

UK Project Management Round Up



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INTRODUCTION

The New Year has got off to a hectic start with new projects announced by the Government and further policy developments on some super projects in the energy field. In this report, we look at projects in the capital, developments in the nuclear industry and some ethical issues in major projects.

LONDON PROJECTS



(courtesy Daily Mail, London)

While the various cases for new airports for London have taken the headlines over the last few weeks, there are other projects that command attention. The Shard was topped out this time last year and was opened to the public in mid February 2013. The landmark near London Bridge has become a perennial second place edifice. It is the second tallest free standing structure in UK behind the Emley Moor Transmitting Tower and second tallest building in Europe behind Moscow's Mercury City Tower. It is, however, the tallest

building in the European Union at 1016 feet (309.6 meters) and 95 floors. The Shard is really just a small building compared to some others either planned or under construction. The good news is that the team that successfully delivered the Shard has just been selected to build the world's tallest building in the Saudi Arabian capital Jeddah.

According to reports in the UK press (Times 23 February), Mace and EC Harris are scheduled to manage the construction of the 1400 meter Kingdom Tower. It is

expected that construction will begin later this year and cost in the region of £780 million. The tower has been designed by US firm Adrian Smith and Gordon Gill. Completion is expected in 2018.

Meanwhile, back in London, a new 'supersewer' is being planned for the capital. Plans were announced in 2010 for a 20 mile tunnel to run from west to east and would deal with contamination from overflowing sewers in times of high rainfall. Many see this £3.6 billion project as long overdue – London's original sewer system was built in Victorian times under the direction of Sir Joseph Bazalgette. Reports put the discharge of untreated sewage at 39 million tons annually and Thames Water, the private utility company has devised a new sewer system to deal with this and other problems.

The Supersewer project is not without its critics. Cost has escalated to £4.1 billion and how the project is to be funded is attracting the attention of several Members of Parliament. The plan has been met with fierce local opposition – the work affects 14 London boroughs. It is expected that the project will increase average water bills, currently around £360 a year, by an additional £80.

Councils such as Hammersmith and Fulham are against the plan, claiming that the current plan is 'gold-plated'. Council leader Stephen Greenhalgh was reported by BBC News as saying: "We have consistently pushed for a shorter, smarter tunnel that minimises disruption to Londoners. The gold-plated 'super sewer' with a £3.6 billion price tag threatens our parks and will drive many hard-working families into water poverty to pay for it."

Controversy seems to dog London projects and the possible 'new' London Air Hub continues to attract heated debate. Apart from simple matters such as location and finance, there is a substantial political dimension with observers claiming that the decisions will affect the leadership prospects of the Conservative Party and the Prime Minister as the Mayor of London proposes an alternative to the current government policy.

The Commission examining options is considering 'mixed mode' expansion plans at Heathrow and various possible new hub sites such as the so-called Boris Island in the Thames estuary. The main issues to be addressed include the time to develop any increase in capacity and cost. Mixed mode is unlikely to offer much increase in capacity before 2020 and is a hostage to a planning inquiry to boost the number of flights beyond the 480,000 currently permitted.

A recent report by Oxera claims that the Thames airport is 'at best risky' for private investors who are seen to be critical to the planned new airport. The report was commissioned by the Commons Transport Select Committee costed the project at around £70 billion with construction costs of around £50 billion would need to be paid before the airport opened.

Finally, taxpayers are to have a stake in six new wind farms. The Government backed the floatation of an infrastructure fund with a primary focus on wind power. The Department of Business has invested £50 million in Greencoat UK Wind. The

fund which aims to raise in excess of £200 million, will buy stakes in four wind farms from SSE at a cost of about £140 million and two from cash strapped RWE.

UK NUCLEAR PROGRAMME

There is mixed news from the Nuclear industry. First, URS, which operates the Sellafield Nuclear site has announced a major boardroom shake up as it attempts to retain its £1.6 billion a year contract to manage and clean up the site. Reports in the *Times* and other UK newspapers is reacting to criticism in the House of Commons. Nuclear Management Partners (NMP), which is run by URS with junior partners AMEC of UK and AREVA of France, were



Sellafield (photo courtesy Visit Cumbria)

awarded the first outsourced decommissioning contract in 2007. They are in charge of the clean-up which is now estimated to cost £67.5 billion. In the last financial year, they were awarded £54 million in performance related management fees. Only 2 of the 14 decommissioning projects they are responsible for are on schedule.

The Nuclear Decommissioning Agency, responsible to oversight of the whole of UK's nuclear clean up and owns the assets to be decommissioned. The contract structure means that the bulk of the risks are borne by the taxpayer, rather than the consortium so there is no compelling reason for accurate cost estimates. On the other hand, the consortium claim that the scale and therefore the costs are unknown so it is reasonable, they claim, for them to claim back costs for overruns. This also means that the NDA does not carry the can. Not surprisingly, MPs have challenged this approach.

At long last, attention is being paid to the likelihood of major power shortages across UK as power generation capabilities deteriorate. Many old power stations are coming to the end of their life and will go off line in the next 5 years. So far, no new power stations have been built to replace them so the future demands for power are unlikely to be fulfilled. We have reported on these issues for the past 3 years but it is only in the last month that major media players have noticed the problem (*Times*, 17 Feb) when the Director of OFGEM stepped down and highlighted the problems in his valedictory speech.

The problem is no simply one of failure to replace old, polluting power stations. As usual, money is the major issue. The power generators claim they make little or now profit from what many people feel are the exorbitant charges raised for gas and electricity. RWE, EDF and AREVA complain that the Government is not putting enough money into the development pot to allow them to build new power stations. Already, several Spanish energy companies have withdrawn from new Nuclear build programmes while several French energy companies seek further sweeteners before

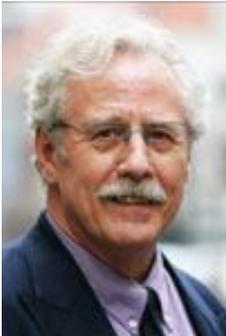
they will commit to constructing new power stations. Without urgent action, Britain faces power outages from next winter according to reports in the *Times* (.17 Feb).

ETHICAL ISSUES

Like many other international firms, Rolls Royce and Westland have been accused of bribery over major sales. In the case of Rolls Royce, the claim is that the aero engine and nuclear power company did not prevent its intermediaries from bribing overseas officials. The Serious Fraud Office is apparently investigating claims that Rolls Royce made illegal payments in relation to sales of engines to Garuda, the Indonesian airline, and to a Chinese airline executive over deals worth some £2 billion. Lord Gold, who handled the investigations in to review anti-corruption measures at BAE Systems, has been brought in by Rolls Royce to review their rules.

While all this has been going on, Westland Helicopters has been accused of paying a middle man some £26 million to secure an order for £480 million worth of helicopters for Indian Government. Interestingly, the Indians have begun the process of cancelling the contract. This is against a background or major Government corruption charges against a number of Indian Government Ministers.

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.