

UK Project Management Round Up



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INTRODUCTION

Some years start slowly as befits the weather and people's mood after the holiday period but 2018 has come in with a bang! The major news this month has been the collapse of a major company with consequent job losses, contract implications and concerns about the validity of its auditing. Other newsworthy items include takeover battles for a major UK defence contractor, an upswing for off-shore oil and gas, disappointing news on the drugs research front and a changing of the guard at the major PM research journals. Needless to say, all this and more will be covered in this month's report. On with the show!

CARILLION COLLAPSE

Readers may know that Carillion plc was a major facilities management and construction company. It was listed on the London Stock Exchange (LSE) and is the second largest UK construction company with some 43,000 employees world-wide including about 20,000 in UK. Reports of financial problems emerged last year (see my report of August 2017) and the firm has rarely been out of the financial news since autumn 2017. On 15 January, Carillion went into compulsory liquidation.

Carillion has government contracts to supply services ranging from catering in hospitals and prisons, managing the Ministry of Defence housing estate, and a wide range of Private Finance Initiative schemes. It also has HS2 contracts and is involved with the revamp of Battersea Power Station. The impact on the day to day businesses has varied with some work continuing after local and national government support but many projects, including a newly awarded contract for High Speed 2 (HS2) have been affected.

The collapse also hits many suppliers as many of the 30,000 firms affected will not have any insurance cover to off-set defaulting payments. The position of individuals is also dramatic as the 28,500 pensioners may have problems being paid in both the long and short term. Nor are these problems confined to UK as four Canadian subsidiaries have also been forced to file for bankruptcy protection.

Warning bells were sounded in July last year when Carillion warned of a £845 million impairment charge in its construction services division. At this stage, many observers felt that the firm was too big to fail and its relationship with successive Governments through PFI schemes made it seem unlikely to default. Then in September, the acting CEO Keith Cochrane, claimed that the firm had accepted too many projects which had turned out unprofitable and income did not reflect the work done.

Needless to say, the politicians are having a field day with Her Majesty's Loyal Opposition blaming the current Government for the collapse and the BBC reminding these doom-sayers that it was their party that introduced PFI and similar contracts during the reign of the sainted Tony Blair. MPs and other politicians are good at criticizing others, ignoring their own responsibilities and being wise after the event. It will be project managers who will have to sort out this mess. What is quite clear is the need to learn many lessons from this debacle. For many observers, the main issue is one of governance, or rather, lack of it.

Events have raised major questions over the effectiveness of main Board Directors, accounting practices, and a range of project controls. At the end of the month it emerged that KPMG, one of the Big 4 audit companies is to be investigated by the Financial Reporting Council (FRC) which said its investigation will cover the period 2014 to 2016 and additional audit work carried out during 2017, "as quickly and thoroughly as possible". One wonders why the FRC is only investigating now when it claims the prompt came as a result of the warning issued in July 2017.

In the last week, questions have been raised over why Carillion was allowed to take the liquidation route rather than formal administration or an out-of-court restructuring, both with the aim of salvaging as much of the business as possible, the approach enshrined in the Insolvency Act 1986. As it is, the highly value-destructive route taken damages all concerned: employees, pension funds, creditors, suppliers and sub-contractors.

The wider fall out is harder to predict but other companies such as Capita have suffered significant loss of stock exchange value.

CLASSIC CARS

What, I hear you thinking, have classic cars got to do with projects? Well, the financial contribution to the UK economy is startling – some £5.5 billion to be inexact! According to the latest Federation of British Historic Vehicle Clubs survey there are:

- 8.2m people in Britain interested in historic vehicles
- 1,039,950 historic vehicles on the road
- 34,900 people employed in the historic vehicle sector
- 1,124 miles covered by the average historic vehicle
- c.500k owners of historic vehicles in Britain
- £17.8bn - the estimated value of historic vehicles



Photo: www.Bentleyspeedsix.com

And this only includes tractional classics rather than 'modern' classics!. While these vehicles are carefully maintained, they are also subject to major rebuilds from time to time, classic projects. However, one problem has been the lack of skilled craftsmen to carry out the work. So it comes as a welcome development that a new range of technical qualifications are being introduced to bridge this and other skills gaps. To be known as 'T' Levels, these alternatives to the traditional 'A' Levels will cover a range of topics including digital, construction and

education & childcare. It was also announced that the panels running the new qualifications will be chaired by firms with overseas connections including Rolls Royce, EDF, IBM, Fujitsu and GlaxoSmithKlein.

RESEARCH PROJECTS ABANDONED

Pfizer have announced that they have abandoned two major research programs as they have been forced to admit that they have been unable to discover drugs to fight dementia and Parkinson's Disease. A number of promising drugs were developed but none made it past the clinical trials stage. Both diseases seem to involve the build up of amyloid proteins in the brain. According to reports in the UK press, costs have topped £2 billion to address these incurable diseases. It is feared that the amyloid model is a flawed model that has taken a decade to identify.

In my view is that these are not failed projects, rather they have proved that a particular route is not viable. Pharmaceutical research is high attrition – families of drugs are explored and those unlikely to be successful are weeded out as fast as possible. These 'projects' are closed, rather than rated as failed. So it was with the Alzheimer's and Parkinson's programmes. The risks of project "failure" are great but so are the rewards.

SPECULATIVE ENGINEERING

Quickly on the heels of the abandoned Garden Bridge in London and highly successful Queensferry Crossing and the Mersey Gateway Bridge comes news of another possible bridge. This one is rather longer and certainly more complex structurally as it proposes a link between Larne, in Northern Ireland to Portpatrick in Scotland.

Proposed by Alan Dunlop, visiting professor of architecture at Robert Gordon University in Aberdeen and Liverpool University, the combined road and rail crossing between Portpatrick in Dumfries and Galloway and Larne in Northern Ireland would cost around £20bn.

According to reports in *The Scotsman*, connecting Scotland and Ireland by bridge has interested engineers, architects and politicians for more than 100 years. Mr Dunlop claims that his proposal would be “more dramatic” than a crossing between Mull of Kintyre and Torr, which would be a cheaper option. The architect told *The Scotsman* : “While much more costly because of the geological and environmental challenges, it would also reinvigorate the area around Stranraer and potentially the whole Ayrshire coast from Troon to Stranraer and the whole north coastline of the Solway Firth for people coming from the North of England.

The bridge might resemble the Oresund Bridge that links Denmark and Sweden.



Oresund Bridge (*photo The Scotsman*)

OIL AND GAS LOOKING UP

The weak proposition of the £ over the last few months and increasing production costs have kept the outlook for off-shore oil and gas looking pretty grim. However, as spring approaches, the first few signs of improvement are visible. Exploration projects continued despite the poor economic outlook and now some are beginning to replay the investment with the Catcher Field coming on stream.

The mood of cautious optimism is causing oil companies to dust off project plans that have been on the shelf for several years. Nothing much is being reported on new project starts but there is much new equipment development in the pipeline, all aimed at reducing production costs. After September's record production figures, it is clear that the outlook is good.

On-shore developments are limited to what is happening on the fracking front. The only news here is that a 'sizeable' gas discovery has been reported at a shale exploration site in Lancashire. Cuadrilla reported that drilling would start drilling UK's first exploratory horizontal shale well and that it has permission to drill up to four wells although final consent for fracking has yet to be given by the Government.

SHORT REPORTS

Houses of Parliament project – this is probably a portfolio but what ever it is will be expensive as delays, attributed to the Prime Minister, over decisions have increased the bill by £230 million as a stand-by office block remains unoccupied. Apparently, Mrs May is trying to delay decisions till 2022 when a General election is due to be called. This would push the start date back to about 2027 although pessimists think construction is unlikely to start before 2030. There is cross party pressure to kick off the work in 2025. It all seems a long way off and as we project managers know all too well, there is many a slip tween cup and lip.

Artificial intelligence – The latest developments make it seem likely that the role of Project Sponsor might be robotized after all. An AI company has started to use a robot to monitor performance in meetings and has found some projections wanting. So look out project managers reporting to the Sponsor, it is not just the person you need to take into account!

Mars project – Latest plans for the trip to Mars feature starting from the Moon. Lockheed Martin reckon that a proper moon base will be needed. This is in contrast to Elon Musk's grand scheme of a direct attack. Lockheed Martin will work with NASA and already have extensive experience of space engineering from the 11 spacecraft it has already sent to the Red Planet.

CHANGING OF THE GUARD



No, not this sort of change! I was in Vienna last week for the Festschrift for **Rodney Turner**. The event celebrated the 25 years Rodney has devoted to editing the International Journal of Project Management and his 65th birthday. The former was marked by academics from round the world who honoured Rodney for his teaching, supervision of more than 30 PhD candidates and wide-ranging research as well as his very many years in charge of the Journal.

The change I had in mind is the appointment of new editors in the three main PM journals, and all were present at the Festschrift: Nathalie Drouin has taken over from Derek Walker at the International Journal of Managing Projects in Business; Ralf Müller is co-editor in chief of the Project Management Journal (his 'other half' is Gary Klein) and Martina Huemann is the editor of the International Journal of Project Management. So it is all change but all the journals are in excellent hands.

Well, that is it for another month. Next month I hope to have news of the ISO PM Committee working meetings in Wels, Austria and Weimar in Germany.

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 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.

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