

Industry Top Trends Update

Transportation Infrastructure

The new normal is yet to be defined

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What's changed?

Loosening government restrictions lead recovery. As lockdown measures have eased, usage and volume have generally increased, with some volume-based public-private partnership (P3) toll roads recovering very close to pre-COVID levels.

Is COVID-19 a force majeure? COVID-related force majeure claims are beginning to be resolved. For example, the recent ruling by the Ontario Supreme Court could be significant for P3 credit quality if it leads to more successful force majeure claims.

Toll road resiliency. All but one rated volume-based transportation project remains investment grade thanks to robust debt service coverage, hybrid revenue streams (availability payments with some traffic risk), capital structure, and liquidity.

How is recovery taking shape?

The new normal is still being defined. Shifts in travel patterns/modes and commuter behavior, specifically business travel and work-from-home policies, will drive and vary the recovery across transportation assets.

Different routes of recovery across assets and sectors. Domestic toll road travel has recovered for many operators. Commercial trucks performed particularly well given the shift in consumer behavior toward e-commerce. U.S. airport domestic travel—80% of all flights—has also seen an uptick. That said, congestion-relieving toll roads, international air travel, mass transit, and parking are lagging.

Cash is king. Liquidity and equity injections continue to offset slow recovery for certain assets and sectors. Some have reduced expenses and some have sought waivers for financial covenants.

What are the key risks around the baseline?

Structural change to mobility trends. Remote working, virtual business meetings, online shopping, and blended teaching could affect the usage of transportation infrastructure. For example, if commuters work remotely for two days a week it could translate to about a 20% permanent weekday demand loss for toll roads and downtown parking garages.

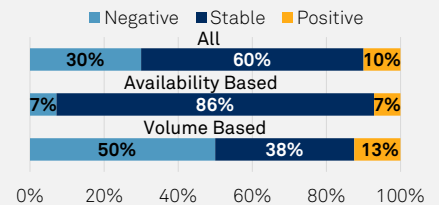
A third wave of infections or inefficacy of vaccine against variants could lead to additional government lockdown measures that either delay or reverse the recovery in volumes from pre-pandemic levels.

Cash flow pressures on counterparties. A more pronounced downside could also put pressure on availability projects should counterparty risk rise and/or the burden of risk transfer become intolerable.

Latest Related Research

- What Is The Next Stop For U.S. Mass Transit In A Post-COVID Era?, July 1, 2021
- The Ontario Supreme Court’s Emergency-Relief Ruling Is A Shot In The Arm For The P3 Industry, June 2, 2021
- Infrastructure: Why Design Build Contracts Can Be A Double-Edged Sword For U.S./Canadian P3 Projects, May 17, 2021
- Infrastructure: Ten Roads, Ten Routes Ahead, April 7, 2021
- Infrastructure: Ten Roads, Ten Different Stories, April 7, 2021

Outlook Distribution



Ratings Statistics (Last 12 Months)

	Availability based	Volume based	All
Ratings	14	16	30
Downgrades	0	3	3
Upgrades	1	0	1

Ratings data as of end-June, 2021

Toll Road Rating Resiliency Under Demand Loss Scenarios

	5%	10%	15%	20%
407	Minimal	Minimal	Moderate	Significant
95	Minimal	Minimal	Moderate	Significant
PR22	Minimal	Minimal	Moderate	Significant
ERC	Minimal	Minimal	Moderate	Significant
ITR	Minimal	Minimal	Moderate	Significant
A30	Minimal	Moderate	Significant	Significant
TRIP II	Minimal	Moderate	Significant	Significant
Project A	Minimal	Minimal	Moderate	Significant
Project B	Minimal	Minimal	Moderate	Significant
Project C	Minimal	Minimal	Moderate	Significant

Possibility of Ratings Pressure

Minimal Moderate Significant

407—407 International Inc. 95—95 Express Lanes LLC. PR22—Autopistas Metropolitanas de Puerto Rico, LLC. ERC—Elizabeth River Crossings Opco, LLC. ITR—ITR Concession Company LLC. A30—Nouvelle Autoroute 30 S.E.N.C. TRIP II—Toll Road Investors Partnership II, LP. Source: S&P Global Ratings.