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Planes and boats and trains – Airport bonds (Part 2 of 3)

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Like airports, there are two types of sea-based port facilities. General purpose ports depend on warehouse and storage rental fees, loading and unloading fees, and passenger fees for those ports that serve tourist cruise liners. Most bonds in this category are rated in the BBB to A categories, slightly more risky than airport bonds. Here, the risks go beyond local demand. Cargo must find its way out of a port to other transportation means, such as rail or truck. Improvements in those shipping facilities could divert freight from one port to another. For example, ports that offer "roll-on/roll-off" service might lower costs enough to justify ports that may be further away from local markets. Fuel costs, such as gasoline or diesel, could also shift port usage to locations that are closer to the local and regional markets.

For example, many would think that Miami is the largest seaport shipping operation in Florida. However, by 2015, Fort Lauderdale/Port Everglades exerted its popularity and demand in these following statistics:

- No. 1 seaport in Florida by revenue
- No. 1 container port in Florida by volume
- No. 1 seaport for exports in Florida
- No. 1 refrigerated cargo port in Florida
- No. 1 U.S. gateway for trade with Latin America in fiscal year 2014
- No. 2 petroleum port in Florida – 112.4 million barrels in fiscal year 2014
- No. 2 cruise port for multi-day passengers in the world

I am not worried about Miami or Fort Lauderdale's port credit risk. Both have international demand. Port bonds that should cause concern would be those that serve small markets, with specialized facilities, such as a coal-loading port that serves only one city or small regional market.

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. He ultimately left to take leading roles in municipal hi-yield analysis at firms JB Hanauer & HJ Sims.

"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.