



## FOR WHOM THE ROAD TOLLS—TURNPIKE BONDS

October 17, 2016

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Turnpike bonds are issued for high-speed/limited access highways. The bonds issued for these turnpikes are repaid by tolls charged for use of the toll road.

There are two classes of typical toll roads. The first are well established highways that provide rapid transportation between major markets, for which there is little or no competitive alternatives. These are the safest types of turnpike bonds. An example is the New Jersey Turnpike, which provides a vital link in the I-95 network that stretches from Maine to Florida. Disruption or closing of this north/south artery commercial trucks and cars would cripple the economy of the important Boston to Washington DC Corridor.

Another example is the Pennsylvania Turnpike, which stretches east to west across the state. Pennsylvania's nickname of the "Keystone State" also indicates the Turnpike's importance for commerce between the eastern Corridor to the large economic sectors in Ohio, Indiana and Illinois.

The strategic locations and strength of these two important arteries have allowed both New Jersey and Pennsylvania to drain surpluses for use in non-transportation purposes, while still allowing comfortable revenue coverage for the turnpikes' debt repayment.

The other class of toll road bonds are marked by their start-up nature, which creates competitive pressure from alternate free thoroughfares. These facilities are among the riskiest municipal bonds in the market. The most famous toll road default dates back to the 1960's. The Calumet Skyway in Chicago did not reach projected traffic and revenue because of alternative free thoroughfares that bypassed the Skyway. Another example is the 2000 Connector Project in Greenville, South Carolina. Meant to provide a bypass of congested highways, the project never reached its traffic projections, and filed bankruptcy in June 2010.

## About the Author

**RICHARD P. LARKIN, Stoever Glass & Co., Inc.**

*Richard Larkin, a recognized 40 year industry veteran, has joined SG & Co. as Director of Municipal Credit Analysis. Mr. Larkin began his career in credit rating analysis at Standard & Poor's in 1975. After rising through the ranks in various analytical and management positions, Dick left S&P as its Chief Municipal Rating Officer, responsible for municipal rating policy, practices, governance and criteria. In 1998, Mr. Larkin joined Fitch Ratings as Chairman of its Public Finance Criteria Committee.*



*“Dick will be a unique resource to Stoever Glass' municipal clients. His knowledge in specific issues and areas of the municipal bond industry will aid our representatives and their clients in making educated decisions, in a sector where this type of research is unique,” said Roland Stoever of Stoever Glass.*



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