

UK Project Management Round Up



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INTRODUCTION

It is the first day of spring as I write these notes and the weather, after a comparatively warm spell is foul: very cold, heavy rain and intermittent sleet. At least it give us something that we Brits like to discuss. This poor weather concentrates the mind on the UK power supply situation and that revolves around new nuclear so I will remind everyone where we are on that portfolio. Money is a vital component of every projects so we need to look at what is going on in the world of project finance and there have been interesting developments in transport as well as construction so that give a little shape to this report.

POWER STAKES

First there is some very bad news. Didcot, in Oxfordshire is one of the most important power stations in UK and for a number of years had two stations, the original 'A' station; and next door, the newer 'B' station. I recall the newer station being built back in the mid-1990s – mainly as I got stuck behind some very slow moving convoys delivering major components of the new turbines. The original coal fired power station closed in 2013 after some 43 years of generating activity under the terms of the Large Combustion Plant Directive.

The plant has been the subject of a major decommissioning project since April 2013 and has proved to be difficult from the start. The top level tasks in the decommissioning Work Breakdown Structure sound straightforward: switching off the power generation supply; disconnecting redundant mechanical and electrical processes and systems; cleaning the drainage system; removal of unused coal and ash stocks from the site; and disconnection of electrical incoming supplies. Only then can the dismantling of the main structures take place.

The main cooling towers were brought down in a controlled explosion in July 2014 once the main disconnecting steps had been completed. The contractors, Coleman & Company were responsible for the demolition and spent weeks cleaning up the

debris. They plan to bring down the northern cooling towers and the chimney stack by the end of 201



Cooling towers demolished July 2014 Photo courtesy npower

Tragedy struck on 24th February when half of the 984ft long turbine hall has collapsed, and in its place there is a 30ft high pile of debris, including an estimated 12,000 ton of twisted metal. One person was killed, 4 others injured, one seriously and three remain missing. Fire and Rescue crews used a drone with sensitive listening equipment scan the debris in an attempt to pick up any trace of the three missing people. Hope for those missing men has now faded and none have yet been recovered.

Nuclear News. Other news on the power generating situation is also gloomy: There is no sign of a decision being taken on the launch of the new Hinkley Point Nuclear Power Plant project and pressure has grown on EDF, the French owned owner of the project, to declare its intentions. The latest blow is a rating review of its finances by Moody who seem minded to downgrade EDF's financial rating. This sounds bad and it is – rather like an individual with a poor borrowing record asking for a credit rating for another loan. In EDF's case, any down grade will increase the financing costs and may well push the project even further from launch.

Onshore Alternative Energy News. As I returned last week from an overseas assignment, I passed a new solar farm site just south of Andover, in Hampshire. Tealing Solar Parks have installed the frames for much of the 'farm' that will eventually have over 16,000 PV panels on a 12.4 hectare site known as Fullerton Farm. Power output is forecast to be 5 Mega Watts, enough to supply renewable energy to an estimated 1,300 homes in the area.

Offshore Alternative Energy News. On a national scale, we turn to funding for the latest on the world's biggest wind farm. The Hornsea Project One will see 174 turbines constructed 75 miles from Grimsby, spread over a 400 sq km area. Each of the Siemens 7 megawatt turbine will stand 190 m high and the farm is capable of producing 1.2 gigawatts of electricity, supposedly enough to power close on 1 million homes. This ambitious plan is to be funded by the consumer through another £4 billion levy on domestic electricity bills. This gives a whole new meaning to crowd funding! The developers, Dong Energy, gave project investment approval last month and claim the farm will be fully operational by 2020. In a convoluted financing plan, the UK Government will pay Dong four times the wholesale price of energy for every unit of power it produces for 15 years. The contract has been criticized by the National Audit Office who calculate that the project will cost £280 million per year. According to press reports, the consumer will meet the difference in price between the wholesale price, currently about £35 per megawatt hour and the guaranteed price of £140 per megawatt hour. Rumour has it that the project might generate 2000 jobs while it is under construction although it is hard to see how. Some blades might be made in Hull but higher value items such as gearboxes will be built at Siemens' Cuxhaven plant in Germany.

TRANSPORT PROJECTS

After last month's report of the tunnel proposed to bypass Stonehenge comes news of another one, tunnel that is rather than Stonehenge, this time in London. London Mayor Boris Johnson, fresh from declaring that he is in favour of Brexit, has come up with another wheeze. This time it is a plan for the world's longest tunnel, passing right under London, and would divert millions of vehicles from the streets of London.

The proposed tunnel would be 15.5 miles long, running from east to west and there are plans for another 11 tunnel. Currently the world's longest tunnel is the Laerdal road tunnel in Norway at 15.7 miles. The scheme is part of a wide ranging portfolio of projects aimed at reducing London's traffic pollution and speeding up traffic flow. Part of the problem is the growth in small van traffic due to internet shopping deliveries.

Other transport issues revolve around money – but then that's not new in the project world. My Whitehall source tells me that the Government is still chasing down Network Rail's project portfolio. The National Audit Office's 2.8 billion compared to an original estimate of £874 million, probably not covered by the management reserve or risk margins. Problems arose on the electrification of the Paddington (London) to Swansea (South Wales) line with uncharted buried cables, raising bridges when the track bed could be lowered and the like mean that no completion date is available. The knock on effect threatens the ability to run electric trains. Press reports indicate that officials are struggling to find replacement diesel or hybrid trains, particularly for the Thames Valley line which is due to get 60 electric trains from December under a complicated shuffle from the Thameslink route. Elsewhere on the railways there is a considerable battle between the top franchise holders shortlisted to run the south western franchise from the middle of next year. Not sure whether this last is being managed as a project but you never know these days.

Airport Capacity Project. To complete the set of transport projects comes news that the major air expansion project, the new runway for the south of England, may not actually be needed. Despite a major investigation by a very high priced Commission under the chairmanship of Sir Howard Davies, the chairman of the Treasury Select Committee claims that the analysis needed to support a case has not been made. So those who hope the third runway at Heathrow or an additional one at Gatwick might yet be disappointed. The Airport Commission report was issued in the summer of 2014 but according to the Committee of Members of Parliament who spent a few weeks looking at the report claim the financial case is “opaque in many areas”. So it is highly likely that the decision, already delayed for years, will be put off yet again and may yet result in no increase in capacity for London’s airports. MPs might be advised to travel cattle class through Heathrow in order to assess whether the capacity is really needed.

On the good news front, Rolls Royce have increased their aero engine order book by £1 billion. While this sounds like a lot of money, it needs to be set against the £66 billion current order book. The latest sale is to Norway and will see 60 Trent 1000 engines to be built for their new fleet of 30 Boeing 787 Dreamliners. The way I see it, £1 billion is a pretty good addition even if it is only 1.5% of the total order book. As the well-known supermarket says, every little helps.

CONSTRUCTION PROJECTS.

Construction is the backbone of most national economies and in UK it is no different. The latest news is that a Graphene City is planned to exploit the revolutionary material first isolated by Manchester University in 2004. Manchester City Council has been asked to approve a planning proposal from the University of Manchester to build the Graphene Engineering Innovation Centre. Graphene is a wonder material that is threatening to become as significant as plastic was after the Second World War, and silicon has been more recently. The concern is that UK is being left behind in exploiting yet another innovation we discovered and the Innovation Centre is intended to bridge the gap between the academic research that isolated the material in the first place and manufacturing. Manchester has a history of commercial exploitation of technology going back to the beginning of the 20th Century so let’s hope they get cracking on this venture.

There is another and rather more complicated construction project on the horizon – the reconstruction of the Palace of Westminster.



Better known as the Houses of Parliament, the site was completely rebuilt after destruction in a fire in 1834. This project was one of the major failures of 19th Century project management. The Palace was designed by architect Sir Charles Barry and built in the perpendicular Gothic style. The construction of the new palace began in 1840 and completed in 1883 and updated in 1912 when electricity was installed. Since then, many projects have altered the buildings, bringing new facilities for its users and generally keeping up with the demands of a busy democratic body. However, over the years, stone work has crumbled, atmospheric pollution has damaged the fabric of the building and the many modifications have combined to make it almost uninhabitable. The result is a plan to refurbish one of the world's iconic buildings – at a cost of at least £4 billion over 6 years.

As a result, the hunt is on for long term alternative accommodation for both Houses of Parliament. Front runners are Richmond House, currently the home of the Department of Health, situated in Whitehall and so convenient for security purposes as well as offering easy access to Portcullis House, the snazzy new building over Westminster Underground Station that houses many MPs offices. There is a small problem, though. The building was transferred to finance an Islamic bond scheme two years ago. One of the conditions of its lease is that it cannot be used for any activity not sanctioned by sharia. This is not to say that the working of parliament is outside sharia. However, the Palace of Westminster has at least 10 bars and members of both Houses are now known for their abstemious behavior. So there is a stakeholder issue to be resolved with this project.

As any project manager knows, problems come not single but in battalions. The House of Lords is smaller than the House of Commons and they were hoping to slip into the Foreign and Commonwealth building near Charing Cross Station. However, according to usually reliable sources, this is unlikely to happen as extensive stocks of surveillance equipment would need to be moved. Apparently, the Foreign Office is “not exactly falling over themselves to host members of the House of Lords”.

These alternative housing problems are compounded by the worldwide shortage of bricks which seems to be affecting the construction industry. According to press

reports, the supply chain is weighed down by the pressures of brick shortage. As I said earlier, problems come in battalions. First we had disruption to drinking habits, then a surfeit of bugs and now an absence of bricks. Who would be a restoration project manager?

And that is the news from the project scene in UK!

About the Author



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