

## Insights

# CMA'S INTERIM REPORT INTO ROAD AND RAIL CIVIL ENGINEERING

Dec 18, 2025

## SUMMARY

In July we wrote about the [Competition and Markets Authority's proposed study](#) into the road and rail sectors, aimed at supporting the government's ambitious 10-year strategy for infrastructure growth. The CMA has now published its [interim report](#), setting out its emerging findings and possible remedies. The CMA's final report is due to be released in April 2026 and the focus is on how market interactions between public bodies and the business supply chain can best incentivise cost-effective delivery of rail and road infrastructure. It also considers whether public procurement and regulatory processes could make it easier for firms to enter, expand, invest and innovate. As noted in the interim report, rail and road, excluding HS2, accounted for 70-75% of government expenditure on economic infrastructure in 2022 and in 2023-24 the total annual expenditure on public roads was expected to be about £10.3 billion, with about £8.7 billion spent on railways. Importantly, whilst the focus is on the road and rail sectors, the CMA has previously stated that its *"findings may identify lessons that may be equally as informative for civil engineering in other areas of economic infrastructure"*.

## The CMA's interim findings

The CMA's overarching assessment, following consultation with industry stakeholders, is that the market is caught in a negative cycle, which leads to poor outcomes. In particular, the interim report outlines that public authorities that procure infrastructure projects often choose low-risk and low-cost contracting options, which can lead to worse outcomes in the project's later stages and result in missed opportunities to drive long-term growth and improvement. As a result, firms on the supply side lack sufficient incentives to invest and innovate, while also facing high administrative costs, high barriers to entry due to complex procurement processes, and an overreliance on costly and complex subcontracting arrangements.

The interim report identifies the following root causes of the market's negative cycle:

- Funding settlements and infrastructure pipelines are often short-term and volatile, reducing the opportunity and incentives for public authorities and the supply chain to plan and invest.
- The commercial and engineering expertise that public authorities can build and retain is often too limited, reducing the capacity for public authorities to undertake strategic, market-shaping procurement.
- Procurement policies and approaches are not working together to support a maximally competitive, productive and efficient market over the long-term.
- Regulatory barriers, such as processes for adhering to regulatory standards and planning processes, not only add compliance costs but can also be a barrier to firms scaling up and innovating.

Some of the specific points made include:

- The CMA's provisional assessment is that the cost of public road and railway infrastructure has been increasing in real terms, without delivering significant, observable improvements in delivery timescales or quality.
- Time overruns are also a common issue for road and railway projects, and this can in turn impact on project costs with lengthy delays, thereby resulting in cost inflation against initial budget estimates.
- There has been slow investment in, and adoption of, technological advances that could deliver efficiency savings; as a result, there has been significant unrealised potential for innovation in public road and railways.

Looking at the procurement process, it was found that low cost was preferred over innovation, which coupled with a reluctance to accept the costs of innovation until the benefits can be demonstrated, leads to a chicken-and-egg situation, where firms need to prove the value of the innovation before they can undertake it. There was also a concern that greater reliance is placed on procurement methods which have the lowest upfront cost or demand on capacity, rather than considering wider issues as well as an overuse of frameworks. Similarly, the CMA has expressed concern that a preference for use of frameworks over open competition for procurement has resulted in an overuse of frameworks which can lead to a misalignment with the work being procured. It was noted that the Procurement Act 2023 introduced a new concept of an 'open framework' and a new purchasing tool, that could improve the use of frameworks.

There was also a concern that uncertain pipelines impact suppliers' ability to plan and invest in their own capabilities to deliver future work and that a lack of pipeline visibility acts as a barrier in this market, particularly in relation to innovation and investment. This may be improved by NISTA's

introduction in July 2025 of the Infrastructure Pipeline platform, that will provide details of major capital projects.

The CMA's view was that procurement could be improved by better scoping, more collaboration and coordination between procuring authorities, more intentional choices as to how to procure and improving bid evaluation criteria. It was noted that early supply engagement was not used effectively, despite the recommendations in the Construction Playbook. Another issue highlighted was an overly risk averse approach, seeking to have suppliers own the whole risk which means an over-cautious approach that adds costs to projects.

Looking at factors that affected employers and suppliers, it was noted that civil engineering projects face many different risks to delivery, including availability of government funding and cancelled schemes, ground and weather conditions, underdeveloped design, regulatory and safety and other risks. This was relevant to risk allocation, where the CMA noted that once a supplier is appointed, the nature of incentives and competitive pressures change significantly. The report compares lump sum contracts, cost reimbursable contracts and target costs contracts in terms of risk allocation and incentives. Interestingly, it was noted that the collapse of Carillion appears to have led to some rebalancing of risk allocation and some national public authorities shifting towards taking on more client risk in contract strategies, and suppliers being more selective in work they bid for.

In that context, the report noted the use of z clauses (amendments to standard form contracts) to allocate risks to contractors that are outside the contractors' control. The CMA's view was that while there are legitimate reasons to use z clauses, their use to re-allocate risks runs counter to the guidance provided by NEC.

## **Proposed potential measures and remedies**

The CMA is considering measures that will address the root causes and change the incentives for procurers and firms to shift the market's behaviour towards a longer-term focus, more efficient approaches, and higher investment. These fall into the following categories:

- Exploring ways to create a more stable and predictable funding environment, enabling authorities and suppliers to plan and invest for the long term.
- Considering how to strengthen procurement capability across public bodies, ensuring the right skills and expertise are in place to deliver effective contracts.
- Looking at approaches to encourage a more balanced approach to risk, so that procurement practices reward innovation and performance rather than caution.
- Examining opportunities to streamline regulatory processes and accreditations to reduce unnecessary costs and delays, making it easier for firms – especially smaller ones – to enter

and grow.

- Identifying ways to foster greater collaboration and consistency across government, public authorities, and industry to drive efficiency and value for money.

## Next steps

The CMA will hold a [webinar](#) to give stakeholders an overview of the interim report and how to respond to it on **8 January 2026**, and is also consulting on its findings (see section 5 of the report). The deadline to respond to the consultation is **28 January 2026**. The CMA has also indicated that it might send more requests for information, or meet with more civil engineering businesses, local authorities, procuring bodies and regulators before publishing its final report.

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