivering the system-wide change needed.

This sector plan should set out a coherent, system-wide set of objectives and actions for civil engineering in the road and rail sector. This would include a framework for proactively shaping the market through public procurement and regulation, altering incentives for public authorities and breaking down barriers to investment and innovation. It should clearly set the desired priority outcomes for the market to deliver, including any necessary trade-offs (such as the extent to which it wishes to leverage economies of scale versus prioritising opportunities for SMEs, and the extent of standardisation of designs versus flexibility), alongside concrete actions – with a clear set of timelines and owners – to implement changes and monitor outcomes.

The UK government should also give careful consideration as to the appropriate scope of the sector plan, including whether it should extend beyond road and rail, in line with the approach taken to Recommendation 1.

Overall responsibility for the development and implementation of the sector plan should be assigned to a single department within UK government. If the scope of the sector plan is limited to road and rail, we consider that the Department for Transport would be well-placed to take on this responsibility. However, in these circumstances, it will be important for the Department for Transport to ensure that the sector plan is developed in line with the strategic approach set by HM Treasury under Recommendation 1. Input from other relevant departments and bodies would also be required in line with their respective responsibilities. As this will interact with devolved matters, this should be done in conjunction with the Scottish and Welsh governments and the Northern Ireland Executive to work for the whole UK.

Both of these recommendations (1 and 2) would also facilitate the decision-making and reporting set out in other recommendations in this package (such as Recommendations 6-8 and 14).

[441] National Infrastructure and Service Transformation Authority (2025) NISTA Memorandum of Understanding.

Pipeline uncertainty

5.13 As noted earlier in this report, respondents to the interim report consultation identified pipeline uncertainty as one of the major factors contributing to short-term procurement approaches, lower supplier confidence to invest in staffing and equipment, and thereby lower levels of productivity and innovation across the sector. Increasing funding certainty and improving pipeline visibility were also consistently ranked by respondents as the most important measures that governments could take to improve outcomes.

5.14 Therefore, we consider that measures to provide stable, long-term funding for public procurers, and greater transparency and certainty for suppliers regarding future programmes of work, would address one of the key barriers to investment and innovation. We are recommending three measures to address these issues:

Recommendation 3 – Multi-year capital funding

We recommend that the UK, Scottish and Welsh governments and the Northern Ireland Executive each implement multi-year capital budgets (of at least three years) for all procuring authorities.

This is one of the recommendations we consider fundamental to achieving the desired impact of our recommendations.

It will enable procurers to have more stable funding and procurement plans, facilitating investment decisions and creating the conditions for increased innovation. Crucially, it should unlock more strategic procurement approaches across all procurement activity and provide greater certainty across the sector.

We recognise that this recommendation comes with the trade-off of reduced flexibility for government; while public authorities would benefit from greater financial autonomy, government would have less ability to adjust budgetary allocations year-on-year. We consider that key benefits for the sector would be unlocked with a multi-year budget period of a minimum of three years.

We consider HM Treasury, with support from DfT, would be best placed to deliver this recommendation for UK government.

Recommendation 4 – Longer-term contracts

We recommend that the UK, Scottish and Welsh governments and the Northern Ireland Executive each give all procuring authorities greater flexibility to commit to contracts that extend beyond budget settlement periods. This would include the setting of budget and timeline thresholds within which procurers can make commitments without requiring case by case central approvals.

This will provide suppliers with increased certainty over a programme of work, reduce bid costs for all parties, and support collaborative and innovative contracting arrangements. This should come alongside the greater use of longer-term contracting in general, including greater contracting for programmes of projects rather than project-by-project, which is part of Recommendation 9 below.

As with Recommendation 3, we recognise the trade-off of reduced flexibility for government, and also recognise that increased use of long-term contracting could also favour larger firms that can fund and commit to larger contracts – but this is balanced against the clear benefits from appropriately greater use of longer-term commitments.

We consider HM Treasury would be best placed to deliver this recommendation for UK government.

Recommendation 5 – UK-wide infrastructure pipeline

(i) We recommend that NISTA, in collaboration with the Scottish and Welsh governments and the Northern Ireland Executive, expands its infrastructure pipeline to include road and rail projects planned by the devolved governments and their arms-length bodies.

(ii) We recommend that NISTA's pipeline should be expanded to include information for each project on: funding confirmation status; planning approvals status; intended timelines for procurement; and intended procurement method.

This will provide greater visibility for suppliers on upcoming opportunities, with the improved transparency enabling more efficient and effective planning by firms in the supply chain, and facilitating an increase in targeted capacity-building and investment.

5.15 Within this area of recommendations, a particular interdependency to highlight is between Recommendation 3 and 5: the robustness and reliability of information within an expanded pipeline would be considerably supported by multi-year capital funding that enables procuring authorities to commit to plans in advance.

Procurement authority capacity constraints

5.16 In a well-functioning market, we would expect public authorities to be robustly equipped with the ability to make the range of complex and strategic decisions involved in road and rail procurement so as to maximise value for money. To do this requires them to possess the capacity and capability to effectively make a wide range of often difficult judgments across a complex set of considerations. However, we have found that public authorities can struggle to fund and source the specialist staff and invest sufficient time in procurement activities to fulfil these roles effectively. Given the importance and impact of this role, even small

improvements in capacity and capability could deliver a significantly positive impact on market outcomes.

5.17 We are therefore putting forward a series of recommendations to address public authority capacity constraints. These are centred on the following themes:

(a) Strengthening the core capabilities of public authorities in civil engineering, procurement, commercial and project management disciplines;

(b) Encouraging greater collaboration between public authorities to pool resources and expertise across organisations; and

(c) Encouraging more joint procurement to harness the benefits of the public sector's buyer power.

5.18 We have found that skills shortages and limited capacity in public authorities restrict effective procurement and project delivery. We are recommending three measures to address this:

Recommendation 6 – Sustained capability building

We recommend that the UK, Scottish and Welsh governments and the Northern Ireland Executive each publish a civil engineering strategic workforce plan that sets out how they will strengthen the commercial and technical capability of all public procuring authorities, and report regularly on progress against this.

This is one of the recommendations we consider fundamental to achieving the desired impact of our recommendations.

Strengthening procurers' commercial and technical capacity and capability is fundamental to ensuring public procurement can take full benefit of market-shaping opportunities, reduce costs, and deliver the strongest outcomes.[442] A strategic plan to achieve this should include targeted actions to address persistent challenges in recruitment, retention and skills. This plan, and the annual reporting against it, could form part of the sector-wide plan and reporting in Recommendation 2.

We consider this should form part of the sector-wide plan with delivery supported by MHCLG, GCA and DfT.

Recommendation 7 – Cross-authority pooling of capacity[443]

We recommend that the UK, Scottish and Welsh governments ensure that all local authorities have sufficient access to sources of pooled capacity to support their

[442] By commercial and technical we mean procurement, commercial (including (quantity surveyors), legal and civil engineering professions.
[443] Note that, in Northern Ireland, procurement of road and rail infrastructure is already centralised under Northern Ireland's Department for Infrastructure and Translink respectively.

road procurement and contracting activities. Governments should evaluate, and report on, demand for and use of pooled capacity on an annual basis, and address gaps identified.

This will help ensure authorities can access the specialist advice and support they need – reducing reliance on external consultancy, and making more effective use of commercial and technical skills in the public sector, without requiring each authority to develop and maintain the full range of skills in-house. Government could report on its annual evaluation as part of the reporting in Recommendation 2.

Governments could draw from, for example, the New Zealand model of Crown Infrastructure Delivery (CID), which helps government agencies by providing specialist infrastructure delivery support.[444]

We consider that MHCLG or DfT would be best placed to lead delivery of this recommendation for UK government, with support from NISTA and GCA.

Recommendation 8 – Cross-authority joint procurement[445]

(i) We recommend that the UK, Scottish and Welsh governments work with local authorities in their respective nations to identify and pursue further opportunities for joint procurement of road infrastructure. Governments should publish on an annual basis where they have facilitated joint procurement amongst local authorities and disseminate key learnings with local authorities.

(ii) We recommend that Network Rail[446] identify and pursue opportunities for more centralised procurement across the five Network Rail regions. The UK government should ensure, where appropriate, effective joint procurement is utilised between regions, and in collaboration with the Scottish Government and the Welsh Government.

This will provide procuring authorities with more buyer power, drive greater value for money, and combat duplication and/or conflict in authorities' work. Annual reporting on this measure could form part of the reporting under Recommendation 2.

We consider that DfT would be best placed within UK government to ensure effective joint procurement is utilised.

5.19 These measures are mutually reinforcing, as pooling of capacity can support sustained capability building across public authorities, and greater collaboration is also likely to facilitate more opportunities for joint procurement.

[444] CID, Delivering and supporting Crown infrastructure across New Zealand, accessed on 11/05/26.
[445] Note that, in Northern Ireland, procurement of road and rail infrastructure is already centralised under Northern Ireland's Department for Infrastructure and Translink respectively.
[446] And Great British Railways once operationalised.

Procurement policy and approaches

5.20 Procurement policy, culture and practice play a fundamental role in shaping the incentives faced by public procurers and firms – and, as the primary buyer, how government conducts procurement will fundamentally influence the wider shape and dynamism of the market. Government's approach to procurement can thus drive and harness competitive practices, support innovation and encourage firm scale-up and market dynamism. This needs to be driven through both the procurement policy environment and individual procurement decisions.

5.21 One particular area we have considered is how procuring authorities can be supported and incentivised to focus on maximising value over the longer term, including through incentivising innovation and investment, and bring down system costs. Another area is how best practice in procurement can be adopted more widely, as we have found that although best practice is generally widely known and understood it is not consistently adhered to.

5.22 There are also a range of related and further procurement policies and issues we have explored, with a particular focus on how competition could be made to operate more effectively. These include: 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; and where procurement frameworks are used, how competitive pressure could be more effectively utilised.

5.23 We are recommending the following measures to address these issues:

Recommendation 9 – Adoption of best practice

We recommend that the UK government should mandate compliance with the Construction Playbook and its accompanying Guidance Notes – ending the current 'comply or explain' approach – for national procuring authorities.

Similarly, the Scottish and Welsh governments and the Northern Ireland Executive should mandate compliance with the Client Guide, Transport Appraisal Guidance, and Construction Toolkit for national procuring authorities.

As part of this, governments should publish a comprehensive implementation plan for how they will support and ensure compliance, and monitor and report on compliance on an ongoing basis.

This is one of the recommendations we consider fundamental to improving outcomes in the market.

Widespread adoption of best practice will ensure the public sector takes advantage of the opportunities to increase competitive tension in procurement, drive long-term value, and

shape the market in line with its objectives. By providing for consistent adoption of a number of actions and ways of working that overlap with our recommendations elsewhere in the package (including Recommendations 4 and 11-13), this recommendation is a fundamental component of the effectiveness of the package as a whole.

This recommendation includes the widespread adoption of best practice guidance on early market engagement. We have heard from multiple stakeholders that procuring authorities are sometimes dissuaded from pursuing early market engagement due to fears over potential negative impacts on competition and compliance with competition law. Recognising the important role that early contractor engagement can play in driving improved market outcomes, we note that, provided conducted appropriately, we would not ordinarily expect it to raise competition law concerns.

For the UK government, the GCA review of the Construction Playbook due this year can be used to make any changes that would be required to support mandation; and HM Treasury can require compliance as part of the public spending framework.

Recommendation 10 – Supporting innovation

We recommend that the UK, Scottish, and Welsh governments and the Northern Ireland Executive require all national public authorities to publish, at least every three to five years, target areas for innovation in their supply chains. This should be supported by funding and regular reporting as appropriate.

This will provide greater confidence for suppliers in where innovations (such as industrialised construction methods) would be likely to be welcomed by public procurers, which would encourage investment and inclusion in bids. This should also support and underpin the approach taken by procuring authorities in their project, programme, and portfolio procurement strategies to proactively considering and encouraging innovation, investment, and opportunities for long-term cost reduction.

As well as this recommendation, a number of other recommendations in our package (such as Recommendations 1-5, 13-15 and 18) would support investment in, adoption and dissemination of innovation in the sector.

We consider that DfT would be best placed to deliver this recommendation for UK government.

Recommendation 11 – Use of frameworks

We recommend that the UK, Scottish and Welsh governments and the Northern Ireland Executive ensure that all future national road and rail public procurement frameworks adhere to the Gold Standards set out in the 2021 Mosey review.[447]

[447] Gold Standard Report.

The 2021 Mosey review conducted an objective, independent review of public sector construction frameworks, and set out recommendations for a 'Gold Standard' for frameworks and framework contracts. Ensuring all future frameworks adhere to those Gold Standards will drive and support adherence to best practice, and improve the outcomes delivered by framework strategies, procurement, contracting and management – including lower procurement costs, greater value for money, and reduced risk.

We consider that GCA would be best placed to deliver this recommendation for UK government.

Recommendation 12 – Standardising procurement processes

We recommend that the UK, Scottish and Welsh governments and the Northern Ireland Executive each conduct a review to identify opportunities for, and deliver, greater standardisation of procurement processes across procuring authorities.

This should consider opportunities for greater standardisation across the procurement lifecycle, including processes, compliance, data requirements, administrative requirements (such as forms and documents used in supplier submissions), and approaches to bid evaluation. It should incorporate best practice examples from organisations across the UK.

Delivering greater standardisation in procurement processes across public authorities will reduce administrative burdens on suppliers, support increased competition in public tenders, and lower barriers to entry and growth opportunities for SMEs.

We recognise that this recommendation comes with a trade-off between flexibility for individual procurers to tailor processes to their own needs and wants, and the efficiency gains and lowered barriers to entry that come through standardisation.

We consider that GCA, with support from DfT, would be best placed to deliver this recommendation for UK government.

Recommendation 13 – Improved approach to risk allocation

We recommend that national procuring authorities should conduct a zero-based review of Z clauses in model contracts, to remove historical clauses altering how risk is allocated that are no longer required.

While Z clauses – which allow procuring authorities to include additional, bespoke conditions of contract – may be used for valid reasons, we have consistently heard that they are overused, resulting in the inappropriate allocation of risk throughout the supply chain. Reducing their use will improve and standardise the approach taken to the allocation of risk to suppliers by public authorities.

Other recommendations in our package, particularly Recommendation 9 on the mandating and widespread adoption of best practice and Recommendation 12 on standardising

procurement processes, will also play a key role in ensuring that risks are owned or jointly owned by the party or parties best able to manage and bear them.

We consider that GCA would be best placed to deliver this recommendation for UK government.

Recommendation 14 – Standardisation of designs

We recommend that the UK, Scottish and Welsh governments and the Northern Ireland Executive should determine and mandate for national procuring authorities the use of a limited set of standard designs for certain road and rail infrastructure outputs (such as bridges, gantries, and other common structures that are repeated across projects).

This is one of the recommendations we consider fundamental to achieving the desired impact of our recommendations.

This will create a virtuous cycle of a more predictable and efficient environment for infrastructure development – reducing system costs, delivery risk, and burdens on procurers, and driving opportunities and incentives to take advantage of economies of scale, including investment in practices such as industrialised construction methods.

There have been a range of successes in standardising designs internationally, including in high speed rail in France, bridges in Germany, and metro stations in Canada (see Appendix B). We also note parallels to Ireland, where there are mandatory national design standards that apply to roads across all urban areas.[448]

We recognise that this recommendation comes with the trade-off in some cases of reduced flexibility for public authorities to tailor requirements for individual projects, such as designing to local preferences or aims, and innovation in designs. However, our strong view is that the widespread reliance on project-by-project bespoke design in the UK raises long-term costs, increases the capacity required by procuring authorities, and lengthens delivery timelines – and that reducing costs requires much greater standardisation than at present.

We also recognise the potential trade-off of locking in advantages for firms that already have experience in the specific standardised designs determined by government, and thereby of creating advantages for a subset of suppliers. This may have a negative impact on SME entry and growth in the market. However, this effect could be mitigated by measures such as ensuring transparency in the designs to be used, while consistent application of best practice and more standardised procurement approaches (recommendations 9 and 12) should facilitate improved competition, entry and scale-ups in the market. When determining standardised designs government should manage

[448] Design Manual for Urban Roads and Streets, Government of Ireland, accessed 11/05/26.

intellectual property (IP) appropriately, using existing IP guidance, so that they can be open to use by the wider market.

We consider that DfT would be best placed to deliver this recommendation for UK government.

Recommendation 15 – Alignment of designers' and procurers' incentives

We recommend that the UK, Scottish, and Welsh governments and the Northern Ireland Executive review and strengthen their best practice guidance on aligning external designers' incentives with those of public procurers.

This will drive more efficient outcomes – with well-aligned incentives between designers and procurers fundamental to ensuring that designs deliver long-term value for money, in construction and across the lifetime of the infrastructure asset. It should also reduce demands on procuring authorities' resources and expertise.

This recommendation would be supported by Recommendation 9 on mandating widespread adoption of best practice, and Recommendations 6 and 7 – which would strengthen the ability of procuring authorities to engage with, challenge and shape design proposals to ensure they maximise long-term value for money.

We consider that GCA, with support from DfT, would be best placed to deliver this recommendation for UK government.

Regulatory barriers

5.24 We have found that complex and slow regulatory processes impede project delivery, raise barriers to entry and expansion, and limit efficiency-driving innovation. Proportionate, targeted regulation allows for a predictable and efficient landscape for infrastructure development, which can improve delivery of civil engineering projects in road and rail. This environment is also key for driving investment into the sector and supporting innovation, as well as facilitating entry into markets and cultivating the right environment for successful businesses to scale. As such, we are putting forward four recommendations to address these concerns.

Recommendation 16 – Reduce over-compliance

(i) We recommend that the UK, Scottish and Welsh governments and the Northern Ireland Executive direct regulators and public bodies[449] with standards-setting responsibilities to establish and run an open-ended challenge function for industry

[449] Such as the Office of Rail and Road, National Highways, Network Rail and the Rail Safety and Standards Board.

to challenge any standards, for both designs and products, on the grounds that they are out of date, duplicative or redundant.

(ii) In addition, the UK, Scottish and Welsh governments and the Northern Ireland Executive should agree and enforce sets of consistent regional standards for 'preferential requirements' by local authorities for civil engineering projects.

(iii) The UK government should also consider updating the Railway Regulation Act so that Network Rail[450] has equivalent legal powers as National Highways to access adjacent land to conduct civil engineering works for enhancement and renewals.

This is one of the recommendations we consider fundamental to achieving the desired impact of our recommendations.

These measures will help reduce system costs, and lower barriers to entry. Ensuring more agility and responsiveness by standards setters and managers will facilitate lower costs for firms, greater innovation, and increased competition. Consistent standards for preferential requirements (elements of design or engineering specifications which reflect preferences rather than technical necessity) will reduce barriers to entry for firms and increase efficiency in cross-regional operations, as well as supporting greater joint procurement (Recommendation 8). Granting Network Rail access rights to adjacent land equivalent to those of National Highways would significantly reduce the risk of delays involved in current processes and increase the speed of delivery, though government is best placed to consider if the trade-off between access and landowner rights should be similar in rail as in road.

We consider that DfT, with support from the ORR, would be best placed to deliver this recommendation for UK government.

Recommendation 17 – Streamline accreditations

We recommend that the UK, Scottish and Welsh governments and the Northern Ireland Executive should review the existing range of supplier accreditations for duplication and set a single approved list of accreditations that are acceptable for firms working on public road and rail infrastructure projects.

In particular, governments should focus on reducing duplication amongst Safe Schemes in Procurement (SSIP) providers and the use of multiple Pre-Qualification Questionnaires or platforms, increasing mutual recognition between accreditations where possible, as well as encouraging more consistent use of the Common Assessment Standard (CAS).

This streamlining will reduce administrative burden on suppliers, with particular benefit for SMEs, and facilitate greater market access and competition.

[450] And Great British Railways once operationalised.

We consider that Cabinet Office, with support from DfT, would be best placed to deliver this recommendation for UK government.

Recommendation 18 – Streamline regulatory approvals

The UK government should direct regulators and public bodies[451] to streamline approvals processes for new technologies in road and rail infrastructure and establish fast-track approval processes, which should include the recognition of reference-class data.

As part of this, government should also promote dialogue between regulators and international counterparts to consider successful approvals/deployment lessons.

This streamlining of approvals should encourage the development and rollout of new innovations across the supply chain.

Similar initiatives to approve new products have been used in Norway to speed up the route to market for alternative materials for road structures and tunnels, and the outputs of such pilots will lead to relevant recommendations for new approval processes for product regulations.[452]

We consider that DfT, with support from the ORR, would be best placed to deliver this recommendation for UK government.

Recommendation 19 – Utility diversions response times

We recommend that the UK, Scottish and Welsh governments and the Northern Ireland Executive direct sector regulators[453] to agree and monitor standardised response times for utility diversions.

The need for utility diversion arises when utility networks (such as cables or pipes) need to be relocated or altered in some way to enable engineering works. Delays in addressing such requests can contribute to significant cost and time overruns in project delivery, and introducing more consistent response times that are subject to active monitoring would help to address this.

We consider that DfT would be best placed to deliver this recommendation for UK government.

Interdependencies

5.25 Throughout our package of recommendations, the measures proposed are interdependent and mutually reinforcing. To maximise impact, therefore, measures

[451] Such as National Highways, Network Rail and the British Board of Agrément.
[452] BVM Vegbygging, Pilotering, accessed on 05/05/26.
[453] These include Ofcom, Ofgem, Ofwat, the Utility Regulator and the Water Industry Commission for Scotland.

should be implemented in tandem. This applies to recommendations across our package, as well as those within the groupings of overarching market shaping, pipeline certainty, procurement authority capacity constraints, procurement policy and approaches, and regulatory barriers. We have highlighted intra-section overlaps above, and highlight some additional key overarching interdependencies below.

5.26 Recommendation 1 on strategic ownership for driving change provides for deliberate, strategic decision-making on approaches to road and rail, and Recommendation 2 concerns regular reporting of progress against objectives to support progress and ownership. These would support the delivery of multiple recommendations, including:

(a) Publishing a civil engineering strategic workforce plan (Recommendation 6);

(b) Reporting on use of joint procurement (Recommendation 8);

(c) Highlighting target areas for innovation (Recommendation 10); and

(d) Setting out the degree of increased standardisation of designs (Recommendation 14).

5.27 Recommendation 10 on supporting innovation provides for direction from public procurers on where suppliers could aim to provide innovative solutions. Innovation also requires space for suppliers to analyse opportunities and make their own investment decisions with confidence, as well as flexibility for procurers to adopt new proposals. Achieving this requires multiple measures to be enacted, such as:

(a) Strategic ownership for driving change (Recommendation 1) that drives an agenda across public authorities of seeking, adopting and rolling out innovative practices;

(b) Longer-term funding (Recommendation 3), contracts (4) and transparent pipelines (5) to signal opportunities for investment and provide increased incentives for doing so;

(c) Alignment of designers' and procurers' incentives (Recommendation 15) that increases design focus on long-term value and greater use of standardised designs (Recommendation 14) that unlocks the opportunity for increased deployment of industrialised construction methods; and

(d) Streamlined regulatory approvals (Recommendation 18) that allow innovative practices to be adopted in a cost-effective manner, and disseminated across the industry.

5.28 Recommendation 9 on best practice provides for widespread adoption of a number of actions or ways of working that dovetail with our recommendations

elsewhere in the package. For example, the implementation of Recommendation 9 would support the effectiveness of other recommendations by strengthening:

(a) Use of long-term contracts (Recommendation 4);

(b) Pipeline visibility (Recommendation 5);

(c) Standardisation of procurement processes (Recommendation 12);

(d) Appropriate allocation of risk in procurement contracts (Recommendation 13); and

(e) Alignment of incentives between designers and procurers (Recommendation 15).

Next steps

5.29 We consider that implementing this package of measures is essential to driving improved outcomes in the market, and a greater contribution to UK productivity and growth. We therefore strongly encourage governments to act on our recommendations, with speed and in full.

5.30 Following publication of our final report, we stand ready to engage further with governments, market participants and other interested parties on our recommendations and support their implementation.