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## **1. INTRODUCTION**

- 1.1. This paper provides the Railway Industry Association's (RIA) response to the questions raised in the Competition and Markets Authority's (CMA) call for evidence for its market study into the civil engineering sector and the preparation and delivery of rail and road projects. The response draws on a roundtable discussion between RIA members and the CMA as well as RIA's previous work.

## **2. ABOUT RIA**

- 2.1. RIA champions a dynamic UK rail supply sector. We help to grow a sustainable, and high-performing railway as well as promoting UK rail expertise and products to international markets. RIA has over 450 companies in membership, which is active across the whole of railway supply, covering a diverse range of products and services and including both multi-national companies and SMEs (over 60% by number).

## **3. CHARACTERISTICS OF A WELL-FUNCTIONING MARKET**

- 3.1. Within the statement of scope, the CMA outline that a well-functioning civil engineering market would be expected to have the following characteristics:
  - Appropriate project budgeting and design specification, including input from potential suppliers, to test the viability of different options in advance of launching a procurement.
  - Effective procurement design, which balances quantitative and qualitative criteria, and incentivises suppliers to participate in tenders, submit accurate cost estimates and articulate any quality / cost trade-offs.
  - Proportionate planning and regulatory processes that minimise cost, complexity and unwarranted delays for both the procuring body and participating suppliers.
  - Predictable and shorter timescales for the delivery of infrastructure projects, underpinned by a productive supply chain.
  - Ultimately best value projects that deliver an efficient unit cost of infrastructure, meet high quality standards and underpin growth.
- 3.2. RIA agrees with these characteristics. The civil engineering sector would find it difficult to operate efficiently if these characteristics were not recognised and fulfilled. In addition:
  - An appropriately skilled workforce is a crucial characteristic of a well-functioning civil engineering market. This is closely related to the productive supply chain noted in the penultimate bullet point above. The National Skills Academy for Rail (NSAR) holds important evidence on the health of the rail workforce.
  - Aligning with the final point in 3.1, an efficient market would also be outcome-focused, as opposed to focusing solely on costs and budgets. Cost-only focused procurement can prevent innovation in the sector. For example, RIA members have expressed concerns with tenders that are overly prescriptive – often specifying in detail what a rail client might want built, rather than the problem which needs solving or the outcome which is desired.

- Finally, the CMA's outlined points could also be strengthened by explicitly recognising the importance of pipeline visibility as an enabler of a positive market. This is expanded upon below.

#### **4. THE CMA'S PROPOSED SCOPE (BOTH THE PRODUCT AND GEOGRAPHIC SCOPE) AND THEMES FOR THIS MARKET STUDY**

4.1. RIA supports the CMA's attention to planning, procurement, innovation, and structural reform in both rail policy and delivery, as outlined in Section 3 of the statement of scope document.

4.2. The UK rail civil engineering market is largely shaped by successive UK public sector procurements. It is important to consider both outcomes from individual procurements today, but also the impact of these procurements on the long-term health of the market, which is often not considered in individual projects. Key features of the rail market arise from the combination of:

- Public sector clients, where the ultimate rationale for investment is to achieve public outcomes (e.g. growth, housing or decarbonisation), which by their nature are often multi-sectoral, and require myriad interventions to coordinate effectively.
- Railway networks have long-lived assets, and whole-life management is critical to cost-efficiency as well as safety.
- Rail civil engineering projects are often of a scale and duration requiring multi-year planning.
- The need for rail civil engineering projects to integrate with other assets, particularly rolling stock and railway systems (signalling, electrification). This requires a whole-system planning approach and long-term planning to inform individual procurements.
- Because of the combination of capital and specialist skills required in railway engineering, commercial investment decisions have longer timescales than in many other industries. The expectation of how the public sector will invest and behave in future is an important determinant of company behaviour and investment decisions. Therefore, the signals created by public procurements can have a significant impact in shaping the wider market.

4.3. RIA therefore supports the wide strategic scope for reform and market efficiency. The emphasis on a forward-looking assessment, of how the market can operate to realise its potential to support economic growth, is welcomed.

#### **5. KEY DIFFERENCES IN THE MARKETS FOR THE SUPPLY OF ROADS AND RAILWAYS ACROSS THE FOUR NATIONS OF THE UK**

5.1. There are important differences across the rail and road sectors. Most notably, schemes on the operational railway depend on tightly constrained 'access' windows for engineering work. This contrasts with longer-term access for roads maintenance schemes. The duration of access to carry out works has a direct impact on costs: the shorter the duration of access, the higher the cost of work. There are also important differences in the skills required to deliver civil engineering schemes on the railway, for example the need for civils works to integrate with specialist railway energy and signalling systems.

- 5.2. There are also differences in how public authorities procure across the UK's four nations it may be beneficial to compare and contrast these as part of the study. The examples of projects in the next section include examples across England, Scotland and Wales. The creation of a Rail Skills Academy in Scotland has been possible partly through the commitment to a rolling programme of work.

## 6. RAIL AND ROAD INFRASTRUCTURE PROJECTS ACROSS THE UK THAT COULD BE USEFUL CASE STUDIES TO INFORM THE CMA'S MARKET STUDY.

- 6.1. There are many successful civil engineering rail projects that highlight good practice that could be shared more widely. RIA has identified a number of examples below for further exploration – the list is illustrative but not exhaustive.
- **East West Rail (EWR) Phase 1 & 2 (England).** The first two phases of EWR have been carried out through an alliance approach. This alliance is comprised of Network Rail, Atkins Realis, Laing O'Rourke, and Volker Rail. The alliance developed an efficient solution with the client and delivered the project seamlessly and efficiently.
  - **Core Valley Lines (Wales).** The investment approach is outcome-focused, and a whole-system (track and train) investment model. The Transport for Wales client model is different from a traditional approach.
  - **Scottish Decarbonisation Programme.** There is a clear strategy for the whole of this programme. The strategy moved away from a traditional project by project approach to establishing a rolling programme of enhancements, supporting efficiencies. Whilst not having sufficient funding to maximise efficiency, clearly established principles to support efficiency have continued to be adhered to.
  - **Track Renewal Alliances and the Southern Renewals Enterprise.** Long-term alliances have been designed to deliver high volume of track renewals, as well as reducing unit cost. However, some of these models have yet to see sufficient volumes of work to maximise efficiency. The Southern Renewals Enterprise has applied the Construction Playbook and Project 13<sup>1</sup> principles to establish aligned incentives between Network Rail and a number of large suppliers. The innovation is that all parties gain together, as such they are incentivised too corporate.
  - **Barmouth Viaduct (Wales) and Werrington Dive-Under (England).** These construction projects were complex, large scale civil engineering schemes that were delivered effectively and efficiently without major interference to public journeys during the process. Barmouth Viaduct was an old timber viaduct that, given its geographical location, needed major work to restore its structures. The viaduct had to be substantially refurbished/rebuilt. Werrington Dive-Under is a new build project, as a replacement dual-track grade, separated railway junction at Werrington Junction.
  - **Northumberland line, and Okehampton Branch, reopenings.** Both railway line reopenings adopted a 'minimum viable product' approach, and the specification was driven by funds available. County Councils were key stakeholders involved in driving the projects, with Northumberland County Council as the principal client for the Northumberland Line project and Network Rail as a delivery partner along with the wider supply chain.
- 6.2. There are also a number of well documented examples where projects have exceeded budgets significantly. Electrification projects, notably on the Great Western Mainline, have suffered from a stop-start approach to investment, hindering the continuous learning and expertise that would reduce delivery risks and financial costs. Many lessons

have been learnt from the pre-2018 electrification projects as detailed in RIA's Electrification report<sup>2</sup> such that electrification projects are now being delivered on time and under budget.<sup>3</sup>

- 6.3. Both Crossrail and HS2 have highlighted very important lessons to be learned in delivering 'mega' projects, which are well documented in independent reviews. Consistent lessons continue to emerge around planning, procurement and governance.

## **7. HOW DOES PUBLIC PROCUREMENT AND CONTRACTING IN THE MARKETS FOR THE SUPPLY OF ROADS AND RAILWAYS CONTRIBUTE TO, OR UNDERMINE, THE CHARACTERISTICS OF A WELL-FUNCTIONING MARKET?**

- 7.1. Discussions with RIA members have highlighted three major areas where there is scope to improve public procurement and contracting to secure greater efficiency.

### **7.2. Stable and visible work pipelines support investment and skills retention:**

- A key concern for RIA's members is the lack of a steady, visible pipeline of work. Uncertainty creates volatility that undermines both project delivery as well as workforce planning. Examples are the: lack of publication of the Rail Network Enhancements Pipeline (RNEP) for six years (although it was intended as an annual publication); the lack of a rolling stock plan and pipeline; short term funding settlements for organisations such as Transport for London; and that Network Rail has not so far been able to forecast supplier spend to the end of control periods, and has difficulty planning across control period boundaries.
- Combined with the lack of visibility, the historic peaks and troughs in rail investment levels (see RIA's recent submission on 'Boom and Bust' to the Transport Select Committee)<sup>4</sup> have made it difficult for companies to maintain staff, invest in training, or commit to apprenticeships. In autumn 2024, NSAR's annual Workforce Survey reported that the rail workforce dropped by 9.4% in one year.<sup>5</sup>
- A stable, long-term programme of work would be a powerful mechanism for supporting industry resilience and planning confidence.

### **7.3. Outcomes-oriented approaches and early engagement:**

- The importance of early market engagement has been emphasised by rail businesses, bringing suppliers into project planning before scope and solutions are fixed. This allows for risk to be allocated more sensibly, budgets to be better aligned, and delivery teams more effectively assembled. Further, it enables greater creation of strategic partnerships that use collaborative models and more flexible frameworks.
- Suppliers have expressed frustration with tenders that are overly prescriptive, often specifying in detail what the client wants built, rather than the problem which needs solving or the outcome which is desired. This approach limits innovation and disincentivises supplier expertise.
- Suppliers believe a shift to outcome-based framing from clients would allow for greater flexibility and would encourage more integrated thinking about delivery, sustainability and maintenance. Overall, procurement processes should be refreshed to focus on outcome-based, flexible models that encourage early market engagement, innovation, and competitive tension.

#### 7.4. **Reducing fragmentation, duplication and burdens from procurement processes:**

- The procurement and pre-construction phase of a project has a major impact on efficiency. Current approaches often favour short-term cost over long-term value and often fail to apply good practice around collaborative partnership models.
- Suppliers report that they are repeatedly required to submit the same Pre-Qualification Questionnaire (PQQ) information across similar tenders – even when they have already demonstrated capability, accreditation, and compliance with relevant standards. Simplifying and standardising pre-qualification requirements could lead to substantial efficiency gains – enabling suppliers to focus on delivery, rather than navigating inconsistent bureaucratic steps.
- RIA and our members appreciate the positive role that frameworks can play in the market. There must be continuous work put through these frameworks. However, there are still too many zero-value frameworks, and far too many zero-value frameworks with no work being put through them. This means that companies spend considerable resources on bidding, but do not get a return. The costs of wasted bidding ultimately reflect a loss of industry resources (in the long run, companies need to anticipate this as part of their overall costs).
- Suppliers report concerns that some clients are pursuing new frameworks, despite already having effective mechanisms in place. This results in additional qualification hurdles and imposes further cost on the market. A more consistent, centrally-coordinated approach – with standardised frameworks and scoring methodologies – would improve efficiency and ensuring that suppliers can operate at scale.
- Suppliers also report that fragmentation of frameworks across different clients can impose additional qualification hurdles and imposes further cost on the market. Fragmentation undermines long-term planning and inhibits the potential for strategic, programme-wide relationships between clients and suppliers.
- It is often the case that tendering processes are weighted too much towards cost, rather than technical quality. Procurement approaches that better balance cost and quality, and enable realistic pricing of specialist or value-added services, were seen as critical to achieving better whole-life outcomes.

#### **8. TO WHAT EXTENT DO YOU THINK THE STRUCTURE OF THE INDUSTRY CONTRIBUTES TO, OR UNDERMINES, THE OUTCOMES OF A WELL-FUNCTIONING MARKET?**

- 8.1. The structure of the rail industry is changing, with the process to create Great British Railways (GBR), which will become the largest client in the railway industry, responsible for some £11-12bn of spending through third parties. At the same time, the UK Government is devolving greater responsibility for transport spending (including rail schemes) through Mayoral Combined Authorities. Together these reforms will significantly change the client landscape for the rail supply chain.
- 8.2. Rail reform, and the creation of GBR, is an opportunity to address longstanding weaknesses in how the public and private sector work together to deliver national rail infrastructure. For example, GBR is proposed to have powers to establish long-term plans which could support greater pipeline visibility.

- 8.3. In 2022 RIA set out five broad tests for GBR to ensure the restructure is a success:
- **No hiatus in current work:** The majority of railway spend is with the private sector - there cannot be a pause in this work;
  - **Ambition:** Leave a positive legacy, including in safety, decarbonisation, exports and the economy;
  - **Productivity:** Ensure the rail industry is able to thrive - financial sustainability will ensure rail delivers for UK plc;
  - **Transparency:** Be clear and transparent with rail suppliers, to allow them to deliver and invest; and
  - **Partnership:** Be an open and accessible client, and partner with the private sector for the best results.

- 8.4. GBR is currently expected to be established in 2027, and the preparatory work between now and then will be important in securing better ways of working with the supply chain. Key elements include:

- **The GBR operating model and regional structure**, which will define where responsibility sits for procurements, and the ability to establish best practice in supply chain management across such a large organisation. It will be particularly important to ensure a national level of commercial and procurement strategy, that enables efficiencies in areas such as bidding processes, scale of purchasing and sequencing of works. While there are clear benefits to designing procurement approaches that reflect local priorities and conditions, it is equally important to ensure that such approaches are underpinned by consistency and efficiency across the network. There is a strong interest in how GBR could co-ordinate common procurement approaches to simplify and make working in the railway more accessible for the supply chain, including SMEs.
- **The financial framework**, including whether GBR is able to enter into long-term contracts that can extend beyond control periods and smooth the investment profile.
- **GBR's access and use policy**, determining access to the railway, including for engineering works.
- **The transition plan**, which will be critical to maintaining clear points of contact for the supply chain and continuity of work.
- **Legislation and licence:** whether GBR has accountabilities to manage the long-term health of the rail supply chain.

Further details can be found in RIA's response to the rail reform consultation (April 2025).<sup>6</sup>

- 8.5. Specific issues which will need to be managed through close partnership working with the supply chain as part of the transition include:

- Changes to commercial and procurement processes.
- Changes in personnel, especially key decision makers.
- Budget uncertainty because of changes in business units.
- Creating multiple new interfaces, such as by fragmenting procurement responsibility across a large number of routes (each running their own bidding processes).
- 'Distraction risk,' with reduced bandwidth for supply chain engagement such as early contractor involvement, or collaborative one-team working.

8.6. The devolution of transport funding and responsibilities to Mayoral Combined Authorities (MCAs) offers an opportunity to identify and share best practice in transport schemes, and particularly schemes which are targeting outcomes across multiple sectors – such as integrating with housing, commercial or leisure developments.

- A place-based, whole-lifecycle approach will provide greater value; projects can be designed to interlink transport, housing, energy, and social infrastructure rather than operating in isolated silos.
- Leveraging the collective buying power of MCAs and pooling resources alongside early market engagement could help to stimulate local capability development and ensure market readiness. There may need to be incentives for MCAs to collaborate, rather than compete for resources.
- Devolution can drive responsiveness and place-based investment, it is important to secure the benefits of standardisation and coherence across devolved delivery bodies – where appropriate – to avoid costly fragmentation. It will be important to identify desirable areas of standardisation across MCAs to allow the private sector to align their skills and expertise more efficiently.

**9. WHAT, IF ANY, ARE SIGNIFICANT PROCUREMENT, PLANNING OR OTHER REGULATORY BARRIERS THAT INHIBIT THE PERFORMANCE OF THIS MARKET? WHAT COULD BE CHANGED AND WHY?**

9.1. We welcome the principles of the Procurement Act<sup>7</sup> and the Construction Playbook. Whilst these are positive developments with wide support in the industry, it is not the case that the Construction Playbook expectations are yet being universally applied, particularly where there is an element of discretion. The CMA study could usefully seek to understand the direct, and systemic, reasons why clients depart from established best practice, such as considering the governance and leadership around commissioning decisions.

9.2. In considering regulatory barriers, whilst bureaucratic processes should be challenged, an important caveat is that economic regulation can be an enabler of investment by the supply chain. Independent economic regulation is a well-established approach to give markets confidence, such as through:

- Providing transparency over long-term asset condition and funding requirements (which in turn supports investment confidence).
- Mechanisms that give assurance to third parties about: their ability to invest in the railway; the cost of works they may pay for (e.g. new station developments), and access to assets. This is strategically important if the railway is to leverage more third-party investment.
- Setting expectations for best practice, for example in whole-life cost management.
- Oversight of the extent to which risks are effectively transferred to the party best able to manage them.

## 10. OPPORTUNITIES FOR FURTHER INNOVATION IN THE MARKETS FOR THE SUPPLY OF ROADS AND RAILWAYS ACROSS THE UK

10.1. Many of the barriers to innovation result from a lack of long-term planning and best practice approaches to projects as outlined above. For example, without a clear forward pipeline of work, firms have little incentive to innovate. Beyond these basic 'hygiene' factors, RIA has published a rail innovation strategy (2022)<sup>8</sup> which identifies a number of additional steps to support innovation, including the need for support for businesses during the rollout phase (the route to market is often a key barrier even if products are proven) and support for skills development, especially in respect of critical workforce gaps.

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<sup>1</sup> <https://www.gov.uk/government/publications/the-construction-playbook> and <https://www.project13.info/>

<sup>2</sup>

[https://www.riagb.org.uk/RIA/RIA/Newsroom/Publications%20Folder/Electrification\\_Cost\\_Challenge\\_Report.aspx](https://www.riagb.org.uk/RIA/RIA/Newsroom/Publications%20Folder/Electrification_Cost_Challenge_Report.aspx)

<sup>3</sup> <https://www.networkrailmediacentre.co.uk/news/electrification-projects-major-milestone-delivered-on-time-and-under-budget>

<sup>4</sup> <https://www.riagb.org.uk/RIA/Newsroom/Publications%20Folder/Submission-to-the-Transport-Select-Committee-Inquiry-into-Rail-Investment-Pipelines>

<sup>5</sup> [https://www.nsar.co.uk/2024/12/findings-of-the-nsar-rail-workforce-survey-2024/#:~:text=Key%20insights%20from%20the%202024,to%2044.1%20years%20old%20currently\).](https://www.nsar.co.uk/2024/12/findings-of-the-nsar-rail-workforce-survey-2024/#:~:text=Key%20insights%20from%20the%202024,to%2044.1%20years%20old%20currently).)

<sup>6</sup>

[https://riagb.org.uk/RIA/Newsroom/Publications%20Folder/Submission\\_to\\_the\\_Rail\\_Reform\\_Consultation\\_2025](https://riagb.org.uk/RIA/Newsroom/Publications%20Folder/Submission_to_the_Rail_Reform_Consultation_2025)

<sup>7</sup> <https://www.gov.uk/government/publications/procurement-act-2023-short-guides/the-procurement-act-2023-a-short-guide-for-suppliers-html>

<sup>8</sup> [https://www.riagb.org.uk/RIA/RIA/Newsroom/Press\\_Releases/A\\_Railway\\_Innovation\\_Strategy.aspx](https://www.riagb.org.uk/RIA/RIA/Newsroom/Press_Releases/A_Railway_Innovation_Strategy.aspx)