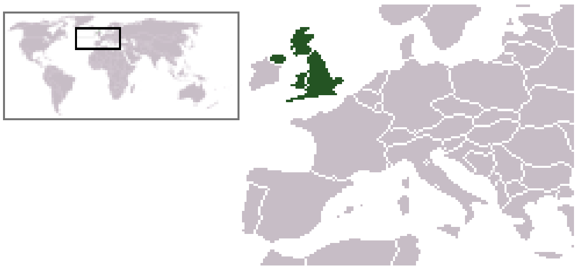
UK Project Management Round Up



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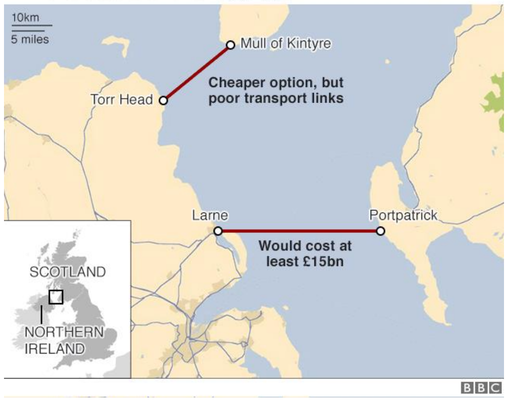
INTRODUCTION

Well, it has happened – the United Kingdom of Great Britain and Northern Ireland is no longer a member of the European Union. BREXIT has happened. What the consequences will be, no-one knows but you can bet almost anything you like that they won't be as forecast. Clearly, this event has overshadowed most activity in the UK project world and I will come back to it shortly. The other major event this month has been the Government review of major infrastructure projects, so these are the two themes of this report.

BREXIT

Image: Olivier Hoslet/AFP via Getty Images

After all the huffing and puffing, BREXIT has almost finally happened. UK is no longer a member and we move into the Transition Period. This means that nothing very much has changed in practice and we all await the start of formal negotiations, due at the beginning of March. This is when the serious stuff really begins but we are already seeing the uninformed and wishful thinkers starting to make noises about what the final package will look like and what rules will be enforced while the real work goes on. Given the appalling track record of contract negotiation successive Governments have achieved, the prospects do not look good. However, the background noises from various Ministers (note; not the Church kind) are positive with recognition of some key negotiating points and the fact that a straight walk out is still possible. Key areas in the debates will be the Irish border, Gibraltar, immigration and tariffs.



Graphic : BBC News

The Irish border, between the Republic and Northern Ireland, is tricky for political and emotional reasons and a determination to treat the North in the same way as the rest of UK. This seems an impossible circle to square although one suggestion is a bridge between Northern Ireland and Scotland. At an estimated (probably a back of the envelope variety) £15 billion – for which read about £30 – 35 billion based on recent upgrades of Government cost forecasting, this might be attractive but the two obvious sites in Scotland (Mull of Kintyre and Portpatrick) have very poor road and rail links to the rest of the country. They would also be major hostages should Scotland become independent as looks increasingly likely. The geological conditions are challenging but the Treasury were reported to be looking at possibilities. This has not featured recently so it may be that the idea has been abandoned – for now – but remains a possibility as the Democratic Unionist Party (DUP) in Northern Ireland and the Scottish Nationalist Party (SNP) are reported to be interested.

Gibraltar has received much less coverage in the press but remains a major issue. The Spanish government have raised claims to the British Overseas Territory which voted strongly to remain in the EU. The threat is that Spain could hold up negotiations in order to gain control over Gibraltar. UK claims are based on concessions won in the 18th C and subsequent treaties. Think California and Texas for USA examples. It is worthy of note that Spain still has colonial control over the Canary Islands, which are more remote from Spain than Gibraltar is from UK. Any solution here will be political and unlikely to involve project issues.

Immigration is another intensely practical issue as UK relies on immigrants in several low wage sectors such as fruit and vegetable farming, healthcare and construction. However, this is another aspect that can only have a political solution. Similarly, tariffs impact on all trade and will be critically important to all parties. Projects will certainly be affected as raw material prices will depend on the tariff regime.

More practical issues for PM will be matters such as roaming changes for mobile phones, health insurance cover and overseas travel, all of which are affected by treaty obligations. Optimists like me hope we will retain the current situation because it is not just UK that benefits from these arrangements. UK also has a number of industry sectors that need skilled overseas work force. We expect a points based scheme to be proposed but no detail is available on how this would work or when it might start.

INFRASTURUCTURE PROJECTS

It is something of a relief to contemplate "normal" business now the huffing and puffing phase of BREXIT is over. Our Illustrious Leader (OIL), Boris Johnson claimed he would review all infrastructure projects once the General Election in December was over. First up was High Speed 2 and this enjoyed a great roasting in the press with claims of total costs running up to £106 billion. The cost estimate in 2015 was £56 billion so this is quite a leap if taken at first sight. However, the press conveniently mis-quote the draft report, focusing on a "dissenting report" by the deputy Chair of the review committee, *Lord Berkeley,* which claims benefits have been overstated and costs misreported. The Government has rejected Lord Berkeley's report as a personal view. It has similarly been rejected by a consortium of northern political leaders and businesses. "We need HS2 and Northern Powerhouse Rail delivered together, in full," said the leader of Manchester City Council *Sir Richard Leese*, part of the Connecting Britain campaign.

The need to improve communications in the north of the country is undeniable but the challenge is whether the improvement is needed just within the northern region or to and from the capital. According to Lord Berkeley, spending money on improving rail services in the north of England was far more important. "That's where the really bad quality railways are," *Lord Berkeley* said, adding that a complete upgrade "could probably be done at half the cost of HS2".

Despite all this, there is the overwhelming impression of a lack of scrutiny at the top level. At the very least, the degree of communication between the project team and the government has been poor. None of the overspend should come as a surprise and delays could be anticipated and expectations managed more effectively.

This comes against a commitment by the Government to provide a £500 million fund to help restore historic railway lines closed in the 1960s after the Beeching report (1963). This first report identified 2,363 stations and 5,000 miles of railway line for closure, 55% of stations and 30% of route miles. The new fund will not be used to build new railway lines – It is only meant to fund feasibility studies of routes that could be restored. Proposals for two lines – the Ashington-Blyth-Tyne line in Northumberland and the Fleetwood line in Lancashire are the first to benefit from this new funding.

All the talk before the General Election was of a major review of the Third Runway at Heathrow. It had been in preparation for ages and was expected to recommend that the runway is essential. However, Boris seems set against it and so no-one was taking any bets on the outcome. The result is still awaited but another factor has emerged – the Government's legally binding commitment to make the UK carbon neutral by 2050. Senior scientists claim the runway is inconsistent with this commitment. Furthermore, it sends a confused message. More communication issues!

Away from the trauma of politics, two hospital builds have hit the headlines, not because they have been completed in record time but the very opposite. Both were being constructed under the Public Finance Initiative (PFI) and both were projects managed by the now defunct Carillon. The National Audit Office (NAO) investigation shows that the combined costs of the Royal Liverpool and Midland Metropolitan Hospitals have risen from £619 million to £2.1 billion. Their opening has been delayed by between 3 and 5 years: altogether a sorry tale but one with an interesting twist. It seems that the poor old taxpayer has not borne the cost over-runs, or at least, not the full cost. In an unusual show of strength, the Government has insisted on the contract terms being fulfilled despite the demise of Carillon.

Construction work on the two hospitals was halted in January 2018 when Carillion collapsed. Both projects were being funded by private finance initiatives, where private investors finance public sector capital projects in exchange for a return from the taxpayer once the project is delivered. This once popular way of paying for schools, roads and hospitals kept costs off the state's balance sheet. However, the "overly complex" nature of the model led the government to abandon PFI for new projects in 2018 amid concerns about the level risk to public finances.

Engineering consultants Arup reported that extensive work was needed to strengthen the structure at Royal Liverpool while serious construction and design flaws were uncovered at the hospitals, leading to additional costs. Problems were also found with internal fire protection and the fire safety of external cladding. The watchdog did not investigate the cause of the design flaws but noted that a few individuals involved in the projects "told us that one of the causes may have been that Carillion's original pricing was too low to meet the required specification". The decision not to "bail out" the PFI companies has limited additional costs to taxpayers because lenders and investors in the PFI companies, including Carillion, were left to cover all the losses.

The NAO report the estimates the taxpayer done quite well out of the procurement disaster — because "the private sector has borne most of the cost increase". It's lost £603 million, shared between investors in the PFI companies, Carillion and insurers. NAO estimates that the taxpayer will be 3 per cent worse off with Midland Metropolitan and 1 per cent better off with Royal Liverpool, including the 30-year running costs.

The Times ran an interesting analysis of the situation and concluded that the taxpayer is no worse off. The government held the PFI investors to their contract — not paying for hospitals they'd failed to deliver. It then inherited two half-built hospitals that taxpayer funds are finishing off.

My local project disaster rumbles on – the latest twist in the saga of the Stonehenge Tunnel is a debate on the benefits of the project. Apparently, the Treasury wants to scrap the £2 billion project but the Minister wants to press ahead. This is not strictly a project debate, more a Whitehall tussle but it underlines the importance of developing the business case carefully so that benefits are properly quantified and clearly communicated.

CLOSING REMARKS

I was watching the TV news the other day and noted that China is building a 1000 bed hospital. The build time was planned at 7 days – and no doubt night too. I could not help reflecting that some jorno would compare this example of rapid application development with performance of some of our infrastructure developments and sure enough, the *Times* obliged. No account was taken of the differences in engineering requirement, the installation of many hundred prefabricated housing units adapted for use as wards does not compare with the design complexity of a railway or the need to acquire land on a small and very crowded island.

The real point is that our procurement record is appalling and does not stand scrutiny in comparison with other European nations. World Economic Forum's global competitiveness survey gave Switzerland a near perfect score for infrastructure projects. Among the top 21 countries, along with Taiwan, Qatar and Singapore, was Australia with "an unprecedented $50 billion investment" to upgrade and build "safe and reliable land transport infrastructure" across the country. Also in that top ranking was Iceland, whose transport infrastructure was "one of the best in the world", and Canada, which since 2014 had made available C$120 billion for green, social and public transit projects. These are the sort of infrastructure regimes we must emulate. We can only hope that the Prime Minister's promise to do something extraordinary with infrastructure will move us in that direction.

About the Author

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Miles Shepherd is an executive editorial advisor and international correspondent for PM World Journal 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 and a Fellow of the International Project Management Association (IPMA). He is currently a Director for PMI's Global Accreditation Centre and is immediate past 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.