



Rating Perspectives on Public Seaports

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Overview

2011 Outlook

Ratings Through the Downturn

Rating Drivers for Seaports

Seaport Outlook Evolution

Previous Outlooks:

- Pre 2008 – Stable to Positive
- 2008 – Negative
- 2010 – Stable to Negative

Current Outlook:

- 2011 – Stable

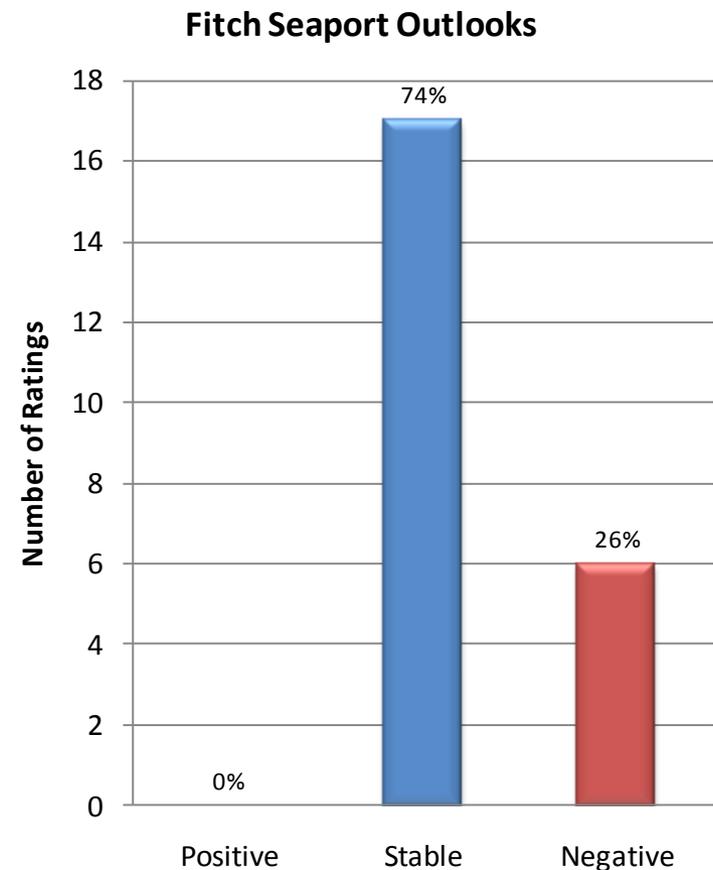
2010 in Review

- Shift to **stable to negative** in early 2010 reflected:
 - Downturn in trade
 - Foreign and domestic economic uncertainty hit ports hard
 - Sharp contrast with volume growth and capital expansion seen earlier in the decade
- 2010 was characterized by consumer restraint, reduced construction, and lower production levels, tempering throughput
- Fragile improvements, susceptible to broader market changes
- Ports borrowed based on expected growth, which is delayed or may not be realized following the downturn

Has the Seaport Sector Regained Stability?

2011 Rating Outlook for Seaports – **STABLE**

- Fitch expects a continuation of recovery that began in 2010
- Port volumes recovering at a more rapid pace than the broader economy
- Growth rates expected to remain below historical norms, resulting in a slow and gradual recovery
- Infrastructure investment continues to be a focus – port sector well-positioned to continue down the path of recovery
- Financial profile is key in rating stability



Outlooks Across Relevant Sectors

In evaluating port credits, Fitch also considers trends in sectors which affect port business

- US Industrial Sectors
- Global Industrial Sectors
- Sovereigns / Trading Partners

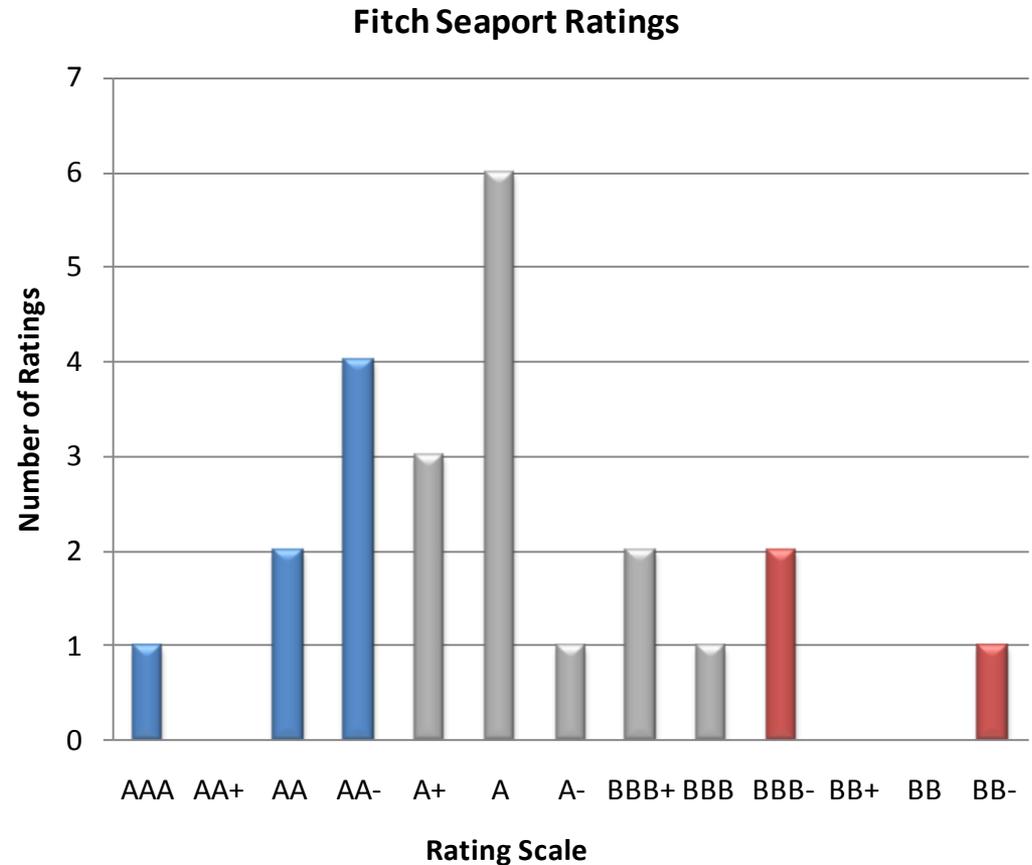
Selected Fitch 2011 Outlooks				
Sector	Outlook	% Outlooks which are:		
		Pos.	Sta.	Neg.
US Industry Sectors				
Coal	Stable	0%	100%	0%
Housing and Homebuilders	Stable	8%	77%	15%
Building and Home Product Services	Stable	0%	78%	13%
Industrials and Capital Goods	Stable	4%	87%	9%
Forest Products	Stable	na	na	na
Mining and Metals	Stable	0%	90%	0%
Retail	Stable	4%	96%	0%
Global Industry Sectors				
Indian Shipping	Negative	na	na	na
Global Aerospace/Defense	Stable	5%	86%	9%
LatAm Forest Products	Stable	18%	82%	0%
LatAm Metals/Mining	Stable	0%	85%	15%
Global Steel Producers	Stable	4%	85%	11%
Sovereigns				
US Tax Backed Credits	Negative	na	na	na
Europe - Emerging	Stable	na	na	na
Europe - Developed	Negative	na	na	na

Seaport Ratings 2011: Profile Remains Investment Grade

In 2011, Fitch's rated portfolio of Seaports includes:

- 30% AA category or higher
- 44% A category
- 22% BBB category
- 4% BB category

Investment-grade ratings buoyed by essential nature of port infrastructure to the global economy



Selected Seaport Ratings

AA Category (& up)	A Category	BBB Category (& below)
<p><u>Gateway Ports</u></p> <ul style="list-style-type: none">• Port of Los Angeles (CA)• Port of Long Beach (CA) <p><u>Consolidated Entities</u></p> <ul style="list-style-type: none">• Port Authority NY/NJ• Massachusetts Port Authority• Port of Seattle (WA) <p><u>Tax Revenue Pledge</u></p> <ul style="list-style-type: none">• Port Manatee (FL)• Port of Houston (TX)	<ul style="list-style-type: none">• San Diego Unified Port (CA)• Port of Oakland (CA)• Hawaii Harbors Department• Port of Beaumont (TX)• Jacksonville Port Authority (FL)• San Francisco (CA)• Hillsborough Co. / Tampa (FL)• Port Everglades (FL)• Virginia Port Authority• Canaveral Port Authority (FL)	<ul style="list-style-type: none">• North Carolina State Port Auth.• Alabama State Port Authority• Tri-City Regional Port District• Port of Palm Beach (FL)• Cleveland-Cuyahoga Port Auth.• Commonwealth Port Auth.

Major Seaport Rating Actions: 2008 – 2011

Ratings Downgrades



- Alabama State Port Authority (AL)
- Virginia State Port Authority (VA)
- Canaveral Port Authority (FL)
- Commonwealth Port Authority (NMI)
- Port of Palm Beach (FL)
- Port of Oakland (CA)
- Cleveland-Cuyahoga Port (OH)

Outlook Changes



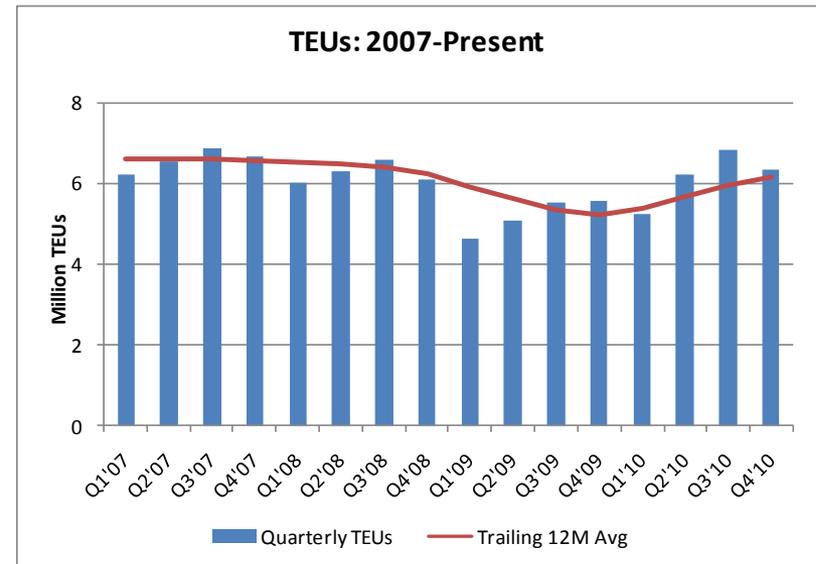
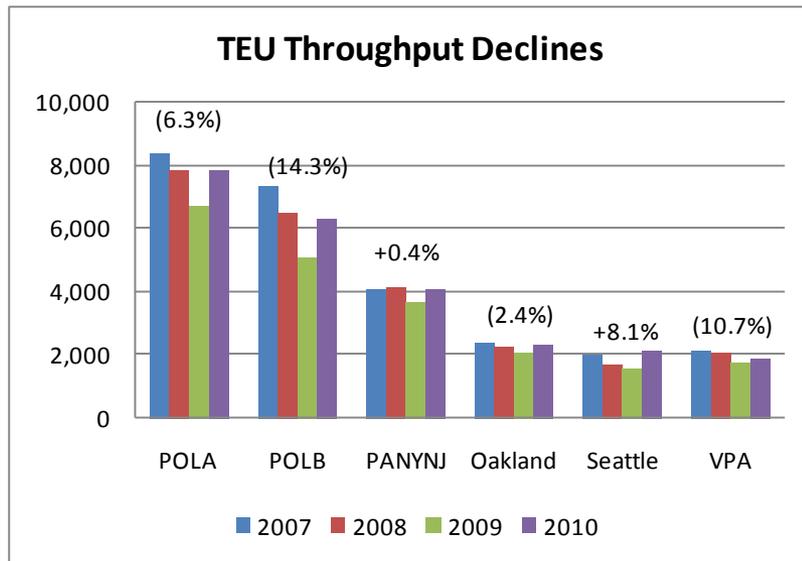
- Tri-City Regional Port District (IL)
- San Diego Unified Port District (CA)
- Jacksonville Port Authority (FL)
- Manatee Port Authority (FL)

What is the “New Normal”?

What Does This Mean for Port Ratings?

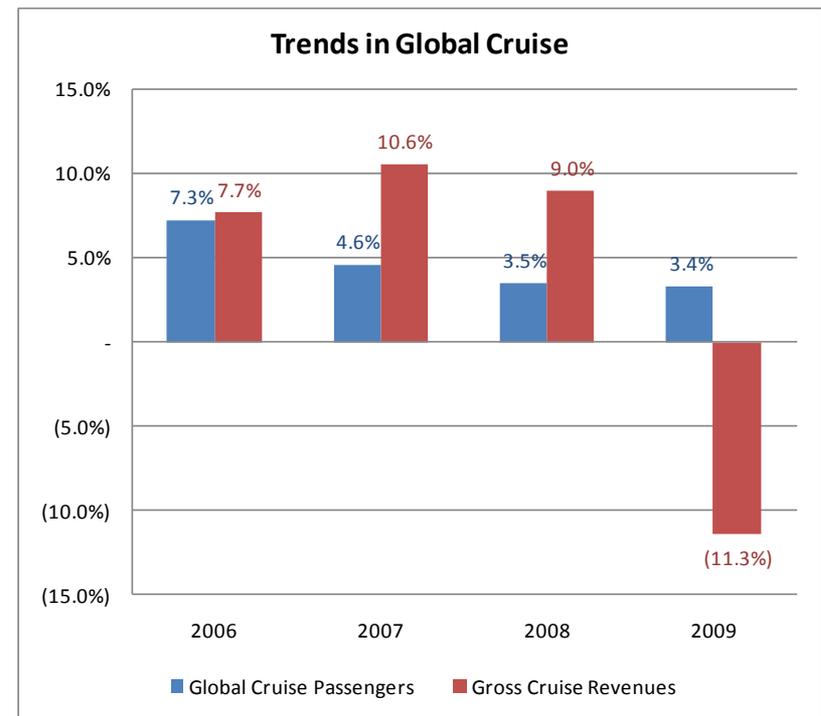
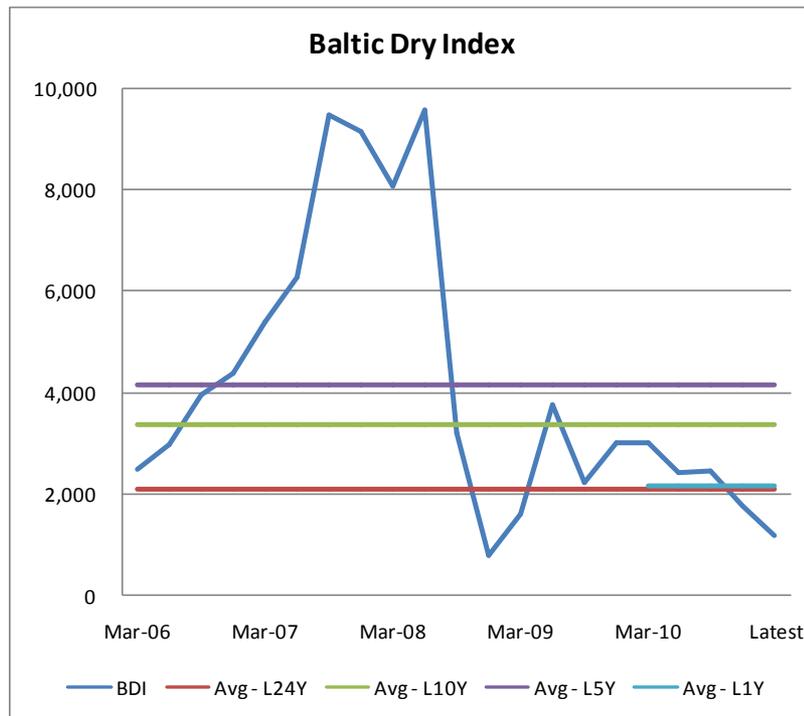
Trends in Throughput Performance...

- For the larger US Container ports, the “turnaround” began in early 2009
- Current growth rates are more moderate, reflecting a new baseline for growth since 2H'09



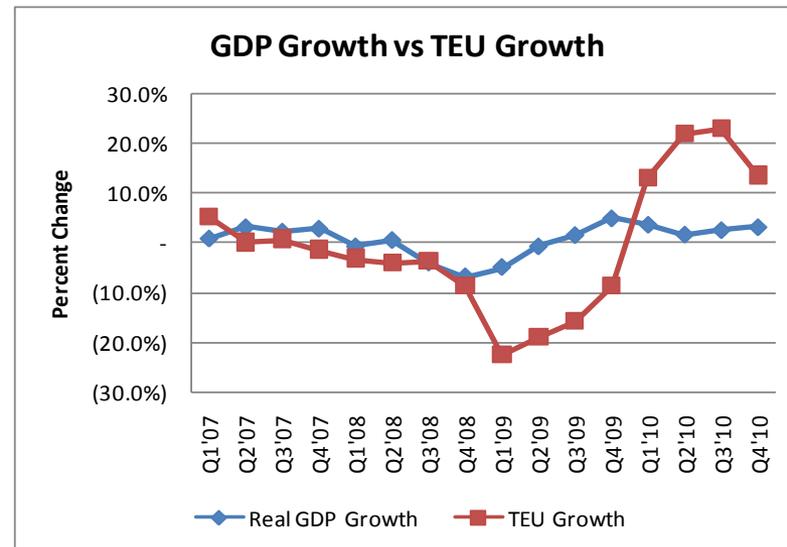
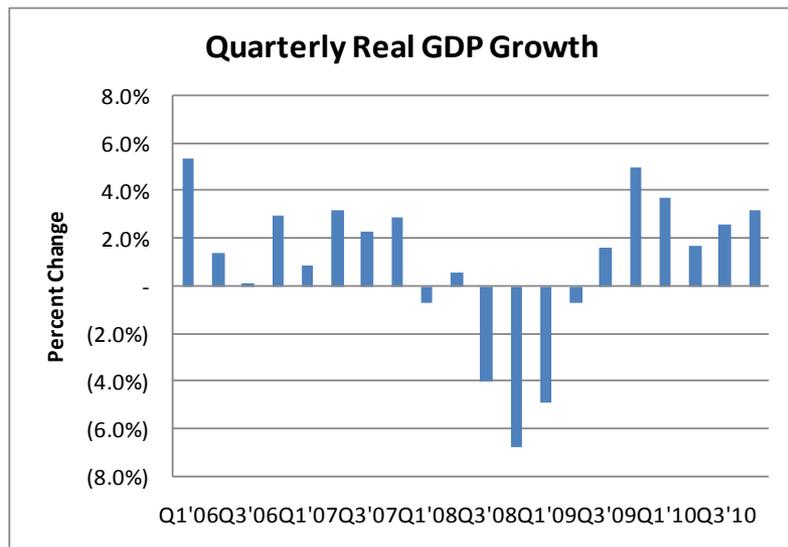
Trends in Throughput Performance (Cont.)...

- Baltic Dry Index was volatility through downturn, stabilizing at lower levels
- Cruise showed resilience in passengers through 2009, but at the expense of revenues



...And the Evolving Economic Landscape

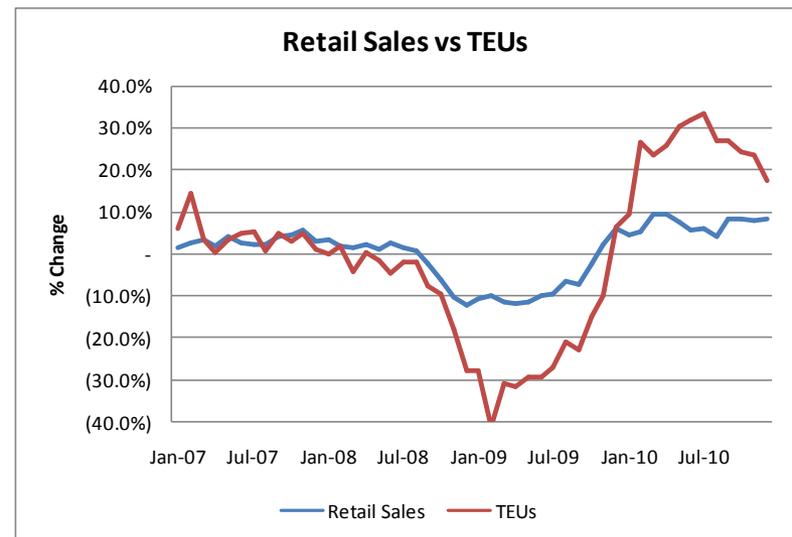
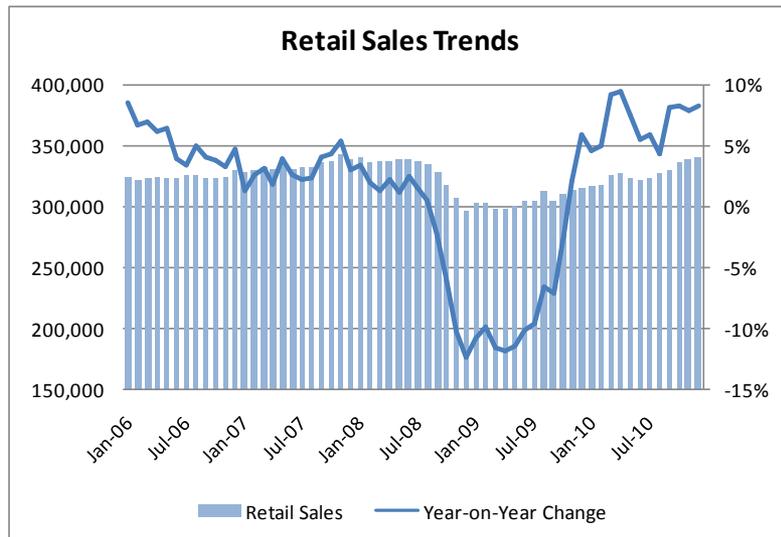
- Fitch also evaluates relevant economic metrics that affect the port sector, both current levels and over time
 - Gross Domestic Product
 - Retail Sales
 - Savings Rate
 - Producer Price Index, Industrial Production



- Rebound in GDP since mid-2009, TEUs since early 2010
- TEU Growth has mirrored GDP trends, but has shown wider variability
- Fitch economists forecast 3.2% GDP growth for US in 2011 (3.0% globally)

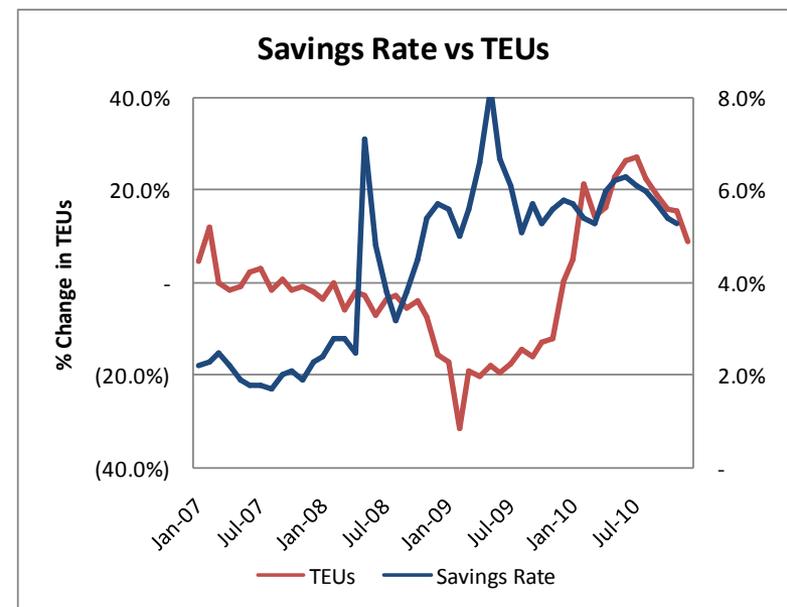
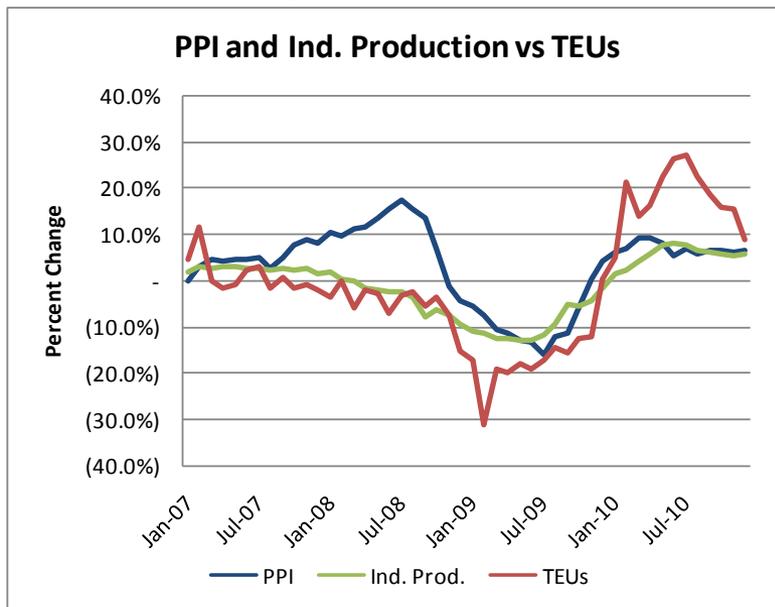
Economic Landscape (cont.)

- Changes in retail sales and TEU volumes are highly correlated
- Both have declined year over year since Jul-08, have increased since the end of 2009
 - Twice the change for TEUs over the same period



Economic Landscape (cont.)

- PPI and Industrial Production are also closely correlated with TEUs
 - Contrasts with an inverse relationship with savings levels
- Most indicators continue to show year-over-year improvement, but growth is slowing as base levels begin to normalize
- Is a double dip coming?



Financial Markets and Seaports

Until 2008...

Seaports Enjoyed Low Cost Financing for Senior & Subordinate Bonds

Traditional Fixed Rate Bonds, ARS, VRDOs with Many Bank Providers, and Swaps

High Market Penetration for Bond Insurance

Last Three Years...

ARS Market Shutdown

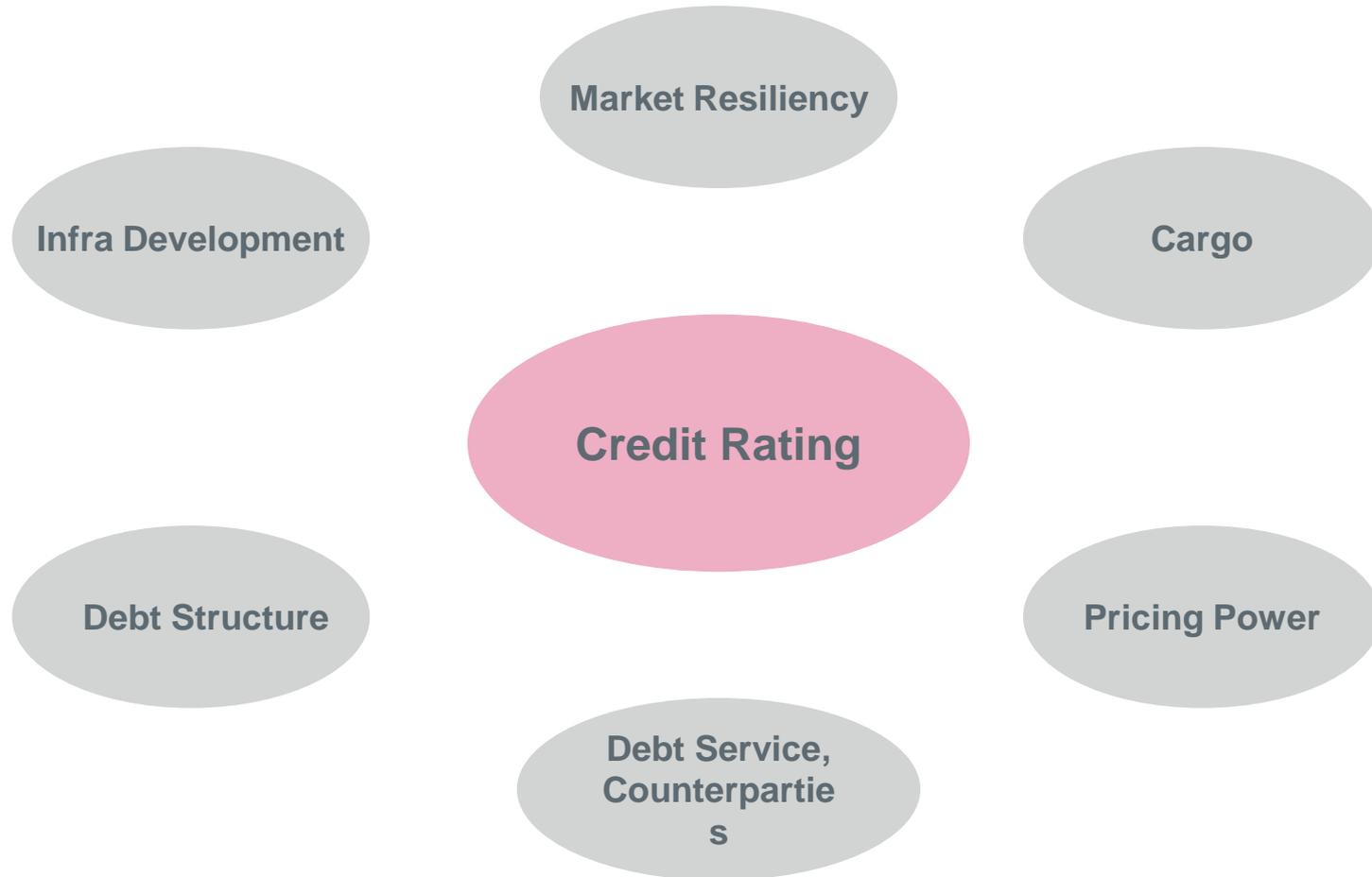
VRDOs More Limited

Bank / Swap Provider / Monoline Risk

Questionable Values of Reserve Sureties

AMT Holiday, BABs (closing window)

Rating Rationale for Seaports



Indicative Rating Profiles

Rating Category	Key Characteristics
AA	<p>Major Market with Limited Competition Low Volatility (Demand and/or Revenue) Stronger Attributes for Revenue, Debt Structure and Debt Service</p>
A	<p>Mid-Size to Large Market with Some Competition Low/Moderate Levels of Demand and/or Revenue Volatility Mix of Stronger or Mid-Range Revenue Risk, Debt Structure and Debt Service Rankings</p>
BBB	<p>Smaller / Specialized Market or High Exposure to Competition Moderate/High Demand and/or Revenue Volatility Mid-Range to Weaker Revenue Risk, Debt Structure and Debt Service Rankings</p>
BB	<p>Small Market with Demonstrated Volume / Revenue Volatility High Dependence on Limited Variety of Cargo / Operators Weaker Revenue Risk, Mid-Range / Weaker Debt Structure and Debt Service Rankings</p>

Key Metrics: Drivers for Cases and Sensitivities

Financial / Leverage Metrics

- Debt Service Coverage Ratio
- Days Cash On Hand
- Net Debt / Cash Flow Available for Debt Service, Net Debt / EBITDA
- Lease / MAG Debt Service Coverage

Operating Metrics

- Cargo Concentration Analysis (throughput and revenue)
- Operating / EBITDA Margins
- Lease / MAG Revenues as % of Total Revenues
- Lease Expirations

Related Research

- “2011 Outlook: Global Transportation Infrastructure”, January 20, 2011
- “Rating Criteria for Infrastructure & Project Finance”, August 16, 2010
- “Global Infrastructure and Project Finance Outlook 2010”, March 1, 2010
- “U.S. Seaport Sector: Are Calmer Waters Ahead?”, February 11, 2010

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