

Research Update:

# Taiwan Railways Administration, MOTC Ratings Affirmed At 'twAAA/twA-1+'; Outlook Stable

December 8, 2022

## Rating Action Rationale

Taiwan Ratings Corp. today affirmed its 'twAAA' long-term and 'twA-1+' short-term issuer credit ratings on **Taiwan Railways Administration, MOTC (TRA)**. The outlook on the long-term rating is stable. The ratings on TRA reflect our view of the almost certain likelihood that the Taiwan government would provide timely and sufficient extraordinary support should TRA experience financial distress. The Taiwan government will transform TRA from a government unit into a formal company in January 2024. In our view, this change is unlikely to weaken the level of government support, because TRA will remain integrally linked to the government which fully owns the entity, while TRA provides critical transportation services within Taiwan that could not be easily replaced by other providers.

The ratings also reflect TRA's monopolistic position in Taiwan's conventional rail network, the essential nature of its service, and comprehensive network coverage. These strengths are tempered by TRA's very high debt leverage and weak cash flow generation due to its rising labor cost, heavy pension and other policy burdens, as well as the government's tight control over fares.

## Related Criteria & Research

### Related Criteria

- General Criteria: Rating Government-Related Entities: Methodology And Assumptions - March 25, 2015
- General Criteria: Methodology For National And Regional Scale Credit Ratings - June 25, 2018
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings - October 10, 2021
- General Criteria: Group Rating Methodology - July 01, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments - April 01, 2019
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers - December 16, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions - November 19, 2013
- General Criteria: Methodology: Industry Risk - November 19, 2013
- Criteria | Corporates | General: Corporate Methodology - November 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities - November 13, 2012

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- General Criteria: Principles Of Credit Ratings - February 16, 2011...

## Related Research

- Taiwan Ratings' Ratings Definitions – November 11, 2021

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## Ratings List

### Ratings Affirmed

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#### Taiwan Railways Administration, MOTC

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Issuer Credit Rating	twAAA/Stable/twA-1+
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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.taiwanratings.com](http://www.taiwanratings.com) for further information. Complete ratings information is available to subscribers of Rating Research Service at [rrs.taiwanratings.com.tw](http://rrs.taiwanratings.com.tw). All ratings affected by this rating action can be found on Taiwan Ratings' public website at [www.taiwanratings.com](http://www.taiwanratings.com).

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