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Fitch: Strong Liquidity Across The Board For U.S. Toll Roads Despite Coronavirus

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Fitch Ratings-San Francisco-06 July 2020: Liquidity for U.S. toll roads will remain strong with few roadblocks for the remainder of the year despite the coronavirus pandemic's severe effects on road traffic, according to stress tests conducted by Fitch Ratings of its entire portfolio of rated U.S. toll roads. The results are detailed in a series of reports published today.

The Rating Outlook on a substantial portion of Fitch's rated toll roads were revised to Negative from Stable shortly after the onset of the pandemic due to the gravity of coronavirus-related losses and the potential for lingering impacts on financial metrics. Fitch's rating case scenario accounts for sharp declines in traffic for 2020 with a two-year recovery to 2019 levels. Like other transportation segments, Fitch also modeled more severe stress scenarios should the fallout of the pandemic prove more severe or longer than expected. "The possibility of a long term impact to the broader economy will inevitably have a trickle-down effect for toll roads as well," said Scott Monroe, Senior Director.

Other questions to consider will be how many people will choose to work from home on a more regular basis, a realistic scenario Monroe says will keep consumer traffic levels reduced. Conversely, "Flying restrictions could actually benefit leisure roads should commuters choose to drive to vacation destinations instead of taking to the air," said Monroe.

This has presented toll roads that have seen their liquidity take a hit with an opportunity to take action to avoid a rating downgrade. "Raising toll rates have helped some toll roads return to a more stable financial outlook," said Anne Tricerri, Director. "Other preventative measures include reductions in O&M and pushing out capital plan projects that have yet to break ground."

Issuer flexibility is also helping to offset traffic declines for both large and small network roads. That said, the roadways to keep a close eye on in the coming months are those that have already seen tangible adverse effects to their credit profile, such as Virginia's Dulles Greenway and Elizabeth River Crossings Opco, and Central Florida Expressway. Managed lanes are also benefiting from structural protections that are helping to offset steep traffic losses, although notable outliers include Blueridge Transportation Group and Colorado High Performance Transportation Enterprise, which is facing a construction delay.

The following reports are all available at www.fitchratings.com.

“Coronavirus Stress Test: U.S. Large Network Toll Roads”

“Coronavirus Stress Test: U.S. Small Network Toll Roads”

“Coronavirus Stress Tests: U.S. Toll Roads – Managed Lanes”

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