

## **UK Project Management Round Up**



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### **INTRODUCTION**

The main topics this month will be a look at post-election UK, developments around the energy sector and ...

### **ENERGY SECTOR**

**Swansea Bay Tidal Lagoon.** Laing O'Rourke, the Kent based construction company, has been chosen as the main contractor for the £200m deal to deliver the lagoon's 1,345ft (410m) turbine house and water flow sluice.

The overall project is a harbour structure that closes off a tidal area. The walls will have hydro-turbines incorporated through which the sea moves to generate electricity. It is expected to generate around 500GWh per year – enough electricity to power more than 155,000 houses in the area and have a life of 120 years.

This element of the build will require up to 500 workers at peak construction, a substantial number of whom will be local to South Wales. Concrete, reinforcing and other materials will also be sourced locally. Laing O'Rourke has named Arup as its lead design and engineering partner for the contract.

Jonathan Adams, Project Lead at Laing O'Rourke said: "From London 2012 to St Pancras International Station to Heathrow Terminal 5, we've been involved in the delivery of some of the UK's most celebrated infrastructure projects. Today, the Swansea Bay Tidal Lagoon is the talk of the international construction industry and we are thrilled to be playing a part in its delivery." Following advanced works and value engineering, a fixed price contract will be signed later this year for the main build. Tidal Lagoon Swansea Bay Plc has also run tenders for the project's marine works package and for a package to provide public realm ancillary works. The results of these tenders will be announced shortly. Further tenders for the construction of a Turbine Assembly Plant in Wales, and for the lagoon's public realm and buildings work will proceed through the summer.



The project is expected to cost around £1 billion, although various other costs, ranging from £750 million to £850 million have been quoted.

In December 2014, Energy Secretary Ed Davey announced "in-depth discussions" on the project had started.

All is not sweetness and light however, as the output costs of the project have been challenged. The BBC

claimed in March that the cost of generating power from the Swansea project will be very high, while Citizens Advice claimed that electricity from what is the world-first tidal lagoon would be more expensive than that from any other major UK green energy project to date. Tidal Lagoon Swansea Bay is thought to be seeking a guaranteed price of about £168 for every megawatt-hour (MWh) of electricity it generates over a 35-year period – almost four times the current market price of power.

Tidal Lagoon Swansea Bay plc, the firm behind the plan says five subsequent lagoons it hopes to build will be able to produce electricity much more cheaply. These other proposed lagoon sites are in Cardiff, Newport, and Colwyn Bay in Wales; Bridgwater in Somerset; and West Cumbria.

**Rampion Wind Farm.** Still on the topic of green power, news comes of the Rampion off-shore wind farm project. Energy giant E.On announced that it had decided to begin construction on the £1.3 billion, 116-turbine wind farm, eight miles off the Sussex coast. The project is scheduled for completion in 2018 while some turbines will be installed in early 2017. The wind farm is estimated to be capable of producing enough electricity for 300,000 homes although few wind farms seem able to actually achieve planned outputs.

The wind farm will cover 28 square miles and will be clearly visible from Brighton and Worthing, both south coast resorts. There have been many objections to the wind farm with the National Trust and South Downs National Park Authority (SDNPA) warning that views from the national park, including Beachy Head and the Seven Sisters, would be "unacceptably" spoilt by the turbines. Since planning permission was granted, E.ON has cut the number of turbines, from 175 down to 116, to try to address these concerns.

Oil still dominates the energy market and recent press reports indicate some changes may be in the pipeline (I know, I could not resist that!) with further pull outs reported in the North Sea as French and Germany put up for sale some of their

assets. EON is reported to be selling off its \$2 billion North Sea business while Total has appointed Standard Chartered to sell off a \$1 billion stake in its business interests in the region. Russian investment company L1 Energy is looking for buyers for its \$1.2 billion worth of reservoirs.

Further afield, Shell is reported to be ready to stop its work in the Arctic. Greatly reviled by Greenpeace, Shell propose to buy BG Group for £44 billion and thus will not have the cash to drill in the short Alaskan summer. Shell say they are committed to the \$6 billion programme and will start drilling if they can safely do so. The problem is simple ROI, the business case holds if oil is \$100 a barrel but anything less will result in a loss. Analyst Kim Fustier at Edison Research says “they have regulatory approval to drill in the Arctic, so it seems to me there’s already a planned capital commitment. There are boats already moving – and we’re talking a real fleet here – and it would take a lot of money for them to stop right there and turn round. The question is beyond that, if they do find something what do they do, given the enlarged portfolio?” Greenpeace have already illegally occupied a Shell rig on its way to the Arctic and are refusing to leave. Clearly there is a lot to understand here.

## **POST-ELECTION IMPACTS**

At long last the General Election is past. While some were surprised by the outcome, the result reinforced the view that those who rely on opinion polls will always be fooled. As far as projects go, the completion of the election and the opening of Parliament unblocks the pipeline of decision making by Ministers. One of the first to hit the blocks will be the decision on the main contractor for the Swansea Bay Tidal Lagoon project, due 15 June. There are many other projects that have been stalled while the election played out, chief among them the new runway at Heathrow.

The Heathrow plans have generated much debate, with the Mayor of London, Boris Johnson still pressing his plan for a completely new airport in the Thames Estuary. Boris is in a strong position to block the Heathrow Expansion plan as he is now a Member of Parliament and has a seat on Mr Cameron’s Cabinet. An enquiry led by Sir Howard Davies is due to report in June with discussion expected to centre on options at Heathrow and Gatwick. Whatever the outcome, the urgent need for an additional runway very near the Capital cannot be denied. A recent report from the Civil Aviation authority showed that flights in and out of London increased by some 3% or about 31,000 across the major airports in the vicinity of London. Passenger numbers were also up by 4% to 238 million, some 10 million more than 2013 but less than the peak of 241 million in 2007.

Other delayed decisions included those by French energy supplier EDF. The company is State backed but is in negotiation with Chinese state owned backers but these were not sufficiently advanced to allow decisions by the Government on the £16 billion programme before the General Election. These talks are the latest in a long line of delays that threaten the scheduled start date of 2023. According to the *Times*, EDF delayed any decision until after the election because their Chinese partners, China General Nuclear Power Corporation and China National Nuclear Corporation have major concerns over the performance of Areva which is making

significant losses and its design has been called into question as reported here last month. The Chinese companies are reluctant to invest unless the French Government guarantee to cover their cost overruns. If you are a fan of Bent Flyvbjerg, you will be expecting significant overruns – seems like the French Government are might to be reluctant to ante up. It should be noted that EDF have not signed the subsidy deal that is to be funded by levies on household fuel bills.

IT Projects. A couple of short items in the press caught my eye this month. First, the British Broadcasting Corporation claims to be planning to become an “internet first” broadcaster. Reports in the *Times*, *Guardian* and *Financial Times* all highlight the statement released at the end of May that BBC need to change its programming production. In order to survive in a new market that features streaming providers such as Netflix and Amazon. Chief Technology Officer Matthew Postgate said “It is my job over the next five years to put in place the production foundations to be internet first.” He also stated that the BBC did not want to pursue “large, overarching, multi-year projects...” and proposed to use technology to adopt a “more agile and iterative process.” This may be a reaction to the disastrous Digital Media Project that was written off with losses rated at £100 million. I wonder whether the renegotiations over the renewal of the Corporation’s Charter and funding arrangements has anything to do with this?

The other item was a report that the French Senate was proposing to gain oversight of Google’s search algorithms. Some would regard this as legalised industrial espionage but comes against persistent reports that the European Commission is to begin formal proceedings against Google over the charge that it abuses its dominant market position. Readers of the tech pages might recall that the EC has tried three times over the last 5 years to reach a settlement with the company. According to *Les Echos*, a French newspaper, Google would welcome the provisions of the French approach because it proposed similar ideas to the Commission in recent discussions.

**Finance News.** Office construction in London is going great guns according to the latest London Office Crane survey from Deloitte Real Estate. The report shows that some 31 new projects were started in the period October 2014 to end March 2015. This is the second highest total since the record period in 2007 when there were 37 new projects.

BAE Systems is reported to be selling off 20% of its US operations that provide support for the CIA, FBI and the Pentagon as well as intelligence back-up for the US military according to reports in the UK press. The *Times* states that the sell-off is due to “the stabilisation of US defence cuts, the withdrawal of American troops from Afghanistan and the emergence of potential buyers seeking to consolidate the market.” Other reports claim that the sell-off will be of business that provide analysis for the so-called three letter agencies – the businesses brought in some £1.2 billion in revenues or about 20% of BAE’s US turnover.

## CROSS PROJECT WORKING

Readers will know of Europe's largest construction project, Crossrail, which is building a new railway line across London, linking XX existing stations to 10 new ones via 21 km of twin tunnels and a further XX km of surface lines. The latest Quarterly report shows that the project is about 60% complete. It has trained 426 new apprentices, uses a supply chain of 97% British suppliers and has provided 3772 new jobs.



Photo: Crossrail/PA

Other news from Crossrail includes the following:

- Abbey Wood Station has been demolished prior to the construction of a new one to make way for a new state of the art one to be built by Network Rail. **Matthew White, Crossrail Surface Director** said: "This is another major milestone for the works taking place in Abbey Wood to transform rail services for local people. The arrival of Crossrail in 2018 will significantly increase the number of trains serving the local area and, for the first time, allow people to travel right through central London without having to change trains."
- Work to install a new two-mile section of track between the Crossrail tunnel portal at Plumstead and Abbey Wood station is now half complete. More than a mile of new track has been laid by Network Rail so far, representing the first section of dedicated Crossrail track to be installed anywhere along the route. Work has included the re-alignment of the existing North Kent line, which serves trains between London and Kent, and the replacement of the Church Manor Way footbridge. Ahead of Crossrail services beginning in 2018, the tracks will now be used to support the fit-out of the new tunnels to create a fully functioning railway beneath the streets of London
- The last shipment of excavated material donated by Crossrail to one of Europe's largest nature reserves has arrived at Wallasea Island in Essex.
- With over 40km out of 42km tunnels complete, Crossrail is on track to link all its rail tunnels with the big east/west breakthrough at Farringdon.

## WALLASEA ISLAND WILD COAST PROJECT



Wallasea Island Nov 2012 Photo: Crossrail.

In a landmark partnership with the Royal Society for the Protection of Birds (RSPB), 3 million tonnes of material excavated from deep below the capital is being used to create a flagship wetland nature reserve twice the size the City of London, and one of the UK's most innovative flood defence systems. The delivery marks an important countdown for Crossrail and the RSPB. At Wallasea, the last load of excavated material will be used to complete the first area of the reserve and allow the sea wall to be breached and controlled flooding to take place this summer.



Purpose built jetty for transfer of spoil from southern Crossrail tunnels. Photo: Crossrail



New scrapes under construction. Photo: Crossrail

Wallasea Island Wild Coast project is a landmark conservation and engineering scheme for the 21st century, on a scale never before attempted in the UK and the largest of its type in Europe. The aim of this project is to combat the threats from

climate change and coastal flooding by recreating the ancient wetland landscape of mudflats and saltmarsh, lagoons and pasture. It will also help to compensate for the loss of such tidal habitats elsewhere in England.

The reserve is planned to be in development until around 2025, but is open to the public who can view the progress as each phase comes to life and the marshland naturally regenerates. The current sea wall access along the Allfleets Marsh Trail sea wall is a popular place to relax and enjoy, whether for walking, cycling, birdwatching, painting, photography or simply taking in the sea air. Over the coming years, the scheme will create a varied wetland landscape with more than nine miles (15 km) of new and improved access routes, and eventually a range of visitor facilities.

And this is a good note on which to end this edition. The end of the General election projects by the major political parties will allow a series of major investment decisions to be taken by the Government as it works through its major investment programme to support the National Infrastructure Programme so we can expect several major projects to either be scrapped or to finally begin work. The Major Projects Agency, National Audit Office and the Public Accounts Committee will all be very busy for the next few months, at least!

It is particularly good to see inter project cooperation such as that between Cross rail and the RSPB. Both are able to gain for their own projects and the general public will see the results of the cooperation for generations to come. A very good project outcome!

And very finally, the English Cricket Board have appointed a new chief coach for the England Cricket Teams, both long game and short. Some may regard this as a purely commercial undertaking, and to be sure there will be commercial aspects. But more important, this is a classic programme, with major change as the overall aim. Specific projects within the programme will include the improvement in performance of the Test Team, a much needed project for the 50 over side and much work on the 20 Twenty team. Of course, we have had to borrow an Aussie to do this...

## About the Author



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