

# Public Private Partnership *Handback Process*

*Best Practices for  
Risk Management,  
Compliance,  
and Sustainability*



# AIAI

Association for the Improvement  
of American Infrastructure

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# Table of contents

<i>Getting Handback 'Right' from Day One</i>	6
.....	
<i>Knowing Your Contract: Leveraging Technology for Effective Contract Management &amp; Data Integration</i>	15
.....	
<i>Balancing Project Management with Contract Compliance</i>	18
.....	
<i>Fostering Collaboration</i>	22
.....	
<i>Addressing Sustainability Initiatives</i>	25
.....	
<i>Prioritizing Hand-off Planning</i>	28
.....	
<i>Commencing Handback Preparation</i>	31
.....	

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# Executive Summary

This white paper outlines the essential elements for effective handback planning in Public-Private Partnership (P3) agreements, emphasizing detailed preparation, asset condition assessment, data integration, compliance, and stakeholder collaboration. It provides a framework to guide public and private sector stakeholders from initial drafting of the handback provisions through the transition of project ownership to ensure long-term success and value preservation.

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# *Key Handback Provisions*

The paper highlights crucial handback terms that should be included in the project agreement, including:

**ASSET CONDITION  
INSPECTIONS**

A structured inspection regime, starting five years before contract expiration, is essential to assess the asset's condition and any remaining renewal needs.

**HANDBACK  
REQUIREMENTS**

Detailed standards for the asset's condition, such as remaining useful life and facility condition indices, are recommended to prevent unforeseen expenses post-handback.

**HANDBACK RESERVE  
ACCOUNTS**

Establishing financial reserves ensures funds for necessary maintenance are available if the developer fails to meet end-of-term obligations.

### **Data Integration and Contract Compliance**

The paper stresses integrating contract data from various systems to enhance transparency and ensure compliance. Leveraging AI-powered solutions for contract management facilitates real-time monitoring and supports compliance across complex contracts.

### **Collaborative Engagement and Risk Management**

Effective handback relies on fostering a collaborative environment. Regular stakeholder engagement, open communication, and structured decision-making help manage risks and maintain smooth project operations. Incentivization mechanisms and structured conflict resolution processes are also advised to support collaboration.

### **Sustainability Initiatives**

Sustainability is an important part of P3 projects, especially during the handback period. Strategies include setting clear environmental goals, aligning lifecycle management with sustainability targets, and monitoring carbon reduction measures. Collaboration on these initiatives is crucial to address unforeseen costs due to technological changes.

Proactive handback preparation is critical, with recommendations to initiate planning seven to ten years before contract end. Key actions include establishing a handback team, allocating adequate resources, training public sector teams, and conducting pilot tests to mitigate potential issues.

The goal of this paper is to provide a comprehensive guide to best practices for handback provisions and to managing the P3 handback process successfully, stressing the need for rigorous planning, compliance monitoring, data transparency, and sustainability alignment. This approach not only supports seamless asset transition but also strengthens public-private relationships and contributes to future resilience of the project.

# Chapter 1

## *Getting Handback 'Right' from Day One*

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This chapter explains the vital handback provisions to consider when drafting a P3 Project Agreement and suggests some best practices. The transfer of operations and maintenance is more challenging for some assets than others (for example, it is more complex to transfer the O&M of an operating rail system than it is to transfer the maintenance of an un-tolled highway), so the level of detail that is appropriate in handback provisions may vary from project to project.

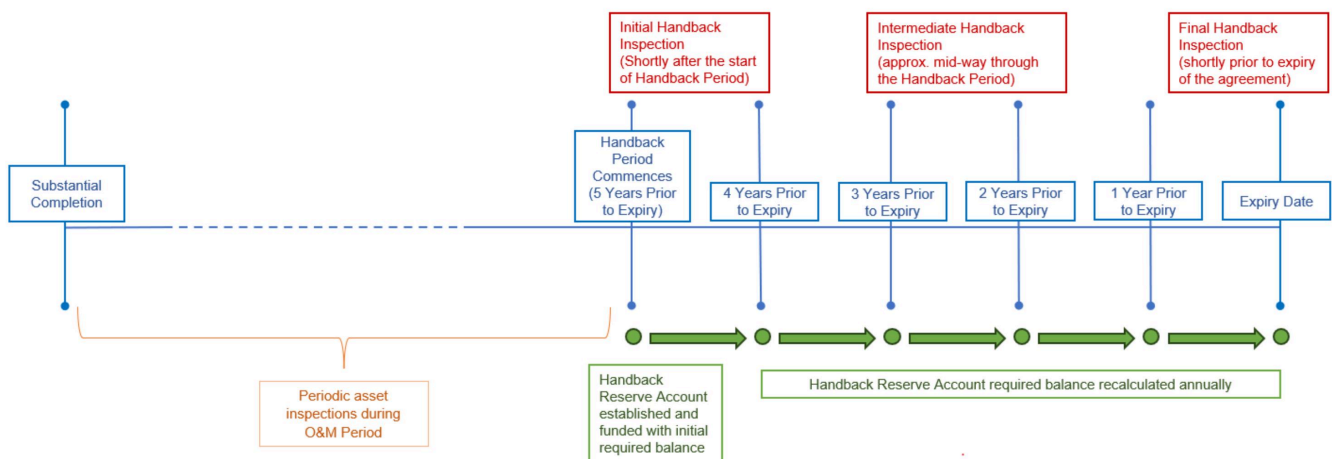
### **Key Handback Provisions**

- Asset Condition Inspections
- Handback Requirements
- Handback Reserve Account
- O&M Manuals/Documents, Training, and Services after Handback
- Transfer of Employees and Key Subcontractor
- Intellectual Property
- Spare Parts & Tools

**Asset Condition Inspections**—The agreement should identify the timing of asset condition inspections in the run-up to handback. The contract will often require periodic inspections during the term and a defined "handback inspection" regime commencing ~5 years before contract expiration. The overall approach to inspections throughout the term should be considered when drafting handback inspection provisions.

Key considerations and best practices:

- The agreement should state who will perform handback inspections. Common practice is either for the Developer and the Owner to conduct the inspections jointly or to jointly appoint an independent inspector (with the cost shared by both parties).
- As the project approaches the end of the term, the timing of asset condition inspections should be considered to ensure that the parties have appropriate information about the asset's condition and outstanding renewal work throughout the handback period. Typically, the first "handback" inspection is carried out approximately five years from the end of the term, with subsequent inspections approximately 18-24 months before the end of the term and another one shortly prior to handback. The timing of these inspections should also align with key reviews of the Handback Reserve Account required balance (see below).
- Following completion of the handback inspection, the Developer will be responsible for providing a report identifying the maintenance and rehabilitation work required to ensure that all assets meet the Handback Requirements at the end of the term, which shall be subject to approval by the Owner.



**Handback Requirements**—The agreement should identify the timing of asset condition inspections in the run-up to handback. The contract will often require periodic inspections during the term and a defined "handback inspection" regime commencing ~5 years before contract expiration. The overall approach to inspections throughout the term should be considered when drafting handback inspection provisions.

Key considerations and best practices:

- Often, a minimum remaining useful life will be provided for various types of assets. For example, (i) at the end of a 30-year contract term, an asset with an original useful life of 50 years should have a remaining useful life of 20 years, and (ii) for an asset with a 10-year useful life, the Owner may require at least 5 years of remaining useful life at handback, meaning that the Developer should replace the asset within 5 years prior to handback.
- The Facility Condition Index (FCI) is expressed as a fraction, the numerator of which is the cost of performing all deferred maintenance on the Project, and the denominator of which is the estimated replacement value of the Project. Deferred maintenance includes all maintenance required as of the calculation date but has not yet been performed. At the same time, "estimated replacement value" means the hypothetical cost of designing and building a new project identical to the current project. The Handback Requirements may identify a threshold value that the FCI must be lower than.

### FACILITY CONDITION INDEX (FCI)

$$\text{FCI} = \frac{\text{Cost of all Deferred Maintenance}}{\text{Estimated Replacement Value}} * 100$$



- The Technical Provisions typically include details on inspections conducted jointly between the Developer and the Owner to assess the asset's condition. These inspections should be performed by an independent third party and result in a facility condition assessment report that generally states the condition of the asset systems and elements.



**Handback Reserve Account** – The standard requirement in a P3 Agreement is that during the handback period, the Developer will perform all necessary renewal work/major maintenance so that the Project can be returned in the required handback condition. The establishment of a handback reserve account funded by the Developer and pledged in favor of the Owner is a standard mechanism used to provide the Owner with security. If a Developer does not perform the necessary maintenance work by the end of the term, the account ensures sufficient funds are set aside so that the Owner can perform the applicable maintenance work itself. The Developer will usually determine the required balance of the Handback Reserve Account based on the value of the major maintenance work required to meet the Handback Requirements. The percentage of the value of major maintenance work that is required to be funded should gradually increase during the handback period so that at the end of the term, sufficient funds are available to fund any required maintenance work

Key considerations and best practices:

- The Developer will typically assess the required balance annually during the handback period (and approve it with the Owner). It may reduce once the Developer performs the relevant maintenance work. The Developer can withdraw funds from the Handback Reserve Account to fund major maintenance work (with the Owner's approval). Unused funds in the Account will be returned to the Developer after a successful handback of the Project meeting the required condition.
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- Suppose the Developer fails to fund the Handback Reserve Account. In that case, the Owner may fund it by offsetting Availability Payments due to the Developer. If there is no Availability Payment (e.g., in a revenue risk managed lanes P3), the Owner should consider its remedy if the Developer fails to fund the account. The Owner should model some scenarios to ensure that the Handback Reserve Account funding requirements are sufficient in a downside scenario.

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- It is good practice for the agreement to permit the Developer to provide a letter of credit in favor of the Owner rather than funding the Handback Reserve Account with cash.
- The value of the maintenance work should be based on the cost to the Developer of procuring the maintenance work from a third party on an arms-length and commercially reasonable basis, including all design, construction, QA/QC, profit, overhead, reasonable risk contingency for LDs, etc.

### **O&M Manuals/Documents, Training, and Services after Handback**

The Agreement should include as obligation for the Developer to provide all operation and maintenance manuals (as well as drawings, specs, procedures, etc.) to the Owner prior to handback. Often, the Developer will be required to provide training sessions to the Owner (or their designee/replacement operator) at agreed-upon intervals prior to handback.

- For some projects, it is appropriate for the Owner to have access to certain services of the Developer following handback, and the Project Agreement will include provisions dealing with this. Payment and terms for such services would be negotiated at handback (and the Developer must offer terms/pricing that is at least as favorable as the equivalent prices and terms offered or granted to any other party under like or similar circumstances). This might include, for example, requiring the Developer to make personnel available for public-sector consultation on O&M and repair work following handback.

### **Transfer of Employees and Key Subcontractor**

Provisions dealing with transferring the Developer's operations and maintenance staff to the Owner or a replacement operator are commonly included in projects relating to more complicated assets and should be considered in all projects. The agreement should require the Developer to facilitate the transition of specific categories of staff to the replacement operator, including communications to staff significantly before the end of the term, assisting in arranging meetings with staff, and providing copies of employment contracts.

Similarly, it is often good practice to get commitments from the Developer that they will facilitate the assignment/transfer of the Key Contract (i.e., subcontractors who are necessary for continuous and seamless O&M of the project) to a replacement operator.

Key considerations and best practices:

- It may be appropriate to require that the Developer not vary or agree to unusual employment terms or terms that would prejudice a transfer to a successor and not materially change the number of O&M staff for a defined period approaching handback.

**Intellectual Property**—It is essential that the Owner (or any subsequent operator) has sufficient intellectual property rights to operate and maintain the project after handback, and IP provisions should be drafted with this in mind. In addition to "rights" to use the IP, the Owner (or subsequent operator) needs access to all required work products and IP.

Key considerations and best practices:

- If a Developer uses proprietary IP that is considered especially sensitive to operate a project, then consideration should be given as to the extent to which they will be willing to hand this over to the Owner or a subsequent operator (who might be a competitor) at handback. However, generally, all necessary IP rights must be provided unless it would be possible for a replacement operator to continue to operate the project with their proprietary IP (i.e., systems must be open and flexible enough that other systems are also compatible).
- Suppose specific proprietary IP (including proprietary software) belonging to the Developer is considered highly commercially sensitive. In that case, it may be necessary to establish an IP and/or software escrow arrangement whereby the sensitive proprietary IP is stored with an Escrow Agent and only accessible by the Owner in limited circumstances. The negotiation of escrow release conditions can be tricky. Still, the basic principle is that the Owner should get access to the escrowed IP if needed to operate and maintain the project (e.g., at the handback of the term or step-in) or upon the bankruptcy of the Developer. Still, such access is only for the ongoing performance of the Project.
- Sometimes, the agreement anticipates that the Owner must pay a reasonable license fee to the Developer following handback (if such termination is not due to a Developer Default).

# *Key Handback Provisions*

Understanding your contract and leveraging technology for effective data management and compliance is essential in today's data-driven world. By embracing advanced contract management solutions and data analytics tools, intelligent clients and other stakeholders can ensure they stay ahead of potential issues, maintain compliance, avoid costly overruns, and maximize project success. This proactive approach enhances project outcomes and builds trust and collaboration among all parties.

Key considerations and best practices:

- The agreement may specify the number of spares to be provided in handback and identify a true-up payment from the Developer if too few spares are provided.
- At handback, the Developer often provides a final inventory of spare parts, which the Owner verifies.

**Other considerations** —Listed are some other concepts that are sometimes included in handback provisions and should be considered based on the asset type:

**GENERAL  
COORDINATION**

The general obligation of the Developer is to coordinate with the Owner before the expiration of the term to achieve an orderly project transition. The Developer is also obligated to take no action to frustrate or prevent the smooth transfer of O&M to a replacement operator and continuous operations of the project.

**COOPERATION  
WITH NEW  
OPERATOR**

The developer has an obligation to cooperate in relation to the procurement of a new operator. This may include providing direct access to information about the project (including O&M personnel, O&M information and reports, and site visits to assess asset condition) that would need to be provided to bidders. This is especially important if the incumbent O&M contractor is likely to bid on the new procurement.

**ASSIGNMENT OF  
CONSENTS &  
APPROVALS  
ADDITIONAL  
WORK**

The general obligation of the Developer is to coordinate with the Owner before the expiration of the term to achieve an orderly project transition. The Developer is also obligated to take no action to frustrate or prevent the smooth transfer of O&M to a replacement operator and continuous operations of the project.

**HANDBACK NON-  
COMPLIANCE**

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**ACCESS TO  
INFORMATION  
SUSTAINABILITY  
& TECH CHANGES**

The general obligation of the Developer is to coordinate with the Owner before the expiration of the term to achieve an orderly project transition. The Developer is also obligated to take no action to frustrate or prevent the smooth transfer of O&M to a replacement operator and continuous operations of the project.

# Chapter 2

## *Knowing Your Contract: Leveraging Technology for Effective Contract Management & Data Integration*

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P3 contracts represent the apex of contract complexity, and Owner contract administration can therefore be challenging. Further, as has become apparent from the UK's P3 experience, a failure to understand the contract, coupled with a lack of data transparency, will almost certainly lead to a situation whereby the condition of assets unknowingly falls significantly short of what was initially considered.

As the UK urgently seeks to overcome these substantial challenges, other jurisdictions, such as the US and the Middle East, have the luxury of easily sidestepping these challenges altogether.

In this digital age, intelligent clients must simply make provision in their contracts to:

1. Ensure that it has integrated electronic/digital access to sufficient project data to inform decision-making
2. Embed contractual and regulatory compliance in a way that harnesses technological advancements.



A failure to do so will be repeating the painful mistakes of the past.

**Data Integration & Access**—Effective data integration begins with establishing a seamless connection to all project data generated or maintained by contractors and their supply chains. This includes data from systems such as Computer Aided Facility Management (CAFM), Contract Management System (CMS), construction management software, HSE systems, IoT sensors, and net zero software solutions. Providing API access to these systems ensures real-time data retrieval in standardized formats and ownership of data by the project owner. Implementing robust data security measures, including encryption, access controls, and audit trails, protects data integrity and confidentiality.

By integrating these various data sources, stakeholders can view project progress and performance comprehensively. Adopting a holistic approach allows for better decision-making and proactive management, reducing risks and enhancing project efficiency.

### **Contractual and Regulatory Compliance: AI-Powered, Collaborative & Evidence-Based**

Maintaining a single version of the truth of the contractual documents for all parties is critical. This can be achieved using highly advanced technology and data solutions achieving up-to-date, digitized, and navigable versions of contracts with powerful Gen AI contract assistance, AI obligation, metadata extraction, and knowledge capture/sharing. Such solutions provide the transparency and confidence essential for managing complex projects with multiple stakeholders collaboratively. Tasking of contractual obligations and entitlements, with associated dashboards, should be undertaken collaboratively by the parties within the first 100 days of substantial completion to ensure all parties are aware of their responsibilities.

Providing auditable evidence of task compliance, supported by auditable data from CAFM, Asset Lifecycle Management, and other systems, embeds collaborative working and ensures transparency and confidence in compliance. Opening these systems via APIs allows AI tools to analyze vast amounts of data to identify compliance gaps with legislation and regulations and to predict potential issues before they become critical.





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Understanding your contract and leveraging technology for effective data management and compliance is essential in today's data-driven world. By embracing advanced contract management solutions and data analytics tools, intelligent clients and other stakeholders can ensure they stay ahead of potential issues, maintain compliance, avoid costly overruns, and maximize project success. This proactive approach enhances project outcomes and builds trust and collaboration among all parties.



# Chapter 3

## *Balancing Project Management with Contract Compliance*

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Lifecycle methodologies have guided the O&M provider throughout the operating term, during which schedules for replacement usually take place around Year 5 for facilities and Year 10+ for transportation. Quality Project Management is required to organize the refreshment/replacement projects sequentially and in a manner that provides the least interruption to the project environment. In the later years of the operating period, greater coordination of lifecycle projects must be heightened to ensure that changes comply with the Project Agreement's provisions.

It is recognized that most Project Agreements have somewhat gray wording around handback, as much of it was hard to visualize given the length of time from initiating the project to the end of the concession term. Some standards, such as the Facility Condition Index (FCI) or Pavement Condition Index (PCI), will be utilized to help set objective requirements for handback under the contract (see Chapter 1 for additional details). The underlying principles generally require that all systems and other project assets within the lifecycle schedules have significant life beyond the handback date.

This will allow the public sector client to continue with lifecycle planning based on the completed replacements during the concession term and not cause a considerable cash call for replacement in the early years of turnover. Both parties must work collaboratively to comply with the terms and conditions of the Project Agreement while making the right decisions for the facility's future operation beyond handback.

In a P3 project, there is a crucial distinction between project execution and contract adherence, each with its considerations and potential risks.

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**PROJECT EXECUTION** Project Execution refers to the actual implementation of the project plan, including construction, operations, maintenance, and any other activities necessary to achieve project objectives.

This phase involves coordinating various stakeholders, managing resources, monitoring progress, and addressing issues that arise during the project lifecycle.

The focus is on delivering the project on time, within budget, and according to specified quality standards.

**CONTRACT ADHERENCE** Contract Adherence refers to ensuring compliance with the terms and conditions outlined in the Project Agreement.

This includes meeting milestones, delivering specified deliverables, adhering to performance standards, and fulfilling any other obligations agreed upon by the parties involved.

Contract adherence is critical for maintaining the project's integrity, protecting all stakeholders' interests, and mitigating legal risks.

## Potential Risks Associated with Overlooking Contractual Obligations

- **Regulatory Non-Compliance:** Contractual obligations often include compliance with applicable laws and regulations. Failure to adhere to these requirements can result in regulatory sanctions or legal consequences.
- **Legal Disputes:** Failure to adhere to contractual obligations can lead to disputes between parties, potentially resulting in costly litigation, delays, and damage to relationships.
- **Financial Penalties:** Non-compliance with contractual terms may trigger financial penalties or liquidated damages, leading to increased project costs and reduced profitability.
- **Reputational Damage:** Breaching contract obligations can tarnish the reputation of project stakeholders (including due to impacts to the public service and consequential social and economic impacts), affecting future business opportunities and relationships within the industry.
- **Project Delays:** Lack of contract adherence may delay project delivery, negatively impacting project timelines and overall performance.
- **Quality Issues:** Failure to meet contractual requirements could compromise the quality of project deliverables, leading to dissatisfaction among stakeholders and end-users.
- **Loss of Funding or Financing:** Non-compliance with contractual obligations may jeopardize funding or financing arrangements for the project, making it difficult to secure necessary resources for completion.

**IMPORTANCE OF  
MAINTAINING  
COMPLIANCE**

Maintaining compliance with contractual obligations is essential for safeguarding project integrity, protecting stakeholders' interests, and mitigating legal risks. It ensures that all parties involved fulfill their commitments, uphold their responsibilities, and contribute to the successful delivery of the project. By emphasizing the importance of compliance, project stakeholders can minimize the likelihood of disputes, delays, and financial losses, thereby enhancing the overall effectiveness and sustainability of the P3 project.

Achieving compliance with "handshake deals" that are not adequately memorialized in a documented contract change can be problematic for future project users. The personnel in place during handback will likely be different from those who initiated and operated the project. Therefore, if any agreements are made about modifying performance quality, they must be documented. Developers should not rely on lax quality enforcement to extend the handback period.

# Chapter 4

## *Fostering Collaboration:*

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Truly, Public-Private Partnerships need to be just that: "a partnership" between all parties. Project Agreements unite the parties for 30+ years, a career span for many people with a long working relationship with a Project Company and an O&M provider. Working within this relationship must be collaborative, supportive, and respectful to get the job done and maintain the facility to the highest possible level to meet the KPIs on the Project and fulfill the lifecycle refreshment needs leading to handback. Most Project Co's utilize monthly meetings (Operating Period Joint Committee) to gather the various stakeholders within the project. This allows regular communications and dialog centered around performance improvement, coordinating upcoming work, relaying client business changes, and exchanging new business items. This keeps a structured meeting agenda and provides a forum for constructive exchange. Fostering a relationship allows for all stakeholders to be heard, which is particularly important during the handback process in which several strategies can be employed:

### **Stakeholder Mapping & Engagement**

Identify all stakeholders involved in the project, including the client, contractors, regulatory bodies, local communities, and environmental organizations. Develop tailored engagement strategies to involve each stakeholder group in decision-making processes.

### **Shared Vision and Goals**

Establish a shared vision and common goals for the project, emphasizing the importance of performance and collaboration. Ensure that all stakeholders understand and are committed to these objectives.

### **Open Communication Channels**

Create open and transparent communication channels to facilitate stakeholder dialogue and information sharing. Utilize formal (e.g., regular meetings, progress reports) and informal (e.g., online forums, networking events) communication platforms to foster collaboration.

### **Collaborative Decision-Making Processes**

Implement collaborative decision-making processes involving stakeholders at every project lifecycle stage. Encourage active participation and input from all parties to ensure that decisions reflect diverse perspectives and considerations.

**Conflict Resolution Mechanisms** – Establish mechanisms for resolving conflicts and addressing disagreements that may arise among stakeholders. This could include mediation, arbitration, or facilitated dialogue sessions to find mutually acceptable solutions. Many of these mechanisms are stated in traditional P3 agreements, which can help provide the ground rules for disputes that take place over a long concession period.

**Regular Monitoring and Feedback** – Implement systems for monitoring progress toward collaborative goals and providing feedback to stakeholders. Celebrate achievements, address challenges, and adjust strategies to maintain momentum and engagement. Service providers and/or Project Co often conduct online surveys to monitor feedback firsthand. Creating action items around feedback lets stakeholders know that their concerns are heard and acted upon.

**Continuous Improvement** – Foster a culture of constant improvement by regularly evaluating and refining collaborative processes and practices. Solicit stakeholder feedback and incorporate lessons learned into future projects to enhance collaboration and sustainability outcomes. Often, Service providers have designated people within their organization who ensure continuous improvement to gain service excellence in the eyes of the stakeholders. These resources must be leveraged to solve service delivery problems, create lessons learned, and alter the delivery path to improvement.



By adopting these strategies, Project Co and Service providers can promote a collaborative relationship among stakeholders

**...And leverage incentivization mechanisms to facilitate cooperation throughout the handback process, leading to more effective decision-making and problem-solving.**



# Chapter 5

## *Addressing Sustainability Initiatives*

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Growing attention to sustainability goals and objectives within the public sector is becoming increasingly important. Many government clients have publicly stated their quest for net zero as early as 2045 (California) to help curb the effects of climate change. Similarly, local governments are following suit with ambitious carbon reduction plans that will align with State and Federal directives in the future.

As P3 projects age, significant technological changes will be available, delivering sustainable benefits that will help the public sector fulfill its environmental commitments. Many major life cycle projects are completed in years 23-30, which will provide an opportunity to combine the necessity of replacement with helping the client achieve their sustainability goals. As the O&M provider estimated lifecycle costs during the bid stage, a budget is locked in based on "like for like" replacement. As there is no way to predict the future of technology, we believe it will be best to collaborate closely with the public sector client to implement solutions that best support their sustainability programs.

As there is no way to predict the future of technology, we believe it will be best to collaborate closely with the public sector client to implement solutions that best support their sustainability programs.

Sometimes, there will be instances where the costs exceed the available budgets. The client must provide additional funding and/or carry the expenses into an extension of the O&M agreement to honor their commitment to the planet. Conversely, technological advancement sometimes yields cost savings, so the O&M provider must be fair in advancing lifecycle replacements. By working together, both organizations can achieve their goals and objectives. The O&M provider will make replacements that honor the requirements of the handback conditions, and the public sector client will spend their money on improvements that align with their carbon reduction programs. We expect that there needs to be "give and take" between both parties for an effective resolution. The industry avoided guessing the direction of technology and the associated costs when entering these long-term 30+ year contract arrangements, knowing that speculating would not be cost effective given the uncertainty. As a result, both parties will need to work collaboratively to bring the facility into the next lifecycle phase.

### **Full Disclosure of Lifecycle Schedules & Budgets for Implementation**

This allows the parties to start the dialog ten (10) years before the handback date to better understand the anticipated work and the associated present-day costs.

### **Goal Setting**

Within the project's scope, set specific, measurable goals for reducing carbon emissions and improving sustainability. These goals should be realistic yet ambitious, aligning with broader sustainability objectives. The O&M provider should be able to evaluate new technologies in the marketplace and estimate carbon reduction gains. Form a hit list of areas of opportunity that require further investigation to decipher the Facility Improvement Measure (FIM) expected cost vs. original budget and expected sustainable outcomes.

### **Assessment and Analysis**

Begin by assessing the project or asset's current state in terms of its carbon footprint and overall sustainability. In conjunction with lifecycle schedules, identify areas where improvements can be made, such as energy efficiency, waste reduction, and carbon emissions.

### **Strategy Development**

Develop a comprehensive strategy for integrating sustainability initiatives into the handback process. This might include implementing renewable energy sources, optimizing resource usage, adopting green building practices, and promoting sustainable transportation options, among other issues that were not apparent and/or available during the bid stage. Ensure the third-party condition consultant also evaluates the FIMs to ensure the proposed changes will meet the obligations for handback in the Project Agreement.

By following these steps, Project P3 can effectively address the importance of sustainability in handback strategies, contributing to environmental conservation and fostering a more sustainable future.



Although future technology and sustainability goals will generally be unknown at the time that the P3 agreement is signed, a government client should consider adding terms that set a framework for the above collaborative dialogue through the life of the Project, including a commitment to review new technology, share cost data transparently and share of saving driven by technology advancements.

# Chapter 6

## *Prioritizing Handback Planning*

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The end of your P3 contract and the transition to the next stage of the asset's life will likely be daunting. Running and monitoring the day-to-day operation and maintenance alone involves a sizable amount of staffing, and trying to secure additional resources (and the finance to fund that resource) to manage the handback process can be a challenge for both the public and private sector stakeholders.

While the scale of the challenge should not be underestimated, it is important to remember that handback is simply a transition of ownership. With the right level of resourcing and planning (started as early as possible), this transition process should be seamless and demonstrate a 'win' for all stakeholders.

In the UK, the Government's Infrastructure and Projects Authority (IPA) generally recommends starting the handback process at least seven years from the contract's end. However, voices suggest that public agencies should begin considering this transition 10+ years out so that most of the handback plans and objectives are in place when you enter the later years. This would also allow time for the brokering of 'best outcome' conversations.

Public agencies may benefit from viewing their handback strategy from two angles - contractually and strategically. The former focuses on what the contract sets out regarding handback provisions, asset conditions, and the contract terms' compliance. The latter considers any future use of the asset, including the services it needs to deliver and how it fits into the broader estate strategy.

Further, handback planning can be split into four key areas: identifying and prioritizing key considerations during handback planning, future service requirements, data management protocols, and stakeholder consultations.

The following are some of the elements that should be considered:

## Identifying and Prioritizing Key Considerations during Handback Planning

The top priority should be ensuring strong leadership from all parties to ensure a well-planned and coordinated handback. The team leading the process should have solid knowledge of the project and the seniority and experience to make decisions and lead the negotiations from their side of the table.

It is then essential to commit appropriate (and possibly dedicated) resources to run the handback process.

Suppose the existing project management team is leading the process. In that case, there should be a plan to ensure the existing day-to-day service delivery continues as usual.

Once you have the right team in place, it is essential that you form a strategy for transparent decision-making and approval processes. This strategy should include an agreement about the level of information needed to help make these decisions.

Finally, there should be an acknowledgment from the team that the contractual arrangements for handback are likely to be less developed or ambiguous in some instances and agree on which points could cause challenges as you near handback.

### **FUTURE SERVICE REQUIREMENTS**

Once you have the team, you should establish a vision for your future service delivery. Have service needs changed since you signed the contract?

This process should begin with knowing where you currently are - assessing the asset's condition and residual life expectancy in the first instance.

### **Other areas that should be evaluated include:**

- Understand how the services are delivered and how the assets are operated and maintained.
- Understand statutory obligations, i.e., health & safety risks such as legionella testing, compliance of life-safety systems, etc.
- Resourcing of the new asset – transfer of existing staff over to the client versus new staff to be appointed by the client.

However, while planning for the asset's use handback, it is essential to maintain service continuity and minimize disruption to staff and users. This should include maintaining relationships with the existing supply chain rather than creating a new one. Another important consideration is protecting the budget available to support future services.

**Data Management Protocols** – The backbone of the handback process should be data and data management protocols.

Firstly, focus on learning lessons from the current contract, such as understanding critical lessons learned during the operations phase and where improvements can be found.

Also, learn from what has been achieved—how will you capture the knowledge from the private sector partner? Consider how recorded data will be transferred to the public sector and whether their existing data systems are compatible with the data. As part of this, consider the use of digitization, especially with BIM / Asset modeling.

Finally, understand the basic information needed to enable services to be re-procured when you have decided how you want the asset to be operated and maintained post handback.

**Stakeholder Consultations** – As you move to the next stage of the asset's life, you should try to learn lessons from peers in the industry, such as clients and private sector partners. This process requires appreciating the different parties involved in the handback process – client, staff, users, private sector partners, lenders, etc.

Stakeholder engagement should hinge on the need to create structured engagement plans and sequencing of engagement for all stakeholders.

# Chapter 7

## *Commencing Handback Preparation*

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### **OPTIMAL TIMELINE FOR INITIATING HANDBACK PREPARATIONS**

The timeline for starting handback preparations should be tailored to the project's specific needs and complexities. However, there are general guidelines to consider:

#### **Project Complexity**

More complex projects require longer preparation times. Projects with extensive infrastructure, intricate operational systems, or significant stakeholder involvement should start handback preparations at least 7 years before the contract ends.

#### **Resource Availability**

Adequate resources must be allocated for handback preparations. Assess the availability of skilled personnel, financial resources, and technological tools required for the transition. Starting early allows time to secure these resources.

#### **Contractual Obligations**

Review the P3 agreement to identify any specific requirements or timelines related to the handback process. Ensure compliance with these obligations by initiating preparations well in advance.

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# *Actionable Steps for Early Engagement and Planning*

To minimize disruptions and ensure a smooth handback of assets, follow these actionable steps for early engagement and planning:

**1. Expand Operational Oversight Committee**

This committee should oversee all aspects of the handback process.

**2. Develop a Handback Plan**

Create a comprehensive plan outlining the key activities, timelines, and responsibilities. The plan should include detailed steps for asset evaluation, data transfer, risk assessment, and stakeholder engagement.

**3. Establish a Handback Team**

Create a comprehensive plan outlining the key activities, timelines, and responsibilities. The plan should include detailed steps for asset evaluation, data transfer, risk assessment, and stakeholder engagement.

**4. Conduct Initial Assessments**

Begin with a thorough assessment of the current state of the infrastructure and operations. Identify any potential issues or areas requiring attention before the handback. This assessment should include technical audits, financial reviews, and compliance checks.



## **5. Engage Stakeholders Early**

Involve all relevant stakeholders from the beginning of the planning process. This includes internal teams, external partners, regulatory bodies, and end-users. Early engagement helps identify potential concerns and ensures buy-in from all parties.

## **6. Resource Allocation**

Ensure that adequate resources are allocated for the handback process. This includes assigning experienced personnel, securing necessary funding, and investing in technology and tools to facilitate the transition.

## **7. Training and Capacity Building**

Provide training and capacity-building programs for the public sector team to take over the operations. This includes technical training, operational guidelines, and knowledge transfer sessions to ensure they are fully prepared to manage the assets post-handback.

## **8. Risk Management**

Develop a risk management plan to identify, assess, and mitigate potential risks associated with the handback. This includes contingency planning for unforeseen issues and establishing protocols for rapid response to any disruptions.

## **9. Regular Progress Reviews**

Schedule regular progress reviews to monitor the status of handback preparations. These reviews should involve the handback committee and key stakeholders to ensure alignment and address any emerging issues promptly.

## **10. Documentation and Reporting**

Thoroughly document all handback-related activities, decisions, and communications. This ensures transparency and provides a reference for resolving any disputes or issues arising during the transition.

## **11. Pilot Testing**

Consider conducting pilot tests for critical aspects of the handback process. This allows for identifying and addressing any issues in a controlled environment, reducing the risk of disruptions during the actual handback.

# Conclusion

Early handback preparations are essential for successfully transitioning infrastructure assets in P3 projects. Organizations can develop a robust handback plan by considering the project's complexity and ensuring adequate resource allocation. Following actionable steps for early engagement and planning helps minimize disruptions, ensures stakeholder alignment, and facilitates a seamless handover of assets. Early and thorough preparation sets the stage for continued success and effective management of public infrastructure post-handback.

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