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## **Fitch: Indiana Toll Road Bankruptcy Not Due to PPP Structure .**

Fitch Ratings-New York-17 November 2014: The bankruptcy of the Indiana Toll Road won't remove the long-term value from the project nor diminish the importance of public-private partnerships (PPP) to US project finance, Fitch Ratings says. As an integral part of the interstate system, the highway is a strong asset serving long-distance markets and carrying high volumes of commercial vehicle traffic. Last week a bankruptcy judge cleared the highway's consortium to take the project out of Chapter 11.

In our view, in addition to optimistic traffic forecasts, the project was troubled by factors that are specific to its timing and implementation. The project built in a large and aggressive refinancing and was exposed by the depth, timing and slow recovery from the Great Recession. In 2010, traffic on the highway was approximately half the originally projected level, due in part to the high original forecast and significant toll increases. Meanwhile the project also had to contend with rising debt costs.

The highway has several strengths that will benefit it in the future. It provides a major, high-speed interstate connection for automobiles and trucks with limited other options for many trips, which provides inherent economic and financial strength over the long haul. The concession agreement ensures proper asset preservation and distances the state of Indiana from toll increases. However, in Fitch's view the potential political fallout from increases above the inflation rate would be felt by the state, as flexibility for above-inflationary toll increases has been granted contractually to the concessionaire through an index tied to economic growth. Aggressive increases could divert traffic to the state-run network, leading to greater congestion on other routes.

Fitch believes the factors that led to Indiana Toll Road's bankruptcy should not color the prospects for PPPs. The asset is being well run and will be better maintained over its useful life under this framework. However, we believe PPPs must be carefully crafted to address all stakeholder concerns. When structured well, their use can effectively balance the responsibilities and risk among all parties and maximize public benefit. Despite a mixed track record to date, we believe PPPs can be effective if lessons from the past are learned.

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The above article originally appeared as a post on the Fitch Wire credit market commentary page. The original article, which may include hyperlinks to companies and current ratings, can be accessed at [www.fitchratings.com](http://www.fitchratings.com). All opinions expressed are those of Fitch Ratings.

Applicable Criteria and Related Research:  
Global PPP Lessons Learned

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