

Technology in California

Being a non-executive board member can have its challenges. You are exposed to initiatives at board meetings and you try to help with advice. Sometimes it becomes necessary to go beyond the advisory role and participate with management in the development. Peter Meurs, John Grill's senior manager, lived in Perth and became excited by a concept developed by I&E systems, a Worley joint venture. The idea was to eliminate electrical and control system drawings and replace them with diagrams describing the functions at the nodes of the devices. Dermot Kennedy, an Irishman, was the inventor and co owner of the company. He was a passionate advocate and believed unwaveringly in its success. I realised my connections in the USA could be critical for such initiative.

Under the existing system, 25 per cent of the as-built drawings had errors. This was because the design cycle had the instrument, control systems and electrical work at the end of the process and subject to numerous modifications which were often not recorded in the as built drawing system. During commissioning, field operators would affect changes to get the plant working and fail to update the final drawings. DAD (Drawings are Dead), the new idea, used a protocol which guaranteed 100 per cent accuracy and promised to revolutionise the industry. The difficulty was to overcome history; everybody in the world was trained in the old system.

Worley had a long term support services agreement with Woodside Petroleum. Over several years they had embraced the idea for their off shore production platforms in the north west of Western Australia to use DAD. DAD was operating successfully. One of

its main benefits was to halve the time to complete annual overhauls of the platform operating systems. This was a big cost benefit to the company. It seemed that this success would eventually lead us to conquer the world.

I had established a bond with SAIC, a company in California, during the development of the StateWideRoads tollway in Sydney. A subsidiary had provided the toll equipment and they exposed me to their other hi-tech operations in La Jolla, near San Diego. SAIC was affiliated with the University of Southern California and the Scripps Institute. Its chief operating officer, John Glancy, was keen to commercialise the many inventions the company had evolved with their military contracts for the US government.

Its main management meeting was held quarterly, with around 500 of the top team attending. (SAIC had about 40 000 people working around the world, principally in the US.) The meeting was held over three days and included three or four presentations. The main purpose was networking and small discussion groups. I was asked to make a presentation on the Australian opportunities and revelled in the networking. One afternoon, one of their senior managers spent several hours flipping through hundreds of ideas that had been studied over the years, generally for military applications. My mind buzzed with how we could use these in our work.

While I was there John arranged a dinner with former Admiral Bill Owens and myself at a beachside restaurant. Bill had been No.2 in the US joint chiefs of staff; he had run the US Navy. Bill was being invited to be a director of SAIC and John was entertaining him in the process. I was a bit overwhelmed and wondered what we could talk about. I did some quick research and discovered Bill was a technocrat and had relied on advanced technology during his naval tenure. I raised the subject of DAD and John

immediately thought of motor cars. One of his jobs was chairing a company that acted as a buying agency for the top five world vehicle manufacturers. The wiring of cars and trucks was a haphazard process and DAD might simplify it.

Once back in Australia I discussed this with Peter Meurs and he arranged for himself, Dermot and me to visit California in a few weeks time. Peter arranged the flights and I noticed we were all in economy. I called him and said I always go business class even though board members largely went first class. Peter convinced me that economy would be OK and we could talk about the business on the way. Reluctantly I agreed.

I glanced around the main cabin and noticed that it was less than half full. After we had settled into our seats after takeoff Peter explained his philosophy for company development which I found interesting and different from my executive days. Peter believed we could do anything if we had the opportunity. All that was required was enthusiasm. I responded that experience is important in the mix and we agreed to disagree. When I ran CMPS we had a very different philosophy. We focused our business to areas that were well known to us and we had a technical advantage. We charged a premium for this work. Worley did the reverse. They claimed they understood the work, charged lower rates and tried to learn from the client as the work progressed.

I asked how do you control risk. A client may be happy with the Worley arrangements until things go wrong for the project. Regardless of the causes the engineer generally gets blamed in the first instance. This can put a huge burden on management. Peter was not that concerned. He believed that choosing the right client in the first place obviated the risk. I wished him luck. I managed to find three seats vacant towards the back of the plane and made myself a bed for the remainder of the flight.

We landed in Los Angeles and experienced the airport immigration and security system. It has to be the worst in the world. After lining up for an hour the immigration official asked the reason for my visit. It can be difficult choosing a reason. I generally keep it simple and ‘visiting a friend’ is my standard. He wanted the name and location and we got into a long discussion about San Diego. He was not concerned that 100’s of people were behind me in the queue. Security was the same with everybody asked to open their bags for inspection. After security we rented a car and drove south toward San Diego to La Jolla a suburb north of the main city. John met with Peter and I in his office and explained his thoughts regarding the motor vehicle industry. He had created a company to progress the venture with significant equity for Dermot and ourselves. If all went well billions of dollars would be earned.

Peter and I went back to the hotel and found Dermot in the bar. We then took a taxi to the Old Town to meet John. John was familiar with my jazz interest and took us to a bar with a jazz quartet. Drinks were served with Dermot favouring Irish whisky. John and I had gin and tonics while Peter had lemonade as he is a mormon. We got into a discussion on American music as John favoured bluegrass. I noticed Dermot was not interested and reordered his whiskey a couple of times. After a couple of hours we walked to the restaurant a block away. It was an elegant place for fine dining. We ordered wine but Dermot stayed with his whiskey.

John explained the incorporated company to act as our joint operating base and Dermot became suspicious that he was being railroaded, and demanded \$1 billion for the use of his invention upfront. He regaled us with the success at Woodside and how they could halve the shutdown time with his system. I mentioned they were the only company using it. Dermot had had too much to

drink. Peter explained that I&E was a joint company but Dermot claimed that the invention was his and his only. We tried to reason with him that we could all make a lot of money if we took it slowly and let our equity grow with success. Dermot became more aggressive and drunker, the dinner became a shambles.

In the morning, John called to suggest that we delay decisions until Dermot had settled on his position. I apologised for Dermot's behaviour and hoped we could put things right.

Austrade, the Australian trade organisation was run by a friend of mine in North America whom I had worked with during my time as a board member of FIDIC the foreign investment vehicle for the government. He had set up meetings with some companies in Silicon valley. We went to Walnut Creek, near San Francisco, to meet with these companies. Each meeting started brightly, but slowly went downhill as Dermot became uncooperative. Dermot was paranoid that people were trying to steal his work.

Peter and I drove back to San Francisco leaving Dermot to his own devices. As we made our way down the hill I was watching the road signs. Peter was driving and following the navigation system on the car. I told him our exit was the next on the right. No, he replied the system is telling me it's two to go. As we drove past the exit I mentioned, I told him his system was wrong. No, the car system is right was his reply. Five miles further on as we exited the road sign indicated we were headed for Napa Valley. Shortly afterwards the car navigator told us to turn around.

This episode taught me a lesson about engineers. If you don't keep a watchful eye on your surroundings your reliance on systems can be very erratic.

I discussed the outlook with John Glancy when I returned to

Australia and apologised for wasting his time. We remained good friends. A potential multi billion dollar enterprise had been trashed. I relayed my experience to the Worley board and reflected on my board work. I was finding that the lot of a director could be very frustrating after having spent so many years as a chief executive.

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