

Research:

Transport for London Rating Not Immediately Affected by Investment Priorities News

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LONDON (Standard & Poor's) Oct. 12, 2004--Following today's announcement by the Mayor of London on his transport investment priorities, Standard & Poor's Ratings Services said it is reviewing the credit effect this could have on Transport for London (TfL; AA/Stable/--), which is a functional body of the Greater London Authority (AA+/Stable/--). At present, the rating on TfL remains unchanged.

The Mayor's announcement follows the funding agreement between the U.K. government and TfL in July this year (see media release "No Credit Impact on TfL from Longer Term Funding Deal," published on July 29, 2004, on RatingsDirect, Standard & Poor's Web-based credit analysis system). This agreement set out a five-year funding arrangement and gave TfL authorization to raise up to £3 billion (\$5 billion) of new direct borrowing, under the Prudential Code. At the time, no decision had been made on the level or use of future borrowings. The Mayor's statement now sets out TfL's intended program for investment.

In order to fully assess the credit impact, Standard & Poor's is awaiting further documentation and will be conducting meetings with TfL management and the government over the next few weeks, to gain insight into the specifics of the proposals.

"We recognize the strong relationship between the U.K. government and TfL, which was reflected in the funding agreement earlier this year", said Standard & Poor's credit analyst Robert Robinson. "Given the proposals for significant amounts of new borrowing, an important feature in our review of TfL's credit standing would be a confirmation of ongoing government support for TfL's existing and future obligations," he added.

The proposed new borrowings will not be specifically earmarked for individual projects. The new debt will, however, be used for capital projects in London, and will reflect the Mayor's transport investment priorities. Standard & Poor's will monitor the potential risks associated with the proposed investment program, including the types of projects, the pace of development, and the projected costs and revenue assumptions underpinning the business plan. The potential risk mitigants will also be monitored, including the statements and forms of government support.

Ratings information is available to subscribers of RatingsDirect, Standard & Poor's Web-based credit analysis system, at www.ratingsdirect.com. It can also be found on Standard & Poor's public Web site at www.standardandpoors.com; under Credit Ratings in the left navigation bar, select Find Ratings, then Credit Ratings Search. Alternatively, call one of the following Standard & Poor's numbers: London Ratings Desk (44) 20-7176-7400; London Press Office Hotline (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5916; or Moscow (7) 095-783-4017. Members of the media may also contact the European Press Office via e-mail on: media_europe@standardandpoors.com.

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