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UNCLE GNARLEY

Opinions On Newfoundland Politics That Bite

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Monday, 27 July 2015

ENGINEERS BREAK SILENCE ON PROBLEMS AT MUSKRAT FALLS

For most engineers the execution of a megaproject is principally about the calibre of those in charge of management. Many don't concern themselves with issues like water management, the question of whether it is a 'political' project, or whether the government has made a premature sanction decision. Most simply want the construction phase to benefit from the best practices of the industry and their profession.

The Muskrat Falls project is proceeding poorly; even the Nalcor CEO has been forced to admit he can't guarantee either the schedule or the budget will be achieved.

Imagine, therefore, that you had a group of professionals weigh in on how they would "fix" the problem of "slippage" and address fundamental cost and other issues. What do you think they might they say?

Recently, I had that opportunity; some engineers are at their wits end over how the project is managed. It was not just a theoretical exercise; they are intimately familiar with the Muskrat Falls project.

While Nalcor is not likely to listen, I thought the public should have a better understanding of the type and magnitude of the problems experienced at Muskrat Falls, and why the future of the project is in doubt.

These are the top four recommendations of those engineers:

1. Remove several managers in the project management system. The project simply needs better managers; this has been a problem from the very beginning.
2. Relocate all of the project team staying in St. John's to Happy Valley- Goose Bay. SHUT DOWN the Torbay office, except for possibly a few accounting people. Relocate all key management and engineering staff to the MF site; the very idea of managing such a project remotely from St. John's is expensive and damaging to morale. Even minor decisions have to be referred to St. John's. The

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BAY DU NORD:
TURNING GOOD NEWS
INTO DISBELIEF

WERE SNC LAVALIN
TROUBLES
OPPORTUNISTIC FOR
NALCOR?

About Des Sullivan



Des Sullivan

St. John's, Newfoundland
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Uncle Gnarley is written by Des Sullivan, of St. John's. He is a businessman engaged in real estate, retail and development companies. A Director of Sullivan Capital Corporation, he is a former Executive Assistant to Premier's Frank D. Moores (1975-1979) and Brian Peckford (1979-1985). He also served as a Part-Time Board Member on the Canada-Newfoundland Labrador Offshore Petroleum Board (C-NLOPB). Uncle Gnarley permitted the use of his highly regarded name provided he could have full access to state his own rather unequivocal opinions. (A more detailed Profile of Uncle Gnarley is described in the very first Post entitled "Uncle Gnarley is alive and well" found on this site. Sullivan is a firm advocate of sound fiscal management by the provincial government and intends to use this Site as a forum for commentary on the major issues of the day. Says Sullivan,

construction site has suffered from low morale from the start. Besides, major projects are not normally managed in such a way.

3. Descope, that is to say reduce the scope of the Astaldi contract by removing the powerhouse and some of the civil work from the contractor. One engineer suggested replacing Astaldi, that it might be cheaper if Nalcor simply bought out the Astaldi contract. Another engineer suggested Astaldi ought to have been partnered with a contractor with the strengths it lacked.

(Astaldi was given the contract only because its bid price was lowest; even then it was not a lump-sum bid. Astaldi is said to have no cold weather experience and no union based experience. Weak Astaldi management has been "beefed up" with weak Nalcor management. Recently, an ex-Kiewit manager replaced the one at Astaldi. Some productivity improvements have been reported.)

4. Make the Muskrat Falls site an "open site" and walk away from the current labour language in the union agreement. For readers not familiar, an "open site" is variously defined as a labour force model in which all unions are permitted to have employees (i.e. not a "closed shop") working together. Another model is one in which both union and non-union workers are permitted to be employed on a work site. Both models are based upon securing the best labour force available, and where everyone is paid well. The "Teamsters" or "closed-shop" model, used at the Vale project, in Long Harbour, was reported to be highly unproductive. That is the model adopted for the Muskrat Falls project, too.

Other Recommendations:

5. Establish a project execution plan. There has never been a project execution plan for this project. Such a plan tends to be what one engineer called a "wordy" document but it is a critical piece of work because it outlines a construction strategy, describes how milestones will be achieved, and identifies the risks and how to manage them. (An execution strategy also identifies the planning tools and strategies to assure productivity and break down work packages; it reflects the challenges and takes into account the size and complexity of such a large project. It helps define solutions to labour productivity issues, project management, workforce planning and organization, always using industry based best practices. Weather, snow, and cold temperatures would have been a major focus of such an execution strategy.)
6. Establish a meaningful updated schedule based upon actual measured completeness and what remains to be done. The engineers state that if a recent (two months ago) audit had been undertaken of powerhouse/spillway contract the completion figure **might be closer to 9% than to the 26.3% reported by the government's oversight committee at the end of March, 2015.**

Of course, the oversight committee was only parroting a Nalcor figure (35% was the "planned" scheduled progress figure to March 2015). **9% is a long way from 35%! The oversight committee also reported that 37.5% of the budget for the Generation Facility was incurred at the end of December, 2014.**

As the engineers point out, the devil is in the details. They state the public will never know the truth about "real" progress at Muskrat unless an independent 3rd party conducts a quantity survey based on known construction measures.

The engineers state they have never witnessed "change-orders" appear so fast as at Muskrat Falls. Such change orders are a major reason for cost overruns. (The engineers also raised the point that

The Rogue
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It's Time to Have a
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Newfoundland &
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1 year ago



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Dot Dot Dot
Inspector Chalmers
goes to the land of
Pulp Fiction
1 year ago

RANT AND ROAR
The Trial
3 years ago



NL Blogger's Daily

Muskrat Falls – I
Believe in the
Power of
Newfoundland and
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COMMEMORATING THE
PASSING OF
2041 GROUP
CO-
FOUNDER...

ENGINEERS
BREAK

"Newfoundland and Labrador inspires debate on a variety of issues, a veritable Muskrat Falls of opinion". Readers are invited to leave their opinions, too. Uncle Gnarley will post every Monday, and more often as events warrant.

[View my complete profile](#)

if you don't tie administration hours to project progress, you can burn a lot of money and show no actual site completion.)

One person interviewed stated that Nalcor has what he termed a "self-controlled" budget. There is no independent budget manager. He stated he has never seen financials controls like on this project where monies are advanced without any consideration for the amount actually allocated for a piece of work.

7. Investigate thoroughly the "self-performing" approach taken to quality control on site contracts. Rather than Nalcor having established an independent third party inspection and testing process of supplied equipment and materials, the contracts are written so that the Quality Assurance is performed by the contractor.

One example given was with respect to MTR Certificate for rebar (This is a Mill Test Report, a quality assurance document). Nalcor was asked if any testing had been conducted on the material. The reply: "that's Astaldi's responsibility". The engineers stated this just does not happen on major construction projects. This is the Owner's role; it is further proof, they say, Nalcor is not qualified to be running the Muskrat Falls project.

8. Review major contracts in regards to their ability to control total cost.

One engineer stated that Nalcor needs an independent group to audit both the work performed and the contracts it has awarded; otherwise, the door is wide open to cost overruns.

He stated that while Nalcor says its contracts are "unit price" based, Astaldi, for example, can perform work in a most inefficient way and still invoice Nalcor.

9. Investigate in detail the costing for the project and existing unorthodox (to say the least) project controls methodology. These are not this Blogger's words! The engineer stated he has never seen more creative accounting with money moved around from one account to another; presumably, he stated, the money will eventually run out.
10. Review the use of "first of a kind" or what is normally considered proto-types in the case of the turbine governors and possibly other components. Though the Chinese company had manufactured smaller turbines, it has not built any as large as those produced for Muskrat Falls. Yet, Nalcor did not provide oversight, for quality assurance purposes, when those turbines were built.

Any experienced project manager reading those recommendations will be surprised just how sweeping are that group's proposals for change on the Muskrat Falls construction site.

One would have to conclude the management problems are endemic to an extent that the project is doomed to suffer a very late completion, major cost overruns, and a poor quality of work, too, due to the absence of an adequate Quality Assurance program.

The engineers state that Nalcor's decision to "self-manage" the project was its first and worst decision. The Nalcor management team, except for a couple of individuals, are simply not of a calibre to be undertaking such a large project, they said.

I would only add these engineers have no malicious intent; the contrary is true. They see a megaproject very poorly managed and they don't want it to fail.

SILENCE ON PROBLEMS AT MUSKRAT FALLS...

NALCOR'S GILBERT BENNETT AS JUDGE AND JURY

NALCOR'S MUSKRAT PROMISE: REALISM VS. FICTION

RECOVERING MUSKRAT'S SCHEDULE: THE SUMMER OF VALID...

CHANGE FERRY NAME FROM 'APOLLO' TO 'APPALLING'

MINISTER WARNED RISK OF NORTH SPUR COLLAPSE

THE BUDGET COLLOQUY (Part 5) GETTING BACK TO BASIC...

- ▶ June (9)
- ▶ May (8)
- ▶ April (7)
- ▶ March (6)
- ▶ February (4)
- ▶ January (5)

▶ 2014 (90)

▶ 2013 (106)

▶ 2012 (64)

Finally, a question for the oversight committee: how can so many critically important issues go unnoticed as you put claim to an oversight role?

It is time for them, Nalcor, and the government to stop pretending everything is fine.

Posted by Des Sullivan at [Monday, July 27, 2015](#)

Reactions: [funny \(0\)](#) [interesting \(0\)](#) [informative \(2\)](#)



Labels: [Cost Overruns](#), [Muskrat Falls](#), [Muskrat slippage](#), [Nalcor Energy](#)

3 comments:

Anonymous 28 July 2015 at 07:29

Some of this is the normal type of noise you hear on a project. Some of it though is likely very well based.

But perhaps the most interesting comment is No. 9. When you look at the oversight report and see the consumed budget, and compare it to the physical progress on site something just does not add up. The project is running late, yet there has been no official change to the project budget?

I suspect they don't want to release this information until after the election. But the election is the very reason why the public need to know!

Nalcor should be completing quarterly (if not monthly) forecasts of the project schedule and cost. This should include all known, and predicted changes to the contract. For example if Nalcor have prices for the North and South dams, which exceed the allocated budget, then the monthly forecast should be revised even though the contract is not strictly awarded yet. Likewise the forecast needs to be updated to account for Change Order costs. Even though the Change Orders are in dispute, the forecast in the monthly cost report needs to account for them (at least partially). Not revising the forecast, due to paperwork and process, is against IFRS provisions.

Ed Martin and Gilbert Bennett need to come clean on the realities surrounding the cost and schedule on this project. The way progress is going I would not expect power until 2019 as a best case scenario. Nalcor keep talking about recovery plans, but the progress numbers are not recovering.

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Anonymous citizen 30 July 2015 at 12:18

Good day to Uncle Gnarley, and many thanks to you and your comrades for having the courage and smarts, (and for putting in the work and expense), to "call it like it is" on behalf of future generations.

2 questions:

1. When are we (the general public) going to stop pretending that we actually live in a democracy, while the "elected", (I.E. professional suck-ups (mostly) who are really appointed through a corrupt and archaic political system), do as they damn well please despite all reason, logic and public demands?

2. What is Organized Crime? (Police definition follows), and does it accurately describe what really happens in Government/caucus?

Canadian Definition: Within Canadian law enforcement, a legal definition for organized crime has only existed since the late 1990's following the enactment of Bill C-95. Amendments to this area of the Criminal Code have led to the present legal definition found within section 467.1(1) of the Criminal Code of Canada, which states a