FEATURE REPORTS

Energy plans: a race against time

ENERGY planners are forging ahead with an ambitious programme of power plant construction, conscious of the government's plans for industrial expansion once its economic recovery measures have taken effect. In a bid to avoid a recurrence of the frequent power cuts that hamstrung industry's progress in the late 1970s, energy has been given top billing — along with transport — in the government's infrastructure plans to the end of the century. According to state-owned electricity board TEK, this means total output will have to be raised from the present 6,000 MW to 32,000 MW over the next 15 years.

Several major projects are currently under discussion, including three 1,000-MW nuclear power schemes, an expensive legacy from military rule. Negotiations for the first, to be built at Akkuyu on the Mediterranean coast, have dragged on since the handover of power. They reached stalemate earlier in 1985 when West Germany's Kraftwerk Union (KWU) refused to take on the shareholding proposed by the government in an operating company which would run the completed plant, and through which KWU would recoup its costs. The government has now turned to a rival bid on the same terms from a group led by Atomic Energy of Canada.

Thermal stations

However, plans for three 1,200-MW thermal power stations burning imported coal could well take priority over the nuclear schemes. Feasibility studies were carried out earlier this year by Switzerland's BBC Brown, Boveri & Company and the US' Bechtel Corporation and Westinghouse Corporation. They estimated that each coal-fired plant could cost up to $1,000 million.

About 10 thermal power stations with total output of around 5,000 MW are already under construction. The largest is the lignite-fired 340-MW Afsin-Elbistan A project in the east which, by 1987, will have four generating units installed and commissioned by a consortium led by West Germany's Brown Boveri & Compagnie.

Other notable projects are the 210-MW lignite-fired Yatagan station, being built by Poland's Elektrim, and the 165-MW Soma B plant — both sited near the industrial centre of Izmir — and the 300-MW Kangal station in the east which is being built by a locally led consortium. TEK, which is responsible for construction of thermal power plants, is currently negotiating several more major schemes, including a geothermal station in the southeast, and aims to build eight smaller coal-fired units at sites around the country.

In addition, plans have been approved for a fourth generating unit to be built at the lignite-fired Seyitomer plant, boosting its total output to 600 MW by 1988. A US-led group has been given a letter of intent for the $360 million thermal power station and coal mine development at Beysehir, but plans for a 300-MW, $250 million plant at Saray in Thrace have been pushed back into the 1986 investment programme because of uncertainty about the depth of "overburden" (topsoil) in the related opencast mine.

One project in Thrace that will be going ahead is a combined-cycle gas and steam plant at Hamitabat, for which a $150 million construction contract was awarded at the end of last year to a joint venture of local and West German firms. The World Bank approved a $55.2 million loan in 1983 towards exploitation of the gas reserves in Turkish Thrace, which are estimated at 12,800 million cubic metres.

Thermal power stations alone, however, will not provide enough energy to meet future needs. The government must tap all sources, not least hydroelectric generation. At the moment only 15 per cent of an estimated potential 100,000 million kWh of hydro power has been exploited. But a dozen or so plants under construction or at the planning stage will increase installed capacity to around 9,600 MW from the present 3,200 MW.

The largest of the projects is the 2,400-MW Ataturk dam on the Euphrates, being built by Turkey's ATA-Insaat, with turbines and generating units supplied by a European consortium. The first of the dam's eight 300-MW sets is due to start up in 1991, the others following over a three-year period.

Other externally funded hydro schemes will be completed in the late 1980s, including the Ataturk dam's sister project in the southeast Anatolia development programme, the 1,800-MW Karakaya dam. The 700-MW Altinkaya dam near Samsun is expected to start up in 1987, and the 146-MW Kilickaya dam is due for completion in 1988. Only the 90-MW Kokluce dam will be completed this year, while the biggest project likely to come to tender, perhaps as early as July, is the $570 million, 410-MW Karyaktepe dam.

A dispute earlier in 1985 between TEK and Cukurova Electric (CE) on power distribution rights held up the start of construction on the 273-MW Sir dam scheme. The argument was settled in CE's favour, thereby breaking TEK's monopoly on electricity distribution and paving the way for building to start. France's Coyne & Bellier is to supervise this $225 million project and tender documents should be issued in July; about 30 international firms have already expressed an interest.

The World Bank is heavily involved in most of the hydro projects already under construction or planned for the near future, and its assistance may be secured for others coming up in the longer term. These include the 180-MW Duzkezme-Berked plant, to be sited upstream of the Sir dam, and the 520-MW Boyabat-Kepec plant, which is planned west of the Altinkaya dam. Cost of the two schemes is estimated at $200 million and $600 million respectively.

Oil recovery

The World Bank is also being called upon by state-owned Turkish Petroleum Corporation (TPAO) to fund an $80 million enhanced recovery scheme at Bati Rahman, the country's largest oilfield. Turkey's oilfields supply only about 13 per cent of the country's total energy consumption, and unless moves are made to develop them, their contribution will fall rapidly.

Another way to halt the decline would be to step up exploration for new fields. Over the past two years the government has made determined efforts to increase Western exploration, particularly in the southeast, where most of the proven oil reserves lie. TPAO has signed joint-venture exploration agreements with names like Esso, Arco and Amoco of the US, and drilling could start at the end of 1985 after seismic and other geological investigations have been completed.

Food sector urged to raise productivity

AGRICULTURE, a crucial but long-neglected economic sector in Turkey, is being given a face-lift by Turgut Ozal's government. Imports have been liberalised to ginger up local producers, and major organisational changes are being introduced. The result should be a streamlined farming and food-processing sector able to compete on world markets.

Agriculture, Forestry & Rural Affairs Minister Husnu Dogan, one of Ozal's right-hand men, has had to tackle a formidable array of problems since he came to office last year, all the while keeping a weather eye on the powerful farming lobby. Farmers make up about 45 per cent of Turkey's workforce, giving them a voice that cannot be ignored.

Dogan has also turned his attention to the handling and marketing of farm produce. For years these areas have been needlessly bureaucratic. One result of their inefficiency has been the paucity of Turkey's farming statistics. International agronomists believe some crop figures may be out by as much as several million tonnes, and those that are available are often months out of date.

In April, Dogan ordered a major shake-up, reducing the number of general directorates in the Agriculture Ministry and streamlining operational procedures. It is too early to tell how successful this will be, but foreign observers believe that the management problems which have long obstructed the sector are at last being brought under control.

T Goltz/MEPhA

Oranges for export at Mersin: steps are being taken to boost agricultural output

Turkish farmers are expected to do well this summer, possibly matching the 3.7 per cent growth recorded in 1984. Although some crops, notably citrus fruits, were hit by late frosts, climatic conditions have been good throughout the spring and early summer.

A healthy growth rate, perhaps as high as 7.5 per cent, is also predicted for the food-processing industry. New meat processing plants belonging to the state meat and fish agency Et & Balik Kurumu will open in Malatya, Sivas and Eskisehir, bringing the company's capacity to 456,000 tons a year. In April, Izmir-based Yasar Holding opened its own slaughterhouse and packaging centre on the Aegean, aimed at Middle East markets.

An average annual growth rate of 11.8 per cent is targeted for the food-processing industry over the course of the country's fifth five-year development plan (1985-89). Since local demand is expected to grow by only 5-6 per cent a year, Turkey is obviously setting its sights on export markets.

Turkish food exports, particularly to the Middle East, have been growing steadily over the past 10 years. Turkey is already the principal supplier of vegetables and many other foods to Kuwait, and Iraq is another major customer, followed by Iran.

The country has always had a healthy surplus on its agricultural balance of payments — in fact, during the 1970s and earlier, the imports needed to keep Turkish industry running were financed from farm export earnings.

Since Ozal's first economic reform package in 1980, the need for such industrial support from farming has diminished. But the government is determined that agriculture should maximise its potential.

To this end it has adopted what could turn out to be a risky and unpopular policy: liberalising food imports. French cheeses, Ceylon and China tea, whisky, tinned meat and smoked salmon are among the items to have found their way into Turkish supermarkets. It has even resorted to importing cereals, cheese and other staple foods in order to force local producers to operate at more reasonable prices, and to discourage stockpiling.

To date, the political repercussions of this policy — which has opened up a major new market for European food producers — have been slight. There is in any case some recognition among agricultural economists that imports of food products, notably meat, will have to be increased as disposable income rises and eating habits change.

A rise in imports should not upset Turkey's balance of payments, provided that the food sector becomes more efficient and learns how to export more. Developments in this direction have largely been made by private firms, rather than state organisations. One trail-blazer has been Yasar Holding, whose chief co-ordinator, Ali Naili Kubaili, realised a decade ago the potential of Turkish food industries.

In addition to meat products, Yasar now makes dairy goods, soft drinks and a wide range of other foods for the Middle East. The company, and others in its field have been helped by the fact that local purchasers have shown themselves willing to try a wider range of new products than many Turks would have thought possible 10 years ago.

This has meant that exporters have had a chance to test out new products at home before making them available on foreign markets. Although there have been some failures — a Turkish brand of cornflakes failed to win the approval of the public — demand has grown for items such as Italian-style pasta and many unfamiliar cheese and dairy products.

For some years, inadequate packaging prevented the Turkish food industry from reaching internationally accepted standards. Yasar overcame this problem by investing in its own paper and packaging plants, such as Viking Seluloz — a paper and board operation which it acquired in the late 1970s.

The fifth five-year plan emphasises the need for increased investment in cold stores, packaging, and other measures to help improve quality and increase market appeal.

State restrictions on imports of ingredients have been relaxed to enable Turkish manufacturers to compete more effectively with their foreign rivals. The government has also tacitly admitted that, from now on, the food sector will be largely dominated by private enterprise and that the role of the state will be to supply infrastructural back-up rather than engage in production itself.

The government predicts that meat processing, dairy products, spring water, and vegetable oil will be the key export sectors over the next few years.

Merchant fleet embarks on expansion

TURKEY is making impressive progress in a drive to harness its immense maritime trading potential and cut the freight drain on scarce foreign exchange resources. But some shipowners are finding it hard to show a profit in the depressed world shipping market. Worst affected are the newcomers, attracted into the sector by the

government's generous incentives for acquisition, including eight-year credit repayment terms. Private shipbuilders, too, are passing through a lean period, as buyers focus on the cheap, secondhand tonnage readily available on the international market.

However, as the merchant fleets of other traditional maritime nations have dwindled, Turkey's, according to the Istanbul Chamber of Shipping, has boomed. From 475 vessels totalling 2.08 million dwt at the end of 1979, it had shot up to 759, totalling 6.1 million dwt, by the end of March 1985. The target of 7.4 million dwt laid out in the government's 1983-93 transport masterplan now seems certain to be met well ahead of schedule.

The authorities are keen to encourage local owners to go for modern vessels, better suited than secondhand ones to the country's trading needs. Earlier this year they imposed a ban on the import of vessels more than 13 years old or less than 10,000 dwt. A higher rate of scrapping may also be expected as owners move to replace ageing and inefficient ships.

The most spectacular growth in the fleet has taken place in the tanker sector, which now accounts for about 50 per cent of all tonnage flying the Turkish flag. Last year the national registry gained its first ultra-large crude carriers (ULCCs) — Cerrahogullari Umumi Nakliyat Vapurculuk & Ticaret's 392,799-dwt M Vatan, and Um Denizcilik Ticaret's 423,639-dwt Buyuk Selcuklu.

Bright prospects

Several bulk-carrier purchases are now in the offing as bright prospects for dry cargo encourage operators to expand their capacity. Imports of bulk goods, particularly iron ore and coal for the booming steel sector, look set for a steady increase as industrial production picks up.

Marti Shipping & Trading group recently bought a 76,000-dwt ore/bulk/oil (OBO) vessel, which will soon be bringing coal from the US Gulf to Turkey. Anadolu Shipping, Geden Lines and Cerrahogullari are all in the market for secondhand bulk-carrier tonnage, while Um Denizcilik is negotiating a $100 million order for five 60,000-70,000-dwt bulkers from the UK's Govan Shipbuilders.

The transport masterplan's projections of trade into the 1990s indicate just why the fleet needs to go on growing if Turkey's freight bill is to be kept under control. By 1993, according to the study, imports of dry bulk goods are expected to rise to 21.5 million tonnes, compared with 1.34 million tonnes in 1981, and of liquid bulk to 15.7 million tonnes against 8.6 million tonnes.

Exports are also predicted to increase substantially, with dry bulk going up from 1.3 million tonnes in 1981 to 9.9 million tonnes by 1993, and liquid bulk rising from 300,000 tonnes to 3.7 million tonnes over the same period.

Another area where operators can expect lively conditions to continue is sea/land carriage of transit goods to Iran and Iraq. Confidence is high that this already lucrative trade will grow when the Gulf war comes to an end.

Much of the state's shipping activities are controlled by Denizcilik Bankasi (DB), the Istanbul-based maritime bank. This not only handles official credit, but runs eight of the country's larger ports, seven shipyards, state-carrier DB Cargo Lines (DBCL), and Turkish Maritime Lines (TML), which is responsible for passenger services.

With its fleet of 62 vessels totalling 1.09 million dwt, DBCL offers regular services to the Mediterranean, North Europe, the US' East Coast and Gulf ports, and the Red Sea. There are plans to extend the routes to offer a Far East service from Yugoslavia, and a Black Sea service between Constanta, in Romania, and Trabzon. The latter would be aimed at capturing transit traffic for the Middle East. Both proposals have run into problems and are expected to be delayed for some time.

Nevertheless, expansion of the DBCL fleet is already under way. Eight 5,500-dwt general cargo/container vessels have recently been purchased from local firms, and delivery of four 2,700-dwt coasters is imminent. By 1993, the company is planning to acquire a further 30-40 vessels, while disposing of some older tonnage. Developments at DBCL are being watched with interest, since it is thought to be one of the state concerns which may be privatised by Turgut Ozal's government.

Steady demand

With steady demand from state lines, the public-sector shipbuilders have plenty of work in hand. Pendik, the country's largest yard, is building six car ferries for TML, and this year should begin construction of its first, and long-delayed, drydock, which will enable it to build vessels of up to 170,000 dwt.

The yard also figures prominently in the development of closer shipbuilding links with Poland, whose fleet is undergoing renewal and expansion. Using a high proportion of Polish parts, Pendik is to build a series of eight 26,000-dwt bulk carriers, worth $80 million, for the Polish Steamship Company.

Polish parts will also be used for the two bulk carriers which the yard will start building for DBCL later this year. In 1984 TML took delivery of a 7,174-grt roll-on, roll-off (ro-ro) ferry, supplied in part payment of Poland's trade debts to Turkey.

But with few orders for new vessels coming in from the private shipping community, private yards are finding the going tough. Some are taking the initiative

in the absence of firm orders by building ships for direct sale on the international market.

For example, Sedef Gemi Endustrisi, Turkey's largest private yard, is currently negotiating with European firms to sell two 7,500-dwt dry cargo vessels still under construction, and three smaller ships recently completed. If a deal cannot be reached the vessels will be taken on by other companies in the Sedef group.

Private firms have called on the government to stimulate demand by extending eight-year credits to foreign buyers of new vessels, but as yet there has been no response from Ankara. Shipowners, too, would like to see some fundamental changes in shipping legislation to lower their costs. In particular, they are looking for a reduction in crewing levels — which can be twice as high as those allowed in other countries — and a modified taxation structure.

NICK TERDRE

Tourists lured by Turkish delights

THE SIGNS are that 1985 will be an exciting year for Turkish tourism. Not only are major investments being made which will improve standards and increase capacity in the near future, but already tourists have started to arrive in larger numbers than ever before — both from Europe and the Middle East.

Turkey's long Mediterranean and Aegean coastlines and its wealth of historical sites — many of them better preserved than those in Greece or Italy — make the country a natural destination for holiday makers. But a number of obstacles have kept earnings from tourism far lower than they might have been. Poor infrastructure and lack of development finance have been the main handicaps, coupled with a cumbersome bureaucracy and hostile attitudes to foreign investment.

In a serious effort to improve matters, the government has made tourism a priority development sector, and infrastructure is gradually being built up. The opening in 1980 of Dalaman airport serving the southwest of the country was one major step forward. A new terminal is due to come into operation at Antalya later this year, and a coastal road has been completed linking the Mediterranean and Aegean regions.

Yet roads and telephone services to many areas remain inadequate. Turkish Airlines offers a poor and somewhat inconvenient service between the south coast and Istanbul, with early morning flights making the journey difficult for visitors staying at resorts a few hours away from the main centres.

Despite these constraints, the government has been doing what it can to encourage tourism operators. In 1983, for example, it granted special privileges to travel agents, such as priority on telecommunications, and subsidised electricity. Legislation of this kind has certainly helped to boost the profitability of tourism projects.

Government financial back-up for new developments remains hard to obtain, however. The state-owned Tourism Bank has not been sufficiently selective in the schemes it has supported, with the result that in 1984 it had virtually no funds to offer. This year, lending is expected to amount to little more than TL 15,000 million ($28.4 million). Nevertheless, private investors are at last beginning to take the sector seriously, with the hotel business, especially in major urban centres, attracting particular attention.

Although some foreign investors remain nervous about the country's political stability, remembering the widespread civil disorder before 1980, several major concerns are showing a keen interest in tourism. In the hotel sector, the US' Holiday Inn group seems likely to go ahead with plans for a number of new properties in the south. Villas and holiday villages are also proving popular. One well-known London property firm is believed to be on the point of establishing a presence, as are several US companies. Club Robinson, the West German equivalent of France's Club Mediterranee, opened its first holiday village early this year, in the southwest.

The future may be looking brighter, but the old problems have by no means disappeared. Operators claim that excessive bureaucracy still causes major delays, and that local officials are frequently unaware of statutory incentives for tourism companies, or are not prepared to grant them.

The industry is not helped by the fact that the Culture & Tourism Ministry is known as one of the country's weakest governmental agencies. "Tourism will never develop in Turkey until the ministry is abolished," an aide of Prime Minister Turgut Ozal once remarked. He was only half joking. The ministry's bureaux are notorious for their lack of even basic information.

This year's boom in tourist arrivals, largely the result of heavy advertising campaigns in Europe, has already produced some embarrassing results, similar to difficulties experienced by Spain a decade ago. Westerners complain that hotel reservations have not always been honoured, and that there are serious staff shortages. The country has a total of only 66,328 hotel beds, of which 9,000 are categorised as first-class or luxury accommodation. Holiday villages offer a total of 6,000 beds.

The situation will undoubtedly improve over the next few years as the benefits of new investment begin to be felt. But it will be some years yet before Turkey joins the ranks of major tourist destinations such as Greece, Spain or Portugal. And even then, its relative distance from the main West European population centres means it is unlikely ever to be able to cash in on the truly mass market.

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