

Announcement: Moody's: Outlook for US toll roads revised to stable from negative

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New York, December 04, 2013 -- Moody's Investors Service is changing its outlook on the US toll road industry to stable from negative. The stable outlook is based on the view that the small but steady increase in traffic for toll roads in 2013 will continue in 2014, Moody's explains in the report "2014 Outlook -- US Toll Roads."

Moody's expects traffic growth of about 1.5% for rated toll roads in 2014 as the US economy strengthens. This growth rate marks a sustainable comeback from the nearly 3% decline in 2009, when Moody's placed a negative outlook on toll roads.

In 2014 the traffic growth will be less than the 2% to 3% GDP growth Moody's expects in the US because of demographic shifts and the changing driving patterns of younger drivers.

"The rate of traffic growth is slowing down overall and so the slower, albeit more stable growth rates reflect a 'new normal,'" says Maria Matesanz, a Moody's Senior Vice President.

In all, Moody's expects toll revenue will increase by a mid-single-digit percentage in both 2013 and 2014, driven mainly by continued widespread toll-rate increases and the modest traffic growth.

As for ongoing credit risks for the sector, Moody's points to increases in financial leverage as an important one.

"State and local governments continue to exert demand on the excess cash flows of toll roads to subsidize their own capital and operating needs, or have shifted some of their transportation financing responsibilities to existing toll roads," says Moody's Matesanz.

Moody's says the most likely reason it would shift the outlook back to negative would be either the US economy falling back into recession or gasoline prices increasing.

The outlook expresses Moody's expectations for the fundamental business conditions in the industry over the next 12 to 18 months.

For more information, Moody's research subscribers can access this report at https://www.moody's.com/researchdocumentcontentpage.aspx?docid=PBC_160843.

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Maria Matesanz
Senior Vice President
Project Finance
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A.
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

Chee Mee Hu
MD - Project Finance
Project Finance
JOURNALISTS: 212-553-0376

SUBSCRIBERS: 212-553-1653

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A.
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653



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