Moody's
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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

Moody’s 2011 Toll Road Sector Outlook: Negative

- **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

Moody's 2011 Toll Road Sector Outlook: Negative

- **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.

Moody's 2011 Toll Road Sector Outlook: Negative

- **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

Moody's 2011 Toll Road Sector Outlook: Negative

➢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

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