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Fitch Ratings: North American Infrastructure Projects Are Complex, Require Unique Solutions

Link to Fitch Ratings' Report(s): North American Project Finance: Lessons Learned (Decades of Challenges and Successes)

Fitch Ratings-New York-05 November 2019: North American Infrastructure projects are complex undertakings that require careful coordination among multiple parties to adequately address risks and avoid delays, according to Fitch Ratings in a new report.

Fitch's new report highlights over 30 case studies in North American infrastructure from the 1990s to the present, highlighting projects that faced considerable challenges and lessons learned from the experience. Earlier projects are found to have been most frequently stymied by revenue underperformance relative to missing original traffic and revenue projections. More recently, Fitch observes that a larger portion of project challenges are tied to completion risk, including issues during construction and counterparty exposure.

While recognizing that several projects have faced challenges and that project teams cannot anticipate every potential development, Fitch notes that risks to lenders have ultimately been well managed, with very few projects ending in default. "With the complexity of this asset class, some problems are to be expected," said Senior Director Emma Griffith. "These projects require unique solutions, and smart risk transfers from beginning to end can do a lot to protect lenders when challenges occur."

A point to note is that terminations for convenience that have occurred have not reimbursed investors their make-whole premiums. While this is consistent with the terms of the transaction, investors can view this negatively, as it constitutes a loss for them. Fitch expects investors will likely raise this issue as terms are agreed for new financings going forward.

'North American Project Finance: Lessons Learned' is available at 'www.fitchratings.com' or by clicking on the above link.

Cases are also accessible in an interactive map format on FitchRatings.com, where the projects are sortable by industry, highlighting the primary risk for each project.

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