

Handback of facilities at contract end

Another major reason why Contract Management is so important is that at the end of a concession agreement, assuming that it has a transfer modality, is that the conditions for completion of the concession which may be 30-40 years in the future must be specified in the contract. This is so, whether the infrastructure is to be retendered, transferred back to Government or sold off.

The contract must specify the required physical state of the project at contract end. For a toll road, the contract may require that the condition of the road is fit for purpose and that no major rehabilitation or reconstruction works will be required for the next 5-10 years. Legal aspects of handover are considered in Module 4 => Contracts => Contract Provisions => Handover.

Each sector/sub-sector will have different characteristics, so conditions will likely be different. Consideration would also be needed to include the situation in which the infrastructure may be both physically and economically obsolete so very major rehabilitation or rebuilding would be required.

Transfer back to Government must remain an option and to be decided by Government at the time. If major works are required or conversely if the asset is still revenue generating, the Government will want to keep its option open to;

- Re-tender the asset to avoid expensive capital costs;
- Generate funds by a new or continued contract;
- Consider other options.

The contract management clauses defined in the concession agreement must therefore be flexible but at the same time not overly burden the private sector in its negotiations.

There has not been much experience with the completion of concession agreements but assuming the continued process of government reform worldwide (from infrastructure service provider to policy maker, technical regulator etc), it would not be expected that the asset would return to direct government control but be retendered with the prospect of the existing concessionaire having additional score in the tender evaluation for good performance in the (first) concession.

Handback requirements

Two categories of requirements may be imposed when handing back the road to the authorities at the end of the contract:

- maintaining service quality performance up to and including the last day of the contract,
- the residual life span of the various road components.

In all cases, handing-over should be preceded by a period of assessment and concerted dialogue between the road authorities and the operator lasting several months for a short contract and several years for a long contract.

As the increase in public-private contracts is only recent, practical experience of ends of contracts is even slighter. The following comments result in the main from reflection by the Toolkit drafting team.

Service Quality Performance

This does not pose any particular problem. As indicated above, the aim is to ensure maintenance and service quality performances up to the last day of the contract. It is simply recommended to plan a general audit several months before the end of the contract and summon the operator to carry out all the necessary repairs and corrections in good time (Regulation, technical aspects).

Residual Life Span

The problem arises in very different terms depending on the duration of the contract, the nature of the pavement, whether or not there are any large bridges or tunnels, the nature of operating equipment, etc.

Each case is a special case which requires individual examination.

The sole aim of the following comments is to help with this examination and not to provide ready made solutions.

For Short contracts

The optimum sequence of rehabilitation or pavement strengthening work, general surfacing work, installing safety equipment, may in this case be planned and determined in the contract.

For Long contracts

The question of the residual life span should be examined item by item:

Surfacing (surface coating or asphalt):

The average life span for such surfacing, depending on the traffic and local conditions, is known. To preserve a minimum life span after handing back the road, it is necessary to stipulate a minimal residual life span to the operator, e.g., 2 years for surface coatings and 3 years for asphalt.

Structure of flexible pavements:

Deflection measurement allows a reasonable approximation of the residual pavement life to be obtained. A measurement campaign made a few years prior to completion of the contract may enable an agreement to be found on the necessary strengthening measures in order to achieve the residual life span imposed by the contract (e.g. 10 to 15 years).

Concrete pavements

This problem is complex for two reasons:

- The life span of concrete pavements is of the same order of greatness as those chosen for concessions (30-35 years).
- Whatever the chosen technique (they have considerably diversified in recent years) the cost of work necessary to prolong the life span of a concrete pavement is always very high.

It is not possible to recommend general rules for the clauses relating to requirements for residual life spans which should be closely examined, case by case, with the help of specialists.

Bridges:

For the structure itself, standards always provide for very long conception and design life spans, much greater than concession periods usually last. The only obligation the operator has to comply with is therefore to ensure correct maintenance, verified by audit before handing back. It will be necessary, in this audit, to pay particular attention to the condition of equipment (expansion joints, supports, safety barriers).

Tunnels:

The problem is the same, with particular attention being required by equipment (ventilation, lighting, warning systems, emergency telephone network, etc.) based on normal life spans as determined by the suppliers.

Safety or operating equipment:

For all safety and operating equipment, it is desirable to stipulate a residual life span, based on normal life spans as determined by the suppliers.