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## Research Update:

# Caisse Nationale des Autoroutes Outlook Revised To Stable After Similar Action On France; 'AA' Rating Affirmed

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## Research Update:

# Caisse Nationale des Autoroutes Outlook Revised To Stable After Similar Action On France; 'AA' Rating Affirmed

## Overview

- On Oct. 21, 2016, we revised our outlook on France to stable from negative and affirmed the 'AA/A-1+' sovereign credit ratings.
- We are therefore revising our outlook on Caisse Nationale des Autoroutes to stable from negative and affirming our 'AA' rating.
- The stable outlook reflects the stable outlook on France.

## Rating Action

On Oct. 25, 2016, S&P Global Ratings revised its outlook on Caisse Nationale des Autoroutes (CNA) to stable from negative. The 'AA' long-term issuer credit rating was affirmed.

## Rationale

The outlook revision follows our similar action on France on Oct. 21, 2016 (see "Outlook On France Revised To Stable On Steadying Growth And Fiscal Outcomes; 'AA/A-1+' Ratings Affirmed," published on RatingsDirect).

We consider CNA to be a government-related entity (GRE). In our view, there is an almost certain likelihood that CNA would receive timely and sufficient extraordinary support from the French government in the event of financial distress. Moreover, we view CNA as a nonseverable arm of the government and we do not believe the likelihood of government support is subject to transition risk. As a result, we expect the rating and outlook on CNA to move in line with those on France. Furthermore, we consider that the French government's limited level of contingent liabilities does not constrain its capacity and willingness to support CNA in a timely manner in case of financial distress. More generally, we don't consider the government's general propensity to support the GRE sector to be doubtful.

Our opinion of an almost certain likelihood of government support reflects our view that CNA:

- Plays a critical role for France as a nonseverable arm of the government. As a state administrative agency ("établissement public à caractère administratif" d'Etat; EPA), CNA was specifically created by the central government for the sole mission of funding the construction and development of the French motorway network. CNA's successful accomplishment of its mission gradually transforms it into a debt amortizing structure. A default of CNA would also jeopardize the government's reputation and that of other GREs, especially those with an EPA status; and

- Has an integral link with its sole owner, the French government, and is subject to close state supervision and control. CNA's status as an EPA makes the French government ultimately responsible for its obligations, including financial debt. CNA cannot go bankrupt and if it were dissolved, all assets and liabilities would be transferred to the French state or a state-designated body. Moreover, if necessary, we understand that the state could intervene swiftly, notably through its debt amortization fund (Caisse de la Dette Publique; CDP).

Created in 1963 for an unlimited duration, CNA's mission was to obtain long-term financial resources from domestic and foreign capital markets, and lend the proceeds to the concessionaires at the same cost and on identical terms. French toll-road operators (TROs), which have been responsible for designing, building, financing, and operating the national highway system in France, were privatized in 2006, and since 2010 can no longer benefit from privileged access to CNA as the central government's specific financing arm for the building and development of the motorway network. Only the two smaller tunnel operators retain such access, but their funding needs are comparatively very low. Consequently, CNA has gradually become a debt-amortization vehicle.

We consider CNA's status as an EPA to be key to the rating. A default of CNA would, in our opinion, be detrimental to the government's reputation and to other GREs with the same EPA status. Law 80-539 of July 16, 1980, ensures that the ultimate responsibility to unpaid creditors resides with the French government, and an EPA may not be subject to bankruptcy proceedings. Furthermore, we believe that, if necessary, the government would be able to intervene in a timely manner through CDP, which has the mission of preserving the quality of the French government's credit standing. Given that TROs must repay any loans granted by CNA 15 days before CNA's own financial commitments are due, we consider that this delay would be highly sufficient for the central government to intervene if necessary.

The government directly controls CNA's decision-making, approves its budgets and accounts, and sets the limits on its annual borrowing. We consider that there is a robust track record of government supervision and ongoing operational support. In particular, we believe that there are efficient processes to alert the government to any situation in which tight liquidity at the TROs, which provide the bulk of CNA's cash inflows, could affect CNA. Furthermore, covenants protect CNA from major adverse business and financial changes at the TROs. Moreover, the government regulates the concessionaires (tunnel operators and TROs), and the risk of contract cancellation provides a strong incentive for the TROs to honor their debt obligations to CNA.

CNA's debt, which peaked at about €22.3 billion in 2002, dropped to slightly less than €6 billion by Dec. 31, 2015, and is expected to decrease to less than €1.3 billion by the end of 2018. On Aug. 9, 2016, the French government confirmed CNA's inclusion on a list of GREs that will be prohibited from issuing long-term debt in the financial markets or contracting long-term loans from August 2017, with the exception of long-term loans from the European Investment Bank (EIB). In the next three years, we expect CNA to use its available EIB loan to fund the two tunnel operators' financing needs.

## Outlook

The stable outlook on CNA reflects the stable outlook on France. We believe that CNA will retain its critical role for and integral link with France. We therefore expect the ratings on CNA to move in line with those on the sovereign.

We consider that the risk that the French government would lift CNA's status as an EPA to be very unlikely. Nevertheless, were our assumption proven incorrect, and CNA's status as an EPA were waived, we could lower the rating by several notches, in the absence of the issuance of an offsetting state guarantee or a direct takeover by the central government of CNA's debt.

## Related Criteria And Research

### Related Criteria

- General Criteria: Rating Government-Related Entities: Methodology And Assumptions - March 25, 2015
- General Criteria: Use Of CreditWatch And Outlooks - September 14, 2009

### Related Research

- Outlook On France Revised To Stable On Steadying Growth And Fiscal Outcomes; 'AA/A-1+' Ratings Affirmed - October 21, 2016

## Ratings List

	Rating	
	To	From
Caisse Nationale des Autoroutes		
Issuer Credit Rating		
Foreign and Local Currency	AA/Stable/--	AA/Negative/--
Senior Unsecured		
Local Currency	AA	AA

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.standardandpoors.com](http://www.standardandpoors.com) for further information. Complete ratings information is available to subscribers of RatingsDirect at [www.globalcreditportal.com](http://www.globalcreditportal.com) and at [spcapitaliq.com](http://spcapitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public Web site at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column. Alternatively, call one of the following S&P Global Ratings numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.

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