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Fitch: High Gas Prices Could Slow Gains in Toll Road Leisure Traffic

Fitch Ratings-New York-11 April 2022: The resurgence in vehicle leisure traffic in 2021 could moderate if high gas prices persist, Fitch Ratings says. The average US regular gasoline price crossed \$4 per gallon in March for the first time since 2008 according to the American Automobile Association. High gas prices typically have the greatest effect on leisure traffic, as drivers tend to take fewer or shorter trips. Recovery in commuter traffic, which remains below pre-pandemic levels, could also be prolonged.

Spikes in gas prices generally correspond to valleys in vehicle miles travelled. Toll roads weathered large traffic declines historically and were resilient during the extreme shock from the pandemic. Many toll roads are generating more toll revenue than before the pandemic. This is despite lower transactions in some cases, as these toll roads have implemented one-time toll rate increases.

Toll roads with substantial leisure traffic outperformed expectations in 2021, with traffic in some cases surpassing 2019 levels, as many travellers took road trips to avoid air travel. Leisure air travel rebounded with the decline in coronavirus cases but high gas prices are making both flights and car trips more expensive. We expect the effects of increased costs on vehicle leisure traffic to be modest given pent-up demand for travel.

Mid-Bay Bridge and Rickenbacker Causeway are two rated projects in Florida with significant leisure traffic exposure that could see reductions in travel if gas prices remain elevated. However, both of these toll roads have sufficient liquidity to withstand moderate traffic declines at current rating levels. For both Mid-Bay Bridge (BBB+/Stable), which links to the beach in the Florida panhandle, and Rickenbacker (BBB+/Stable), a causeway in Miami, 2021 traffic surpassed pre-pandemic levels.

Passenger traffic for toll roads with a more diverse user base, or that cater to commuters, recovered more slowly than for toll roads with a large leisure component. Passenger traffic generally remains roughly 10% below 2019 levels, largely due to remote work. High gas prices could encourage workers to continue telecommuting, further delaying traffic recovery. Some states suspended or plan to suspend state gas taxes temporarily. The savings for consumers are relatively small, however, and would unlikely significantly affect commuter or travel decisions.

Commercial traffic has already surpassed pre-pandemic levels due to strong US consumer goods spending over the last year, mitigating lagging passenger traffic recovery for those toll roads that serve both types of users. However, elevated inflation may lead to a decrease in personal consumption, reducing commercial traffic.

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The above article originally appeared as a post on the Fitch Wire credit market commentary page. The original article can be accessed at www.fitchratings.com. All opinions expressed are those of Fitch Ratings.

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