

UK Project Management Round Up



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INTRODUCTION

The autumn always seems to throw up some interesting topics and this year has been no exception. While many are mulling over the impact the Olympics and Paralympics will have on the profession, others are looking at the debacle of the West Coast mainline franchise bid process. Others still have been observing the problems of BAE Systems as they sought an alliance with EADS and wondering how this impact defence programmes. Then there is the looming issue of power – or lack of it – as further problems emerge over new nuclear projects. On top of all this, the professional societies have also been very active.

BAE Merger

As most readers will know, BAE have not merged with EADS. After an agonizing public courtship, the two major Defence Contractors in Europe were not able to overcome lingering problems of National interests. In some ways, this is a pity as the combined group would be of a similar scale to Boeing with a £30 billion value and would be in a strong position to compete in both military hardware and aerospace sectors. However, national interests in the two firms prevented a new giant emerging.



Picture courtesy BAE Systems

According to reports in the UK press, the need for a merger arose when BAE and EADS lost a bid worth \$10 billion to build more than 100 Eurofighters for the Indian Government. Apparently, discussions had been held in the Spring to improve the sales pitch and then spread to group-wide talks about a merger in June. Details were leaked at the Berlin Air Show in September.

Interestingly each of the 3 Governments involved (UK for BAE, France and Germany for EADS) had national stakes to safeguard. Mostly these seem to have been about jobs and technological security and all three seem to have had similar views that

prevented the merger. For BAE, the failed move opened some unwelcome doors as various stakeholders became concerned over future profits. However, according to the *Sunday Times* (14 Oct) the BAE Board seem to be on the brink of buying their way out of any difficulties using cash from the recent deal with Saudi Arabia to provide a Typhoon repair facility to buy back shares. The cash barrel seems pretty full at BAE as they have also won major contracts to build the replacement Vanguard submarines (£315 million) and F-35 Integrated Assembly Line as part of the £1 billion programme.

West Coast Mainline Bid

The debacle over the West Coast Mainline franchise is by now old news. However, there have been some follow up reports as senior civil servants have stepped up to take the blame for the errors that have meant the existing franchise holder (Virgin Trains) will continue to run the operation while a new bid process is put in place. While there is certain to be some political fallout over the process, it is interesting to note that the Permanent Secretary at the Department for Transport made a personal apology to the outgoing Minister saying that the errors of process 'were clearly the responsibility of officials and not Ministers.' Currently there are two inquiries into the affair which is like to cost the tax payer some £40 million in compensation to failed bidders. Curiously, the so called errors in the financial model were not reported by the two preferred bidders during the bid phase.

Meanwhile, checks are being carried out on a series financial models used in government work. These include climate change, income distribution, farming subsidies and benefit claims. According to press reports, officials in every Government are drawing up lists of business critical models which need to be checked for accuracy as well as sensitivity – a lesson here for all project managers, as well as those involved in programmes?

Nuclear and Power Projects

While all this doom and gloom has overtaken Whitehall, other issues have surfaced over the parlous power situation in UK. As conventional power plants begin to shut down, no replacements are on the horizon – or at least, they are on the horizon but you would need a pretty strong telescope to make out any detail. As much of UK's electricity generating capacity is in the hands of overseas companies, there is little that Governments can do to influence investment decisions to build new plant either conventional or nuclear.

Financial woes have overtaken Spanish energy giant Iberdola which has pulled out of a multi-billion pound programme to build new nuclear reactors. Originally there were 3 consortia in the running to build a dozen new reactors to generate about 20% of Britain's power and replace the aging reactors currently in service. Iberdola's withdrawal means that only one of the consortia has a clear run. EDF and Centrica are scheduled to build two new reactors at Hinkley Point, site of 2 older reactors, at a cost of some £14 billion.

The other two consortia, Horizon and NuGen are said to be concerned over power prices and escalating construction costs. German owned (Eon and RWE) Horizon is

scheduled to build 6 reactors put its part of the programme up for sale in September while EDF is in talks to sell about 30% of the programme to various Chinese State energy companies.

While there are major strategic issues at stake here, with difficult financial decisions to be taken by programme owners, there are also major technical problems to be grappled with. Mega projects such as construction of new nuclear reactors have a poor record of financial estimation and any of the key variables are simply not knowable so accuracy of models will be difficult to achieve but are nonetheless mission critical if the lights are not to go out!

The other side of new nuclear is decommissioning the old reactors. There is serious money involved as well as serious engineering and safety so there are many firms and consortia buzzing round this particular honey pot. A new development is the joint venture between Britain's Serco, CH2M Hill from USA and France's Areva to join in the race to decommission UK's aging reactor inventory. Competitors include a US consortium of Bechtel, URS and Energy Solutions. The £6 billion contract is to decommission 10 Magnox reactors and 2 research sites (Harwell, in Oxfordshire and Winfrith in Dorset).

The Nuclear Decommissioning Agency (NDA) is responsible for the sites and also for overseeing the bid process which is expected to take some 18 months. Let's hope they have learned some lessons from the West Coast Mainline bidding process.

Good News Section

After all that miserable news, it is time to look on the brighter side of life. There has been a couple of interesting museum projects recently – at the Bodleian in Oxford and at the Imperial War Museum in London. The Bodleian Library has digitized some 300,000 rare books and made them available on line, allowing seekers after truth the opportunity to study these priceless publications.

The Bodleian project took some 8 years to come to fruition and provides open and unrestricted access to original texts. While this seems unlikely to benefit project management practitioners, the completion of the project marks another step in the availability of knowledge. Watch this space for news of PMWT's approach to this in coming months.



The Bodleian project was carried out in collaboration with Google, who have a long history of opening up previously closed areas in Museums and Libraries. In another project to allow people to browse museum collections, more than 40 exhibitions from institutions world-wide have been made available. Included in this tranche is material from London's famous Imperial War Museum (pictured left). Exhibits available include high quality photographs, personal documents from D Day and other important military events.

Professional Societies



Further good news comes from the professional societies who are swinging into their winter programmes of meetings, lectures and technical briefings. The most significant event so far this autumn is the Awards Dinner held by APM at the Park Place Riverside last week. A full report on the winners appears elsewhere in this edition but perhaps the most significant announcement was not that awards were being made but that **Dr Martin Barnes**, APM's long serving and greatly respected President will be stepping down. Dr Barnes is well known internationally and has the distinction of appearing on a television series to extol the nature and importance of Project Management. He is also well known as the 'inventor' of the so-called Iron Triangle as he told delegates at IPMA's 26th World Congress in Crete the day before his appearance at the Awards in London.

It is expected that **Tom Taylor** will take on the role of President from Dr Barnes. Like Dr Barnes, Tom is a past Chairman of APM and has appeared in the media to explain project related issues. Tom was awarded the Monty Finnieston Award last year and is also the only recipient of the President's Medal for his services to APM.



Tom Taylor

About the Author



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Miles Shepherd is an executive editorial advisor and international correspondent for PM World in the United Kingdom. He is also managing director for MS Projects Ltd, a consulting company supporting various UK Government agencies, nuclear industry organisations and other businesses. Miles has over 30 years' experience on a variety of projects in UK, Eastern Europe and Russia. His PM experience includes defence, major IT projects, decommissioning of nuclear reactors, nuclear security, rail and business projects for the UK Government and EU. Past Chair and Fellow of the Association for Project Management (APM), Miles is also past president and chair of the International Project Management Association (IPMA). He is currently the Chair of the ISO committees that are developing new ISO 21500 Guidelines for Project Management and for Program/Portfolio Management. He was involved in setting up APM's team developing guidelines for project management oversight and governance. Miles is based in Salisbury, England and can be contacted at miles.shepherd@msp-ltd.co.uk.