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**Fitch**Ratings

# Transportation Outlook and Toll Roads

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# Agenda

- **Fitch's Global Transportation Outlook**
- **U.S. Transportation Outlook**
- **Toll Road Performance During Crisis**
- **Managed Lane Rating Approach**

# Fitch's Global Transportation Outlook

# 2011 Transportation Outlook

	2010 Outlook	2011 Outlook
<b><u>U.S.</u></b>		
Airports	Negative	Stable-Negative
Seaports	Stable-Negative	Stable
Toll Roads	Stable-Negative	Stable
<b><u>Europe</u></b>		
Airports	Stable-Negative	Stable
Toll Roads	Stable-Negative	Stable
<b><u>Latin America</u></b>		
Airports	Stable-Negative	Stable
Toll Roads	Stable	Stable
<b><u>APAC</u></b>		
Toll Roads	Stable	Stable

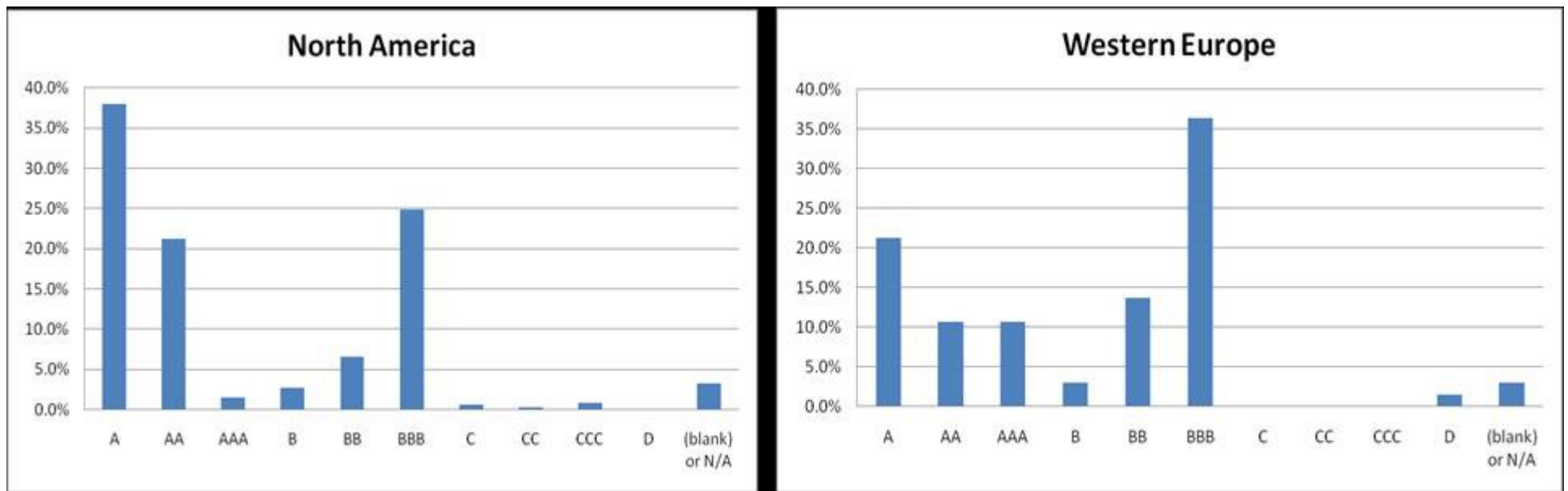
Source: Fitch.

# “What to Watch” Themes For 2011

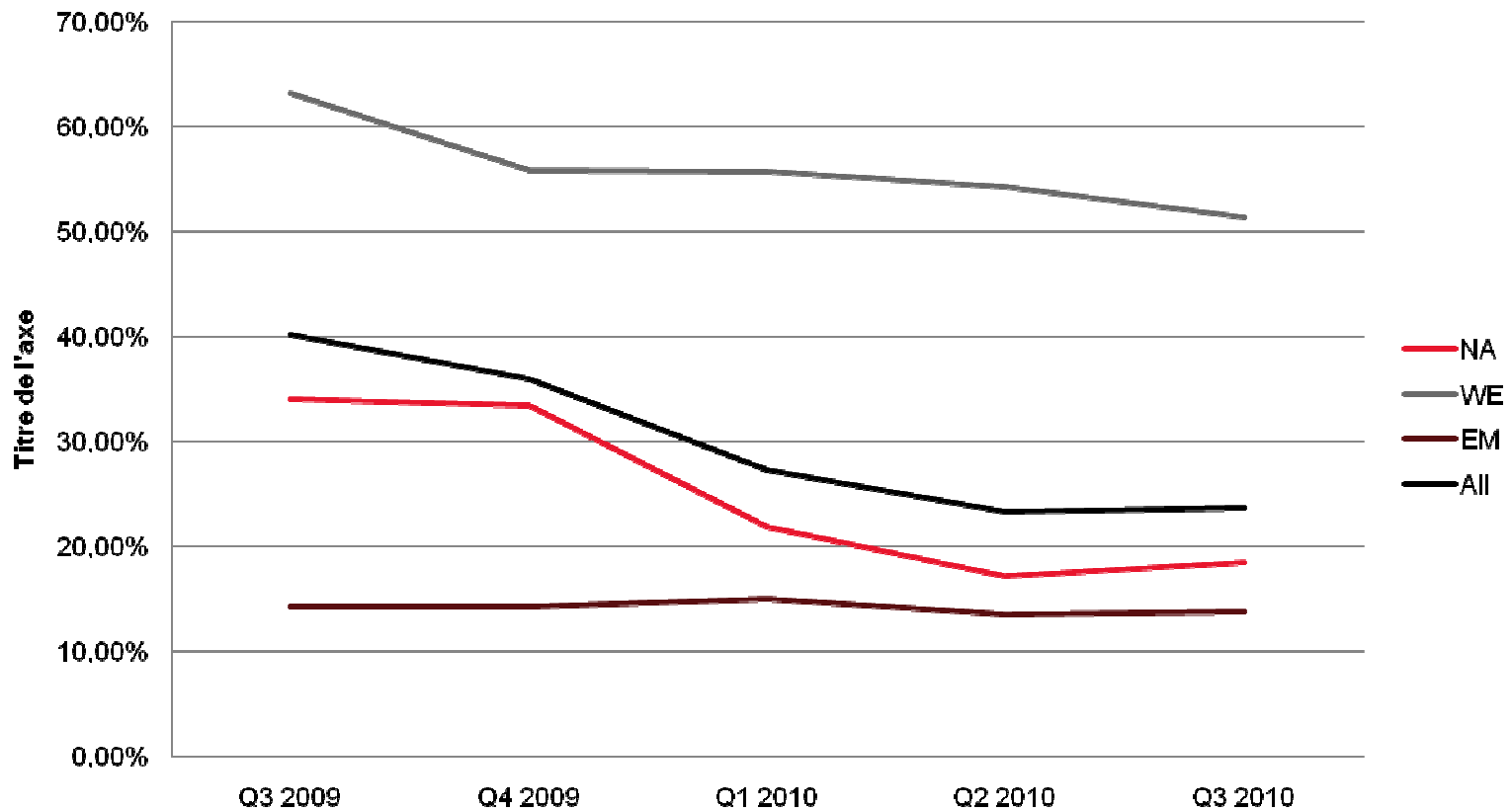
<b>Economic/Demand</b>	Airports/Seaports/Toll Roads (Europe and U.S.)
<b>Oil Prices</b>	Airports/Seaports/Toll Roads (Europe, U.S., Latam, APAC)
<b>Capacity Cuts</b>	Europe and U.S.
<b>Consolidation</b>	Europe and U.S.
<b>Market Access (Refinance)</b>	Australia
<b>On Time and On Budget Completion</b>	India
<b>Regulatory Change</b>	Airports (Europe)

Source: Fitch

# Rating Distribution – International Ratings



# Rating Outlook/Watch Negative (International)



# U.S. Transportation Outlook

# U.S. Transportation Outlook

## Airports

- Separation of the wheat from the chaff
- International gateways and primary hubs did well
- Tertiary hubs and small city destinations did poorly
- Low cost airports demonstrated high volatility
- Strengthening airline liquidity/profitability
- Counterparty risk less of an immediate concern
- Higher oil prices over \$110 will be a problem

# Airport Traffic Performance by Region

<u>Region/Airport</u>	<u>2009 (%)</u>	<u>2008 (%)</u>
Midwest -- Cincinnati	(22.1)	(13.3)
-- Chicago O'Hare	(6.0)	(9.9)
Northeast -- Manchester	(14.3)	(4.8)
-- New York JFK	(4.0)	0.2
Southeast-- Birmingham	(7.8)	(4.9)
-- Miami	(0.9)	1.0
Southwest-- Tucson	(13.9)	(4.9)
-- San Antonio	(6.0)	4.4
West -- Oakland	(17.2)	(21.5)
-- San Francisco	0.7	4.8

# Florida Airport Traffic Performance

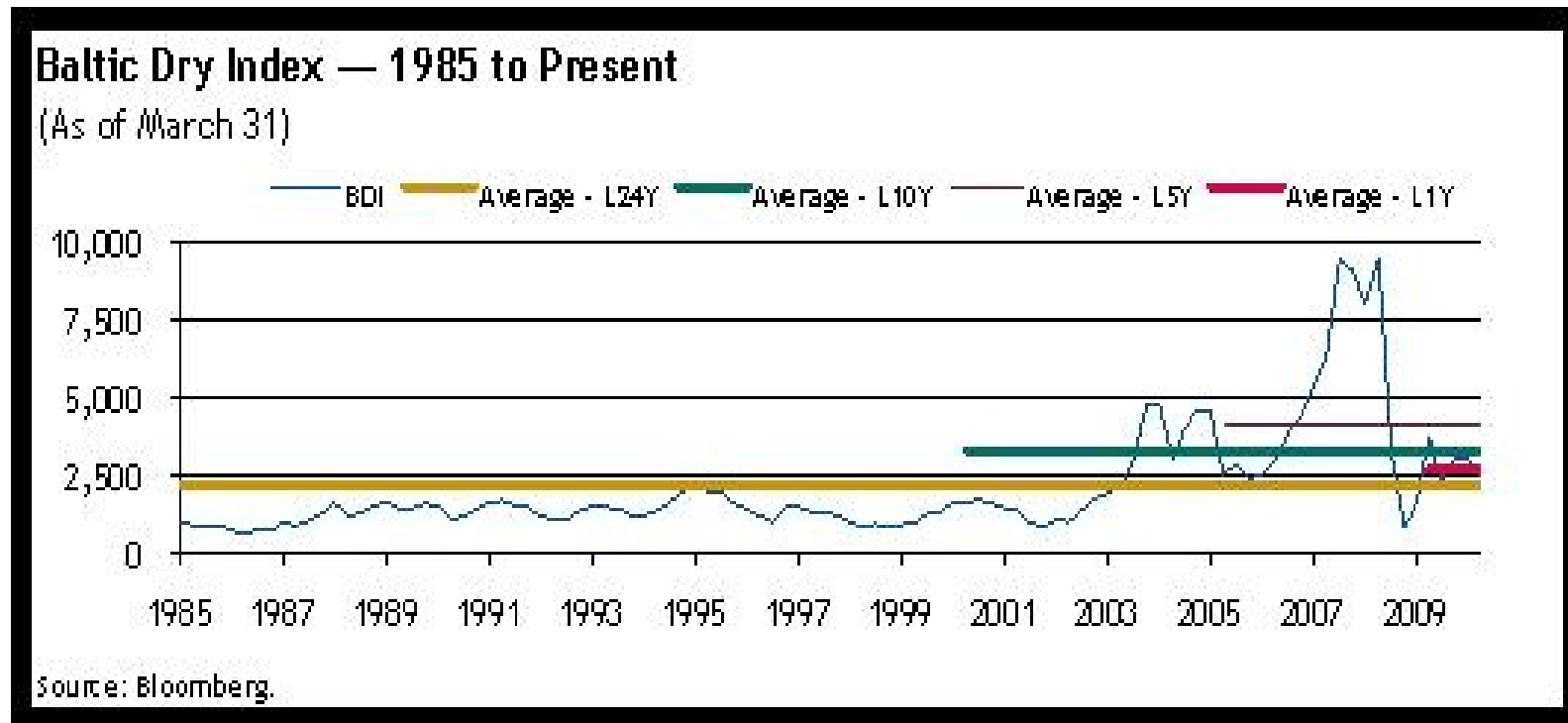
<u>Region/Airport</u>	<u>2009 (%)</u>	<u>2008 (%)</u>
Palm Beach	(7.3)	(6.9)
Jacksonville	(7.2)	(5.4)
Fort Myers	(2.5)	(5.7)
Orlando	(5.5)	(2.1)
Fort Lauderdale	(7.2)	0.8
Tampa	(6.9)	(2.7)
Miami	(0.9)	1.0

# U.S. Transportation Outlook

## Seaports

- Rapid decline with near cessation of global trade
- Significant rebound in the past year
- Growth likely to mimic broader economy

# “Now That’s a Bubble”



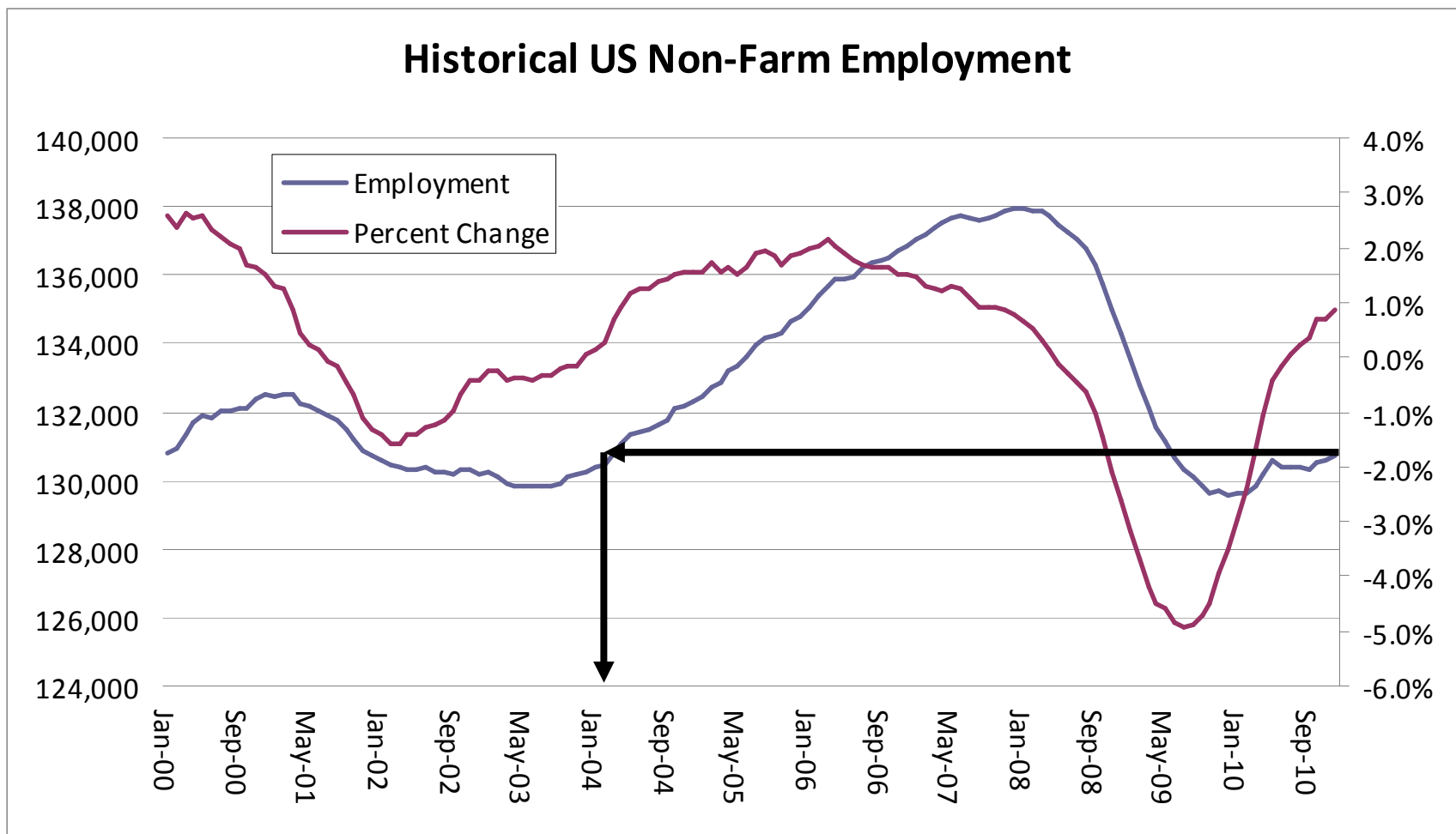
# U.S. Transportation Outlook

## Toll Roads

- Economy stabilizing, unemployment growth stemmed
- Traffic and revenue growth returns
- Toll rate-making flexibility used to a greater degree than in normal cycles
- Political risk with rates was effectively modest
- Governmental pressure to invest off-system builds
- Downsizing governments are a go-forward risk to growth/unemployment levels
- Higher oil prices over \$110 will affect the underlying economy and economic growth

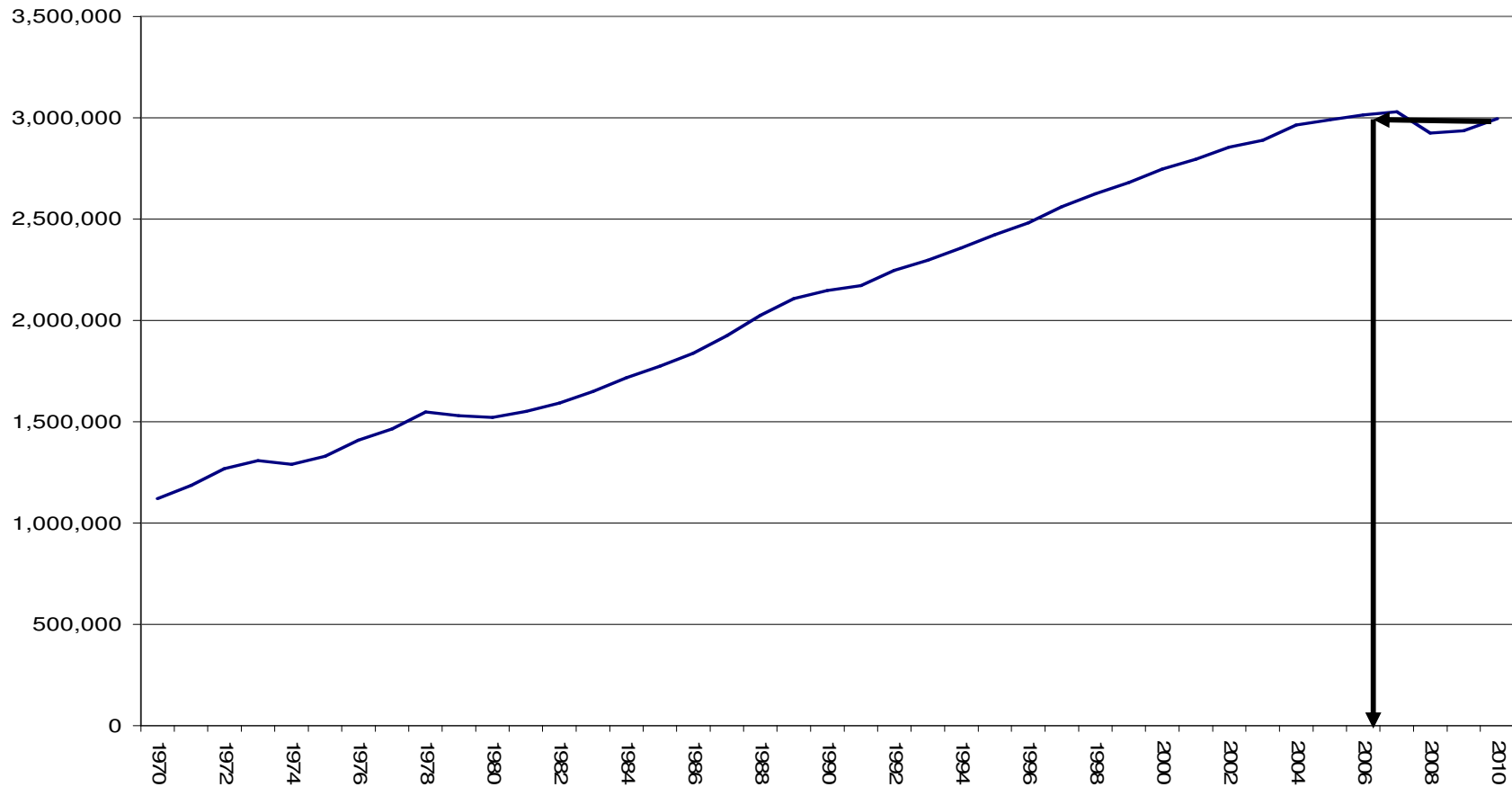
# Toll Road Performance During Crisis

# Economic Backdrop



# Economic Backdrop

Annual VMT



# Toll Road Performance

## **Credit quality deteriorated marginally during the crisis:**

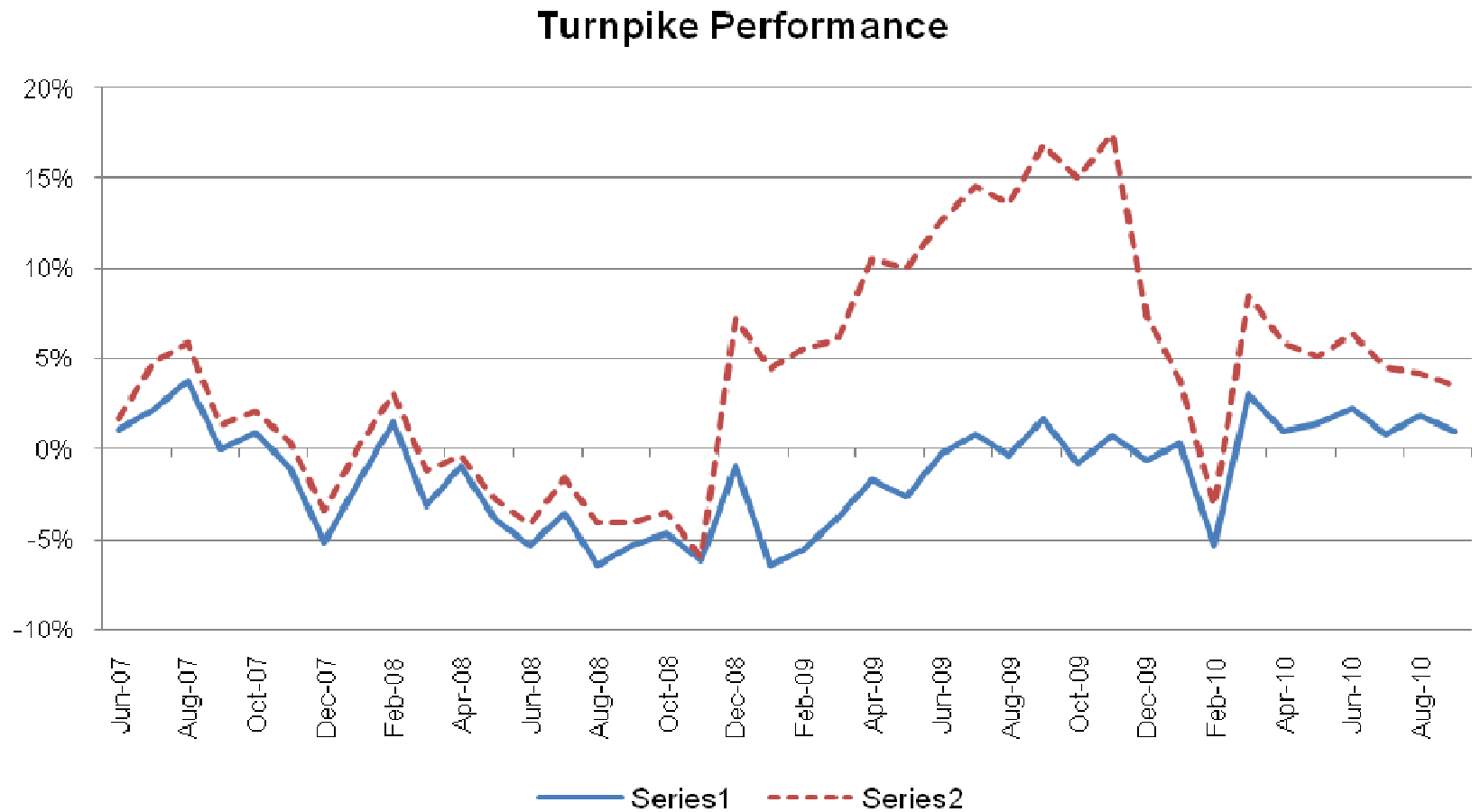
- There were 5 downgrades (12%) - all on stand-alone facilities.
- There were 11 negative outlooks (excl. those leading to downgrade).
  - Included all asset type
- There was 1 upgrade and 1 positive outlook.
  - Masspike (political); MDX with revenue exceeding expectations
- There were 2 negative outlooks revised to stable.
  - NJ Turnpike (following the toll increase); LA-1 (completion funding secured)

# Toll Road Performance

## Varied by Asset Type:

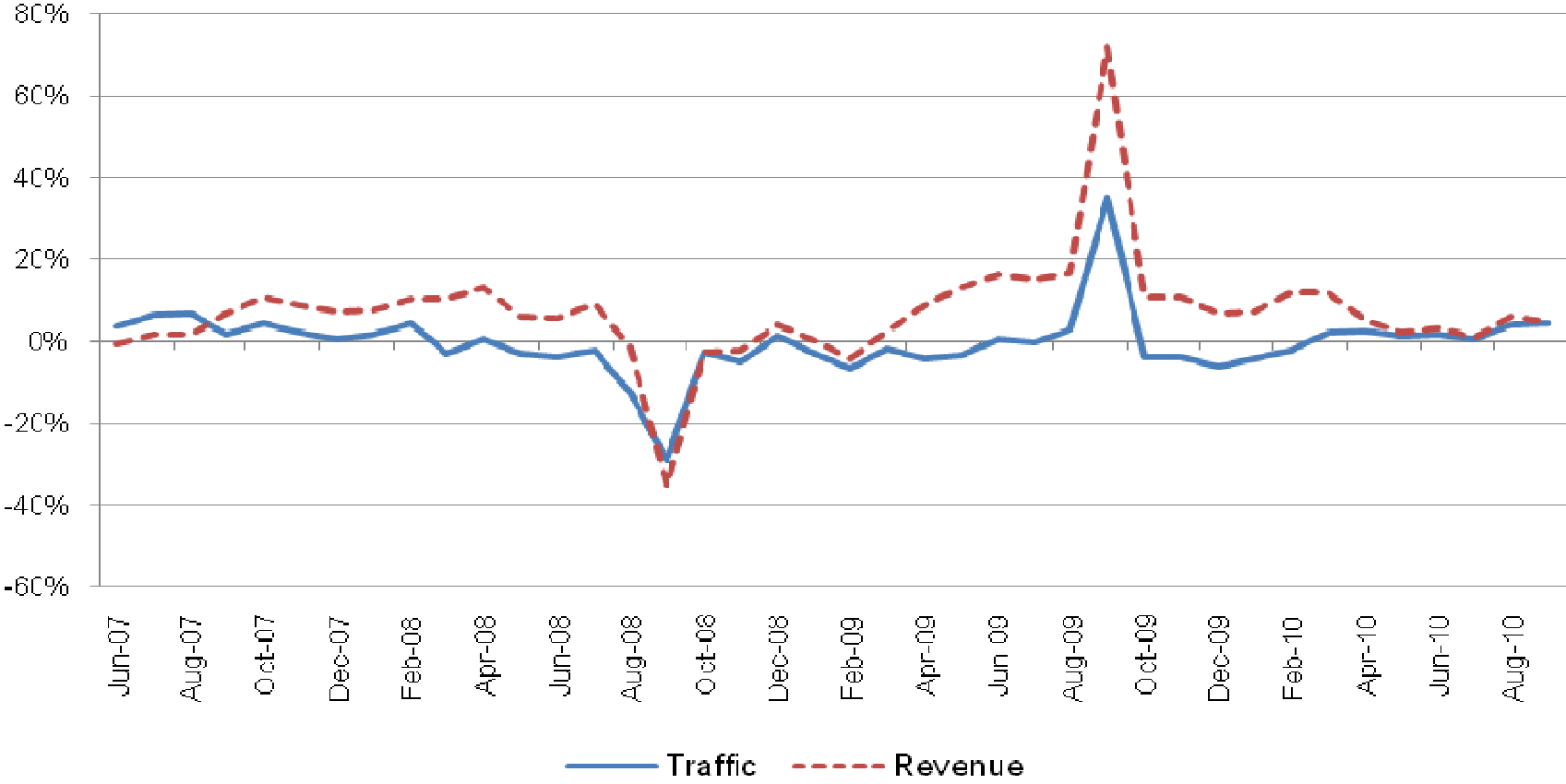
- Turnpikes had declines of approximately 5%, offset by toll increases.
  - Exposure to commercial & discretionary traffic; relatively flat debt profile in most cases
- Expressway systems remained relatively flat; raised tolls considerably in some cases
  - Commuter base traffic more resilient; hampered by an escalating debt profile
- Bridges had declines of approximately 5%; offset by toll increases.
- Stand-alone facilities saw losses of 10%, with some seeing more
  - limited pricing power is evident; downgrades due to rapidly escalating debt profile

# Turnpike Performance

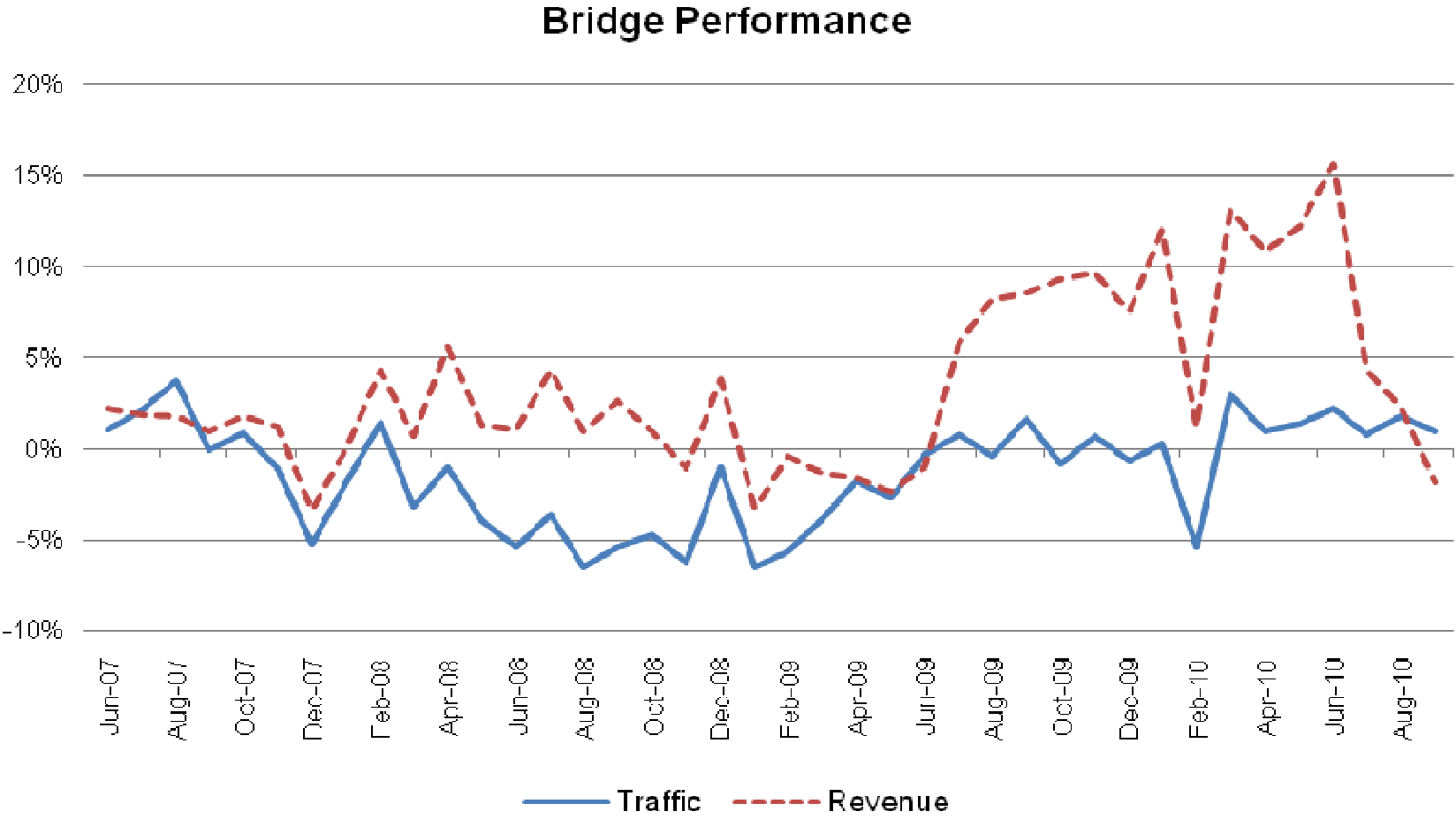


# Expressway System Performance

## Expressway Performance

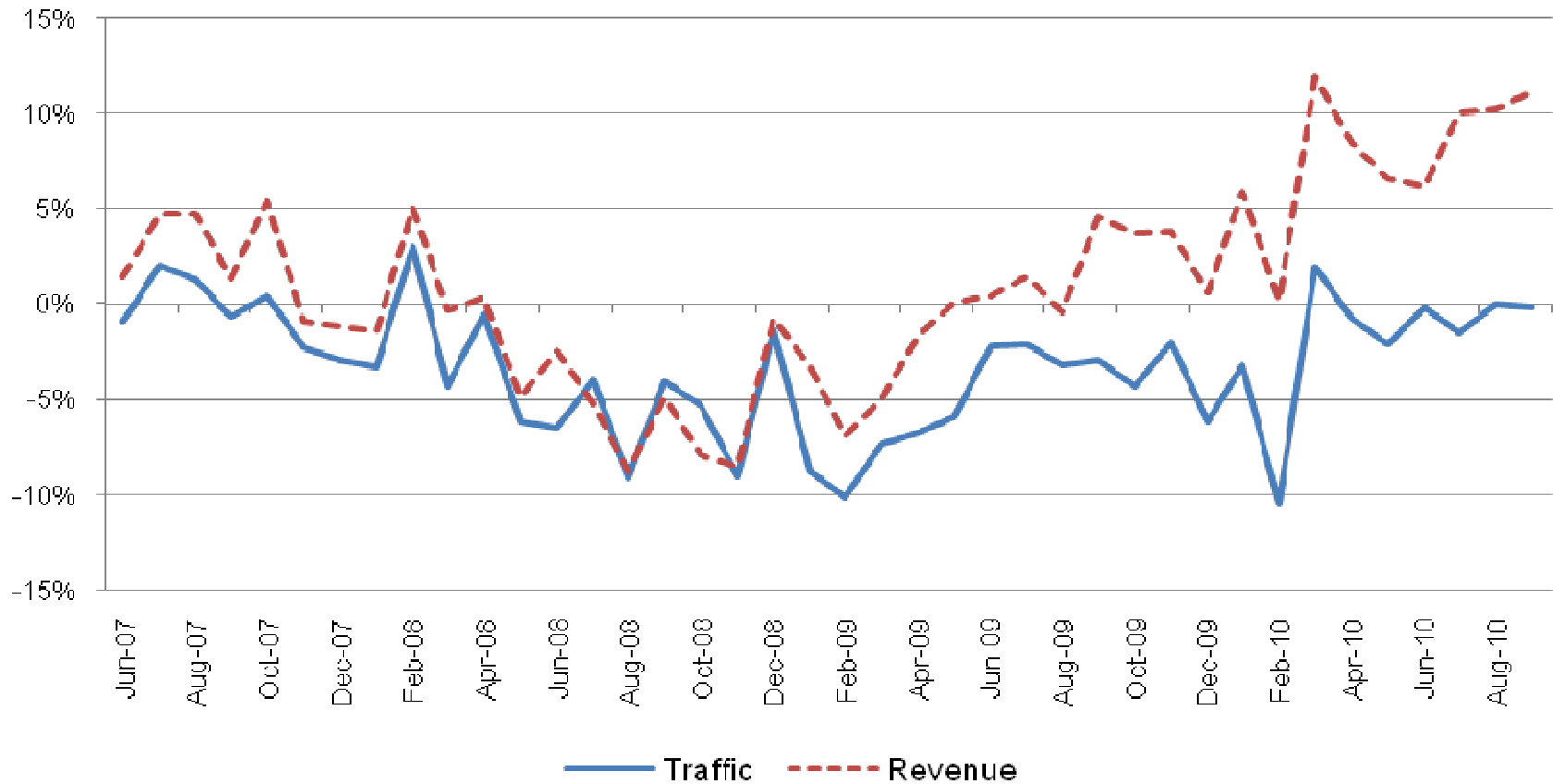


# Bridge Performance

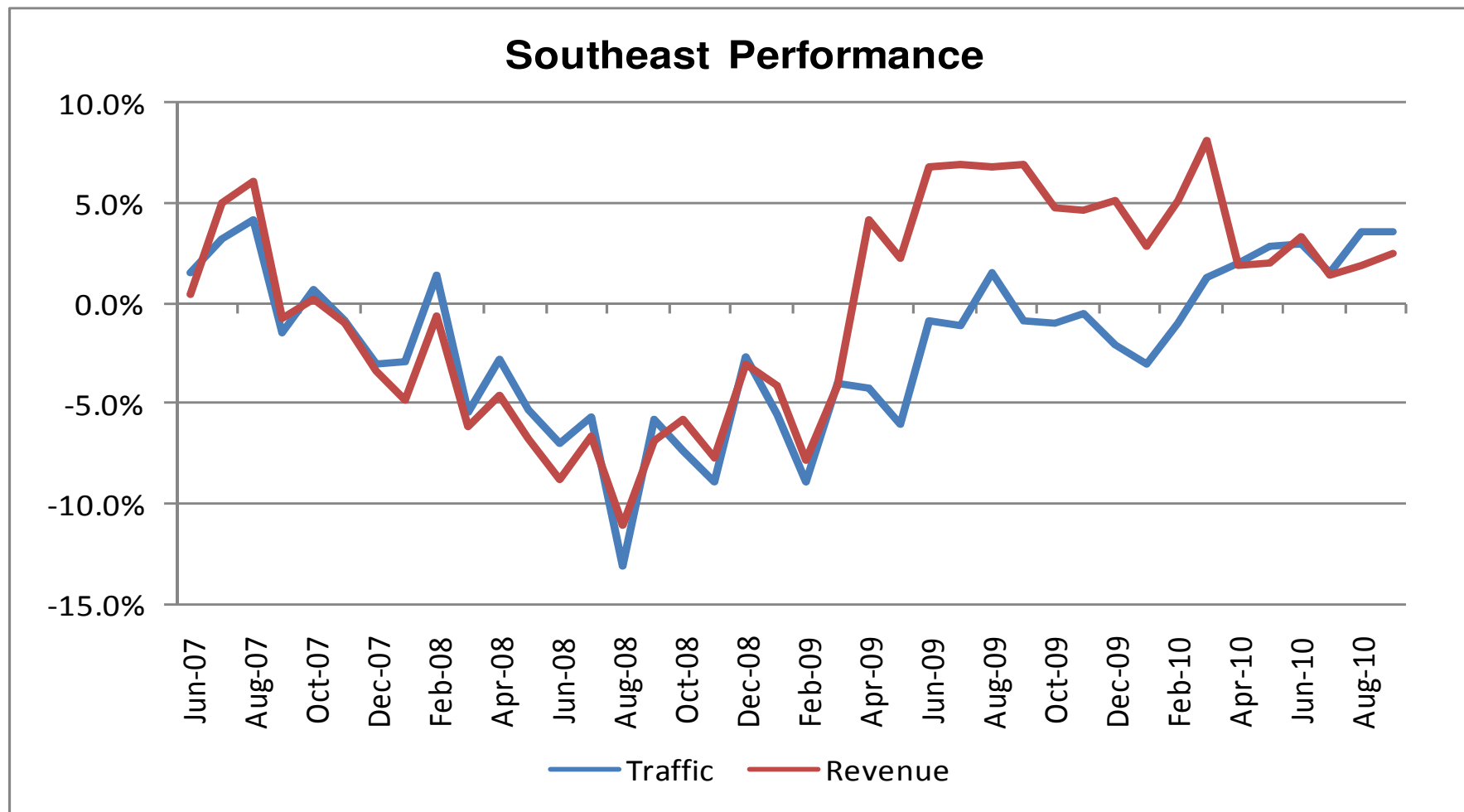


# Stand-alone Performance

## Standalone Performance



# Performance of Roads in Southeast



# Florida Toll Facility Ratings

	<u>Rating</u>	<u>Change</u>
Alligator Alley (FDOT)	A+	--
Florida's Turnpike (FDOT)	AA-	Neg. Outlook
Miami-Dade County Expressway	A-	Pos. Outlook
Mid-Bay Bridge Authority (FL)	BBB+/BBB	--
Orlando-Orange County Expressway	A	--
Tampa-Hillsborough County Expressway	A-	--
Santa Rosa Bay Bridge	C	Downgrade

Source: Fitch

# Managed Lane Rating Approach

# Managed Lanes

## **Key Factors in Determining Financeability:**

- Nature of the corridor (congestion, economic/directional diversity, travel options)
- Nature of the investment/improvements (corridor and region)
- Corridor traffic management strategy
- Nature of toll policy (maximize throughput, revenue)
- HOV policy
- Quality of the data

# Managed Lanes

## Indicative Facility Characteristics:

- No real general purpose lane growth in peak despite population/economic growth, limited growth in inter-peak
  - High volume/capacity ratio
  - Unpredictable travel times
  - Sizable time savings
- Very limited ability for future roadway expansion/improvement.
  - Additional general purpose lanes/other alternatives largely infeasible
  - Improving key interchanges/choke points will not solve the problem
- Broad peak period over a 2-3 hour period in AM & PM.
  - AM & PM peaks bi-directional
  - Project scope/costs tailored to demand profile/pricing power

# Sample ML Capture Rates

## ML Capture Assumptions - Based on Observed Movements on SR 91 (CA)

### Peak - ML Traffic Table

<u>Volume on GPL as</u> <u>% of Capacity</u>	<u>% Moved to GPL</u>
0	3
10	3
20	3
30	3
40	7
50	10
58	13
60	15
70	25
80	25
90	30
92	30
94	35
96	35
100	44

### Inter-Peak/Off Peak - ML Traffic Table

<u>Volume on GPL as</u> <u>% of Capacity</u>	<u>% Moved to GPL</u>
0	3
10	3
20	3
30	3
40	7
50	7
58	7
60	13
70	13
80	13
90	15
92	20
94	25
96	35
100	44

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