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Fitch: Risk-Sharing Imperative for Light Rail Projects.

Fitch Ratings-New York-09 May 2018: Traffic congestion, lack of parking and numerous other factors are making what was considered by some to be an outmoded form of transportation desirable again for investors, according to Fitch Ratings in a new report.

Light rail transit systems are being installed again in major cities throughout the world. There are about a half-dozen new light rail projects under consideration by U.S. state and local governments. Meanwhile, light rail projects are proliferating more quickly in Canada with nearly a dozen new projects in various stages of procurement. Various light rail public-private partnerships (PPPs) are also underway in Europe, though most of those are for renovation and updating of existing light rails.

As with other forms of infrastructure, light rail PPPs come with varying degrees of risk as a project makes its way to completion. This is why risk sharing between the public and private sector is key in order for a light rail project to be completed on time and to perform well once it is operational according to Senior Director Scott Zuchorski.

'Transferring vehicle delivery to a proven private counterparty may be prudent, though risk allocated to the private sector comes with an inherent premium cost that must be factored-in,' said Zuchorski. 'Structural flexibility for delays from a timing and liquidity perspective is an important consideration when significant risk is allocated to the private sector.'

In the case of light rail projects, the following factors need to be carefully assessed to ensure that the private sector is holding risks it can manage:

–Right of way;
–Geo-technical;
–Interface with third parties;
–Ridership levels; and
–Energy usage.

Issues such as these are inherent in Maryland's Purple Line project and will need to be taken into account for the upcoming LAX Automated People Mover.

'Assessing Risk in Light Rail PPPs' is available at 'www.fitchratings.com'.

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