UK Project Management Round Up

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INTRODUCTION

It is a truism in the project world that as one door closes so another opens. Last month I noted that we were in the so called 'Silly Season' when there is little important news as everyone is on vacation or working so hard they have no time to bother with the real world. So it should come as no surprise that as the Silly Season closes, another opens – and further, no surprise that it is again the season to slate High Speed 2. There have been some project people at work over the summer and there are some results to report while energy issues are still with us.

High Speed 2

The case for any project rests with its business proposition. This positions the project in terms of the benefit it is intended to deliver, how it fits with the strategy of the owning organization and the needs of stakeholders. So the business case is vital.

Picture Courtesy *Daily Telegraph*

In the last month, more attention has been focused on the business case for HS2 with the Institute of Economic Affairs (IEA) a key think tank challenging the cost basis of the project, claiming the overall cost might be as high as £80 bn compared with a budget of some £42.6bn which is itself a rise from the original estimate of £32bn. The Institute of Directors (IoD) weighed in with a challenge to the business case, calling the programme a 'grand folly' that fewer than 25% of its members support.

As if this was not enough, **Alistair Darling**, lately Labour's Chancellor of the Exchequer and also an ex Minister for Transport weighed in and withdrew his support – he was the man who approved the programme in principal while in office.

The response from the current Minster for Transport, **Patrick McLaughlin**, has been that the programme is essential for growth outside London and that the current budget include contingency. In a statement to the BBC, he stated that government investment in rail over the next five years, including some with £37bn to electrify 880 miles of railway, the "northern hub" programme to upgrade rail links between northern cities and infrastructure investment in Reading and Birmingham stations would not be staved of cash to support HS2.

The back ground to these interventions is interesting not least for the politics involved. Many of the opponents of HS2 come from the affluent Home Counties where new rail track is seen as violating pristine rural landscapes. Much of these areas are staunch supporters of the Government while the main beneficiaries come from areas that have long been the heartland to the Labour Party. It comes as no surprise that the formal consultation period began in late July so these interventions may be seen as attempts to influence the process.


Courtesy *HS2 Ltd*

For project managers, their main interest lies in the details of the business case. The IEA intervention favours investment in smaller rail projects which have a shorter payback period while the official case is built on a longer term investment plan which has a higher long term return. As *Alison Munro*, (left) CEO of HS2 Ltd said in her press statement "Whilst smaller schemes may have higher benefit cost ratios (BCR's), by their very nature they only make small improvements to capacity and often just move the bottleneck elsewhere on the network".

There are many arguments over the business case:

- Validity the estimates, particularly of demand numbers – Bent Flyvberg has written extensively on this specialist estimation issue.
- Assumptions – mainly long term behaviour as IoD claims more people work on trains now that Internet links are available.
- Investment appraisal – typically treatment of inflation, asset costing and contracting costs.
- Ownership – Network Rail (as owners of railway infrastructure), HS2 Ltd (as developers), Government (as sponsors and suppliers of the cash)

Construction is due to start in 2017 and there are many legal and contractual aspects to be resolved before anything happens on the ground. Watch this space for further updates.

Project Completion

Photos Courtesy *Birmingham.gov.uk*

The new £188 bn Library of Birmingham has been completed and is scheduled to open at the beginning of September. The new Library replaces the old Brutalist structure and is set to become the largest public library in Europe, housing some 800,000 books on 31,000 sq m. It is thought to be the largest and most ambitious project of its kind since the British Library. Readers may recall that the British Library project ran over time (8 years) and over budget (300%) to an astonishing degree in the 1990s. This new build has been designed by Francine Houben of Dutch Architecture firm Mecanoo. Ms Houben has called the new building "The People's Palace" which may remind some observers of the similarly names buildings in Romania and North Korea. According to Project Director Brain Gambles, the Library, situated on Centenary Square will make a huge contribution to the regeneration of the city, creating 250 new construction jobs including 25 apprenticeships. The Library houses the world's largest collection of Shakespeare's work.

Power to the People

There are further developments in the long term power situation in UK. Last month's good news was that the Regulator has at last noticed that UK is closing more of its generating capability than it is building and that we will soon run out of power. The latest whizzo plan is to make free power available. British Gas is reported (Times 1 Aug) to be made available to clients with so called smart meters. The idea, which mirrors Centrica's Free Power Saturdays in the North East of USA and in Texas, is to persuade consumers to use heavy consumption items such as washing machines at times when demand is traditionally low. The more cynical amongst you may feel this is a ploy to get more people to move to smart metering which energy suppliers aim to have in place by the end of 2020 (a £11.7 bn programme is under way to achieve this).

And a closing irony: it appears that owners of wind farms are now being paid NOT to generate electricity. Not only will generous subsidies be paid for a further 6 years as wind farmers are to be paid £100 per megawatt/hour compared to the £50 paid to other generators. Off shore wind farms are due to be paid at the remarkably generous rate of £155 per megawatt hour. The Daily Mail on 9 August reported that wind farms are being given around £30 million a year in compensation to switch off or slow down their turbines because nearly half the electricity they make is not needed. This should not have come as a surprise to anyone as the same paper reported over a year ago that the arrangement, called 'balancing' is aimed at 'compensating' firms for energy they are unable to sell. So not only are we paying for energy we use, we are also paying for energy we don't use. They must have a good business Case!

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 and overseas 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 committee developing new international standards 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.