



# 2011 U.S. Toll Road Sector Outlook

**IBTTA Transportation Finance & Policy Meeting July 17, 2011** 

# Moody's Rated Universe

#### Government-Owned Toll Roads

- 41 rated government-owned toll roads, with approximately \$72 billion of debt at the end of 2010
- ➤ Median rating → A1
- Most carry stable outlook, 8 negative outlooks

#### Private Concessions

- 4 rated private concessions
- ➤ Median rating → Baa3
- Outlook: 3 stable, 1 negative

# Moody's 2011 Toll Road Sector Outlook:

#### The bright spots.....

- > Toll roads continue to be the most resilient of the transportation sector credits
  - Toll increases have been absorbed relatively well
  - Liquidity has remained steady and median DCOH expected to have improved for 2010
- Traffic and revenue stability has begun
- Effective governance and management have held up well through crisis

#### Negative outlook

Recognizes traffic and revenue and beginning to grow slowly, but signals the <u>challenges</u> to a steady traffic growth and stable or improving financial metrics



#### Economic challenges

- Moody's global Macroeconomic outlook signals sluggish and vulnerable economic recovery through 2011
- Economic growth has been slow and uneven
- Budget and debt ceiling problems loom over the prospect of recovery
- Gas prices



- Recession...the gift that keep on giving
  - Higher leverage
  - Product of:
    - BABs and ARRA
    - > The state of the state
      - Many states facing large budget deficits have turned to alternative funding sources for infrastructure needs such as toll road transfers to the general fund, or leveraging to fund non-tolled projects.

### Recession...the gift that keep on giving

- Debt metrics have weakened and are with us for some time
  - Median toll road debt / mile: 2008: \$8.7 million, 2009: \$15.7 million, Expected 2010 ~\$17 million range
  - Median debt/transaction: 2008: \$8.54, 2009: \$9.48, Expected 2010~ near 2009 levels
  - Debt Ratio: 2008: 64.1%, 2009: 66.9%, Expected 2010 near 2009 figures
  - DSCR: 2008: 1.69x, 2009: 1.52x, Expected 2010 around 1.60x



#### ➤ VRDO Expirations 2011-2012

- ➤ Public finance sector expirations in 2011 = 1/3 of the outstanding VRDO market
- 12% of the total due in 2011 is transport sector
- ➤ Good news → Majority which expired in Q12011 were successfully extended or replaced
- ➤ Threat → Bulk of expirations in in Q2 Q4 and then again in Q4 2012.
- Key risks to successful resolution:
  - Strength of the issuers
  - Concentration of banks in the market



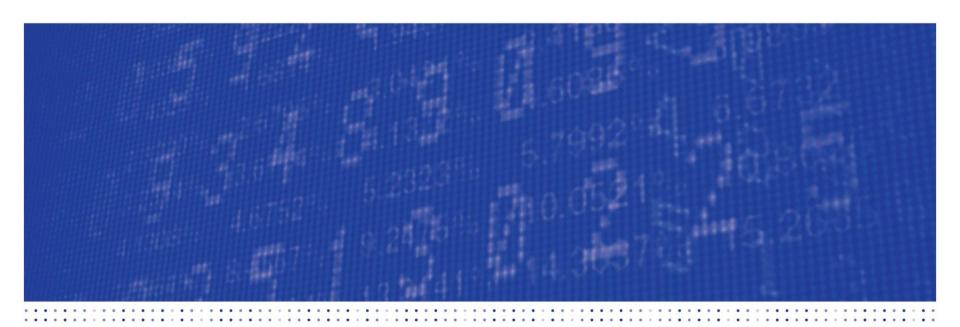


Laura Barrientos

VP/Senior Credit Officer

212.553.6871

Laura.barrientos@moodys.com



© 2010 Moody's Investors Service, Inc. and/or its licensors and affiliates (collectively, "MOODY'S"). All rights reserved. ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY COPYRIGHT LAW AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The ratings, financial reporting analysis, projections, and other observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORM

Moody's Investors Service, Inc. ("MIS"), a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MIS have, prior to assignment of any rating, agreed to pay to MIS for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

