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S&P: U.S. Transportation Infrastructure Toll Sector Update And Medians: Rebounding Traffic And Toll Increases Are Key Ingredients For Credit Strength And Stability

Key Takeaways

- We expect U.S. not-for-profit toll road ratings, which were among the most resilient of the transportation infrastructure asset classes, with no downgrades throughout the COVID-19 pandemic, will be stable given the almost complete rebound in traffic during 2022 supported by continued commercial vehicle traffic and toll rate increases implemented by many operators.
- The recovery in traffic and revenues is expected to be accompanied by increased operations and maintenance expenses and a return to capital program spending to expand capacity and continue the conversion to all-electronic toll collection, which accelerated in 2020-2021.
- Toll increases implemented since January 2020 buoyed the credit quality of toll road and bridge operators. Of the 15 largest U.S. toll-backed issuers as measured by debt outstanding, 12 raised toll rates, which in some instances compensated for weaker passenger vehicle traffic. Across the rated universe, the median decline in 2020 operating revenues was approximately 5% less than the decline in transactions.
- A weakening economic outlook could cool the impacts of construction cost inflation and supply chain pressures on capital projects, although the massive federal investment in infrastructure could keep input and labor prices elevated in many markets over the medium term.
- Our analysis of S&P Global Ratings' universe of rated toll road and bridge fiscal 2021 financial metrics–including debt service coverage, debt to EBIDA, and liquidity–shows relatively stable performance with median revenues and toll transaction growth of about 6%, resulting in median debt service coverage of 1.6x in 2021 compared with 1.7x in 2020 and 1.9x in 2019.

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