

UK Project Management Round Up



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INTRODUCTION

It seems the old maxim ‘*be careful what you wish for*’ is still true as the repercussions from last month’s Government spending plans continue to reverberate in the project world. A look at the main projects should show how the UK Government approaches project funding. Also in the news is a major project failure and an update on the energy situation.

Infrastructure Projects

Our illustrious leaders have set out their spending plans for the next 10 years. The optimistic amongst us feel this is good because it indicates sound planning and allows proper feasibility studies to begin while indicating priorities for the National Portfolio of infrastructure projects. The pessimistic may feel that there is little new money and many old proposals have simply had a price placed upon them.

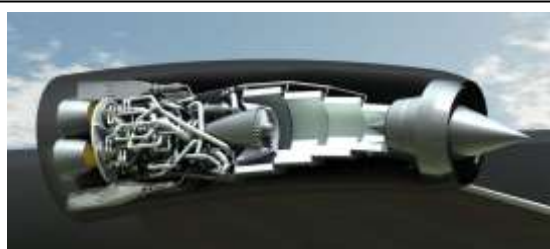


Picture courtesy BBC

A new prison at £100 million might save £20 million a year in efficiency savings and an additional £250 million has been set aside to improve the nation’s high speed broadband. These seem minor in comparison to the costs for High Speed 2 rail project which has £42.6 billion earmarked. Our pessimists claim this is a cost escalation of about £10 billion while project savvy observers claim

proper contingency has been applied. Additional funding has been agreed to cover the cost of additional tunneling and environmental mitigation. This total includes about £8 billion for new rolling stock.

While UK is preparing to invest significant sums to expand its high speed network, France, the pioneers of *trains à grand vitesse* (TGV) have announced that investment in new lines is being cut. President Hollande announced last month that the planned €245 Billion investment in transport infrastructure is to be cut to a maximum of €30 million. This immediately cuts out the 28 new lines planned for development over the next 10 years. French funding for TGV includes ongoing local government subsidy but ministers claim the high speed network is building up large debts, said to be about €32 billion and rising to more than €61 by 2025. Makes one wonder what they know that UK doesn't.



Reaction Engines Ltd

Other funding announcements include research which has had its budget fixed at £4.6 Billion since 2010. Projects expected to benefit from this boost include the Synergistic Air-breathing Rocket Engine or Sabre, which will be capable of achieving orbit without jettisoning any hardware. This could reduce the cost of near Earth travel and also to act as a springboard to space

travel in years to come. Another research project to receive a cash injection is the investigation into sudden hive collapse in bee populations. It has been estimated that loss of pollinators such as bees would cost British farming around £2 billion. Ministers are expected to make announcements of plans shortly and these will need to take account of the 200 other species of pollinators in UK.

Energy Projects

At long last someone else has noticed that UK faces a serious problem over energy supplies. I have been telling anyone who would listen, including at least one junior Government Minister, that we face rolling blackouts in the next 3 years unless new generating stations open. The cry has been taken up by no less than the Times which splashed the headline '*Britain faces blackout*' on its front page of 28th June. Apparently, a plan has been put together to save the Nation – hoorah! But this plan simply accepts the blackouts and offers only bribes to business to close early so that the peak load period of 16.00 to 20.00 can be switched to private homes.



Photo courtesy Daily Telegraph

As noted above, the Chief Secretary to the Treasury, Danny Alexander, has set aside some £10 Billion as a guarantee to EDF to build the new Hinkley Point nuclear power in Somerset. Interestingly, new nuclear takes about 10 – 15 years to come on

stream. As many of the existing nuclear power stations close as early as 2020, there is likely to be a serious supply problem, especially as old coal fired power stations are being taken out of service now. So the plan announced by the energy regulator Ofgem at the end of June may come in handy after all. Ofgem is due to publish the final licence changes to bring in a simpler, clearer, and fairer energy market shortly, seen by many as a response to EDF's recent challenge on energy pricing options.

A new entrant has emerged in the race to clean up UK's old nuclear reactors. The contract valued at some £7 billion over 7 years covers 10 Magnox reactors and two old research reactors at Harwell and Winfrith. Rolls Royce have formed an all British consortium with Amec and Atkins. This new team faces some pretty stuff competition from existing bidders, the CH2M Hill, Areva and Serco consortium, the Bechtel and EnergySolutions team and the Babcock and Flour group.

Challenged Projects

Listening to the radio as I travelled to work last week, I heard a BBC reporter berating the Chancellor of the Exchequer for poor project planning. This was an unfortunate case of the pot calling the kettle black as most of the newspapers were reporting the catastrophic failure of a flagship project at the BBC.

The new Director General, Lord Hall, cancelled the Digital Media Initiative stating that it had wasted huge amounts of public money. According to BBC statements, the cost of the wasted project is some £98.4 million but some Members of Parliament have claimed the loss will be significantly higher. More damagingly, it has emerged that a recently retired head of technology at the BBC had written to the Chairman of the BBC Trust setting out major concerns over the project. According to press reports, this letter contained detailed warnings about escalating losses and a claim that the National Audit Office had been misled about the project. Further cause for concern is that the BBC Trust stated in 2011 that the Finance Committee was scrutinizing the project carefully. Local MPs have individuals in their sights, claiming that this scrutiny resulted in no action, raising issues of competence of the oversight and the adequacy of overall governance at the BBC.

Further afield, reports are emerging of problems with the F-35 fighter. Readers may know this aircraft as the Joint Strike Fighter. Costs are escalating so that the expected unit cost is some £100 million. This is a problem for UK which has ordered 48 planes. The problem is not so much the rising cost but the British contribution to the programme. Currently UK builds about 15% of the plane and this is enough to show up in the export revenue stream and in GDP growth, it is expected that this involvement will lead to some 24,000 new jobs and some 100 UK firms are participating – including BAE, GE Aviation, Martin Baker, Chobham and Rolls Royce. So this is a very important programme and illustrates neatly the wide geographic range of supply chains in major projects.

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.