

Capital Projects & Infrastructure

Conquering Everest:

An interview with Simon Murphy, CEO of Battersea Power Station Development Company

First constructed in the 1930s and decommissioned some 50 years later, the Battersea Power Station has been the focus of numerous redevelopment projects, none of which were successful. A new, seven-phased approach has helped reverse that trend.

by Simon Murphy

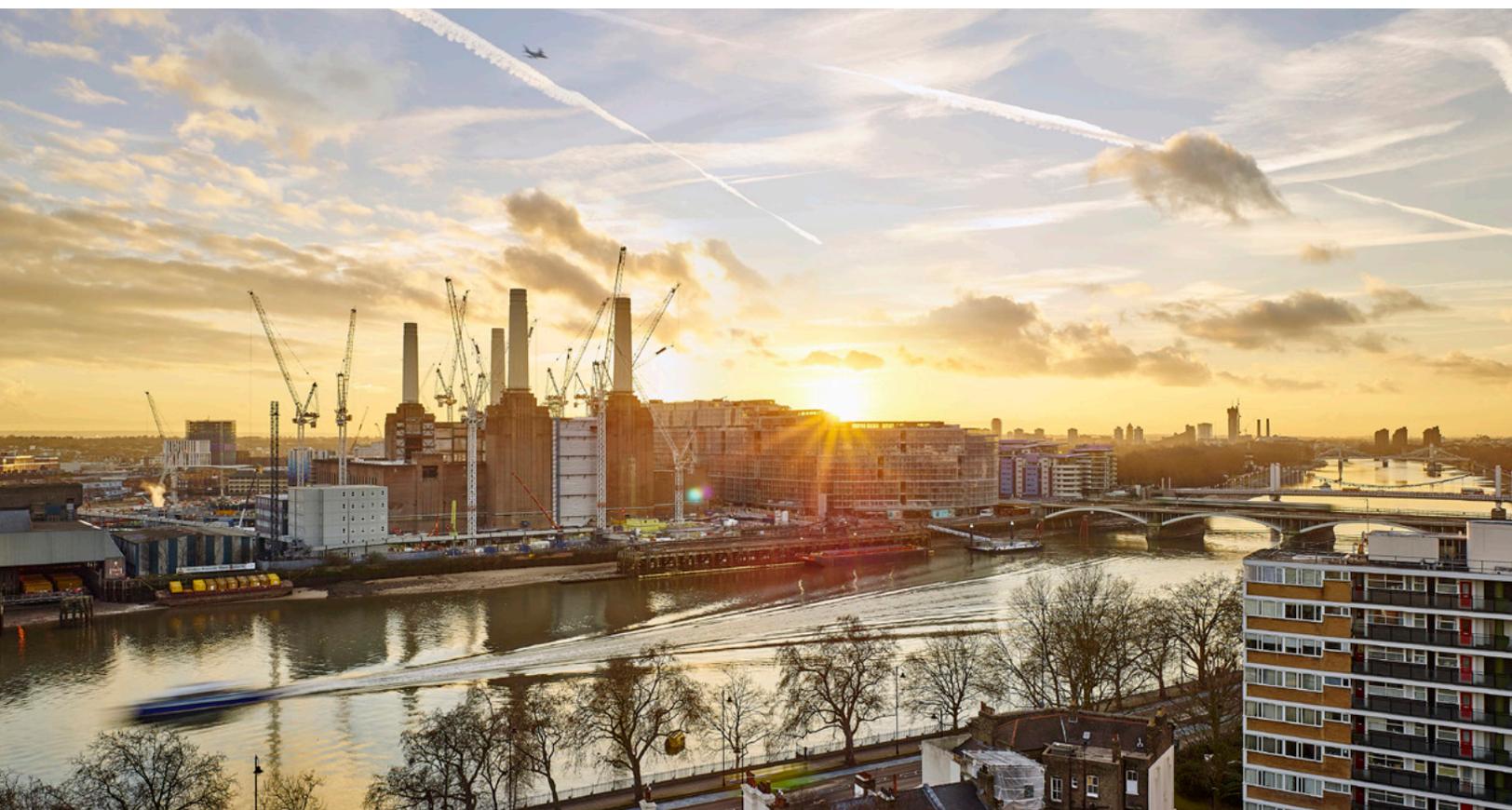


Photo courtesy of Battersea Power Station Development Company

Battersea Power Station is an icon—its monumental edifice with four famous chimneys instantly recognizable on the London skyline. The latest redevelopment of the station and the surrounding area, led by Battersea Power Station Development Company (BPSDC), is a £9 billion project spanning a 42-acre former industrial brownfield site that had been neglected for 30 years. More than 1,000 residents already call the Battersea Power Station development (BPS) home. The company has also leased more than half of the commercial space within the Power Station building, including 500,000 square feet to Apple for its London campus and 40,000 square feet to International Workplace Group for a new business-members club.

In this interview, Simon Murphy, CEO of BPSDC, explains the challenges he faced and offers solutions that other cities and major projects can adapt to breathe new life into urban spaces.

McKinsey: *What is your vision for what BPS will bring to London?*

Simon Murphy: We are creating an entirely new town center, opening up to the public a significant stretch of formerly derelict land, and restoring one of the country's most iconic buildings for future generations to use. The aim for BPS was always to create a broad mix of uses, including homes, offices, shops, leisure services, amenities, and open space. In addition to more than 4,000 new homes, BPS will also offer 19 acres of new public space, deliver more than 3 million square feet of new retail, restaurants, and office space, and open up 20,000 new jobs. Our plan for the restored Power Station also includes creating public spaces that foster a sense of community and define a lifestyle.

McKinsey: *What are some of the biggest challenges you have faced in delivering this project?*

Murphy: The biggest challenges so far have been the physical constraints of the site and the restoration of the Grade II* listed building itself.¹ Being located in Central London, right next to the River Thames with two busy roads encasing it, has made extensive logistics planning fundamental. The construction program is detailed down to the nth degree, including arranging hourly time slots for truck deliveries weeks in advance and constructing temporary bridges to provide access while piling takes place below. Having other key infrastructure projects—such as the underground rail's Northern Line extension and the Thames Tideway Tunnel super sewer—being built simultaneously underneath the site has also made the task at hand considerable.

Also, the restoration of the building itself is no mean feat. The Power Station is one of the most iconic buildings in the world and is our key brand and differentiator from other schemes.

It is a designated heritage landmark, so we needed approval from numerous stakeholders, including Historic England and Wandsworth Council, to renovate it into a modern-day destination while maintaining as many of the building's original features as possible. For example, all four chimneys had to be carefully dismantled and meticulously rebuilt, as they were beyond repair, using the same methods used when building the originals. We have also incorporated elements of the Power Station's iconic look into other aspects of the development. For instance, the station's historic chimneys inspired the spiral design of the staircases in Circus West Village, a public section of the riverfront within BPS.

In addition to creating value for our shareholders, we are dealing with memories and a strong sense of ownership by Londoners who have grown to love the building over the years it has lain derelict on London's skyline. We therefore have a responsibility to the past as well as to the future.

¹The National Heritage List for England defines Grade II* listed buildings as "particularly important buildings of more than special interest," historicengland.org.uk.

In addition to creating value for our shareholders, we are dealing with memories and a strong sense of ownership by Londoners.

McKinsey: *What role has technology played in the design and construction of the project?*

Murphy: Building Information Modeling plays a vital role in this vast redevelopment, as it involves hundreds of architects and engineers alongside more than 80 trade contractors. At peak times, 4,000 personnel may be onsite. Such a project would require thousands of drawings and plans on paper alongside multiple digital plans and programs. Instead, our contractors, architects, and engineers have built a full digital model of the whole project. This 3-D model informs every stage of construction.

The data we collect isn't just of use as we build out the project; when we finish, it will be processed and used to operate and manage the building more efficiently. For example, mechanical, engineering, and plumbing (MEP) service data were used during the construction and will also be used to tag and track MEP equipment. That equipment's data will be used for commissioning purposes and for producing digital operation and maintenance manuals, which will streamline the handover to operations and maintenance; it will also enable the facility-management team to implement a fully integrated digital building-management system in the future. Indeed, starting with the end in mind is the key to making technology a part of an efficient process and maximizing our overall return on investment.

McKinsey: *What are some promising lessons that might be applicable to future major real-estate developments?*

Murphy: Connectivity is essential for a project of this scale, so transport infrastructure was a key consideration from the planning stage. During construction, being located on the banks of the River Thames meant that we could take tonnes of spoil away from the site by barge, leading to hundreds of fewer lorries on the road each year. Another benefit of being on the river: a 20-minute ride to the City of London by river bus, a great convenience for tenants and visitors.

Securing major transport improvements, including the Northern Line extension, was also fundamental to our success. The Northern Line extension is being funded primarily by contributions from developers working on projects in the Nine Elms area, including more than £200 million from BPS. The funding model is a tax increment financing structure which will capture future business rates in the Nine Elms area to repay the loan provided by the government to build the line.

McKinsey: *What makes your approach different from the failed attempts by past developers of the area?*

Murphy: For many years, when developers were looking to unlock the potential of Battersea

Power Station, they sought to do so in isolation from the redevelopment of the surrounding area. Progress with the redevelopment of the much larger Vauxhall Nine Elms area was key to success, including incorporating the Power Station with the new US Embassy that recently opened in the same area. While other developments in the area created residential stock that we might have viewed as competition, those residences have actually created the right mix of uses and enabled Battersea Power Station to become the town center of this increasingly vibrant area. Particularly across a large development like this, a good mix of uses makes a huge difference when it comes to creating a genuine sense of community, which we see thriving in the first completed phase.

Ensuring that each of the seven phases of the masterplan is a community in its own right and is not entirely reliant on the 42-acre project being complete is another key component of our success. This approach has also made us more flexible and able to adapt to meet the ever-shifting needs of society. Our shareholders are fully invested in this phased strategy and have been advocates of the masterplan since day one.

McKinsey: *How do you think cultural public spaces are changing in today's cities, and how will they change in cities of the future?*

Murphy: Cultural public space is a massive part of what we do at BPS. Circus West Village hosts festivals and pop-up spaces and, once complete, will include 18 acres of public space. The first new cultural and community venue, The Village Hall, is now open and being used by the local community. This is only a snippet of what we have planned for the future.

Today, the inclusion of outstanding cultural public spaces and creation of mixed-use development is not an option but a requirement for any large-scale development to succeed. Major projects like BPS play a huge role in transforming undeveloped areas in cities and injecting billions of pounds into the economy through job creation, transport links, new homes, and leisure facilities. Only projects of this scale can truly make a difference to both their local communities and the cities in which they are located.

Simon Murphy is the CEO of Battersea Power Station Development Company.

Designed by Global Editorial Services
Copyright © 2019 McKinsey & Company. All rights reserved.