

[Tagging Info](#)**Fitch Affirms Transport for London at 'AA'; Outlook Stable** [Ratings](#)

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Fitch Ratings-London/Barcelona/Frankfurt-03 February 2009: Fitch Ratings has today affirmed Transport for London's (TfL) Long-term foreign and local currency ratings at 'AA', respectively, and TfL's Short-term foreign currency rating at 'F1+'. The Outlooks for the Long-term ratings are Stable.

The ratings reflect TfL's importance to the economic development of the greater London area and ongoing strong government support and direct grant funding. However, the ratings also take into account TfL's ambitious capital spending plan, including the Crossrail project, and the entity's limited revenue flexibility.

The Stable Outlook reflects the political and financial visibility of TfL, as set out in the government's spending review and TfL's business plan. Despite a considerable increase in leverage going forward, Fitch believes that government support will remain strong and this is a key factor in the Stable Outlook.

Central government grants accounted for about 50% of TfL's operating revenue in the fiscal year to end-March 2008 (FY08). Additional tangible evidence of government support is the extraordinary funding of GBP1.7bn received to compensate for the exercise of the put option by the providers of finance to Metronet, which TfL had to repay. TfL subsequently acquired the Metronet contracts.

TfL's ambitious capital expenditure plan has been partly debt-funded (mainly through loans from the Public Works Loan Board and the European Investment Bank and three bond issues under the prudential borrowing regime in the UK). Nevertheless, debt increases significantly if obligations under the finance lease representing the public private partnership projects are added. The business plan indicates additional direct debt of about GBP4.4bn by 2018.

The Crossrail project will be an important future investment for TfL, and is expected to cost about GBP15.9bn with additional off-balance sheet financing of GBP1.5bn, part of which will be funded by TfL. Although the project will bear some risk for TfL, particularly if there is a cost overrun, there are sufficient safeguards in place (such as the put option to the central government), which will cap TfL's liabilities at a pre-determined level.

TfL, which reports to London's mayor, is a functional body of the Greater London Authority. TfL was created in 2000 and, for most financial and accounting purposes, is treated as a local authority. In July 2000, it took over all responsibilities for buses and other transport functions in London from the government, including roads and bridges, buses, the Docklands Light Railway, river services and taxis. London Underground Limited was transferred to TfL in July 2003.

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