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Power burden falls on private sector

AN expected domestic surplus in 1987 of around 10,000 million kWh is a mark of the progress made in the government's ambitious power station construction programme. It provides a stark contrast to the days of frequent power cuts that hamstrung industry in the late 1970s and early 1980s.

Total installed capacity is planned to reach 32,000 MW by 2000, compared with the present 7,000-8,000 MW, to meet an expected increase in demand to 170,000 million kWh from 1985's 30,000 million kWh. This massive expansion in output and consumption will be fuelled by the government's strategy of industrial growth.

In line with its free market principles, the government expects the private sector to take over an increasing share of power generation. The two existing private producers — Cukurova Electric and Kepez in the Gulf of Antalya — accounted for only 11.5 per cent of total output in 1985; the remainder came from the state-owned Turkish Electricity Board (TEK). In addition, TEK has a monopoly on the distribution and sale of electricity.

The trend towards private sector generation has been accentuated in 1987 by general cuts in the government's capital investment programme. TEK's 1987 investment programme totals TL 650,000 million ($810 million), but includes no provision for building new thermal projects, which are also its responsibility. The government's direct allocation to hydroelectric plant construction — the responsibility of the State Hydraulics Agency (DSI) — is only TL 43,600 million ($54 million), compared with TL 223,000 million ($278 million) budgeted for projects already under way.

The private sector's power generation share will increase sharply if build-operate-transfer (BOT) bids by foreign-led consortia for six large coastal stations, burning imported coal, are successful. Individual costs and outputs range between $700 million-1,400 million and 800-1,400 MW. The State Planning Organisation is proceeding with one of the bids with a view to a contract award before the end of 1987; orders for the other five plants are expected to follow at the rate of one a year (MEED 6:6:87).

The BOT model is also being used as a basis for negotiation in the hydroelectric sector for no less than 60 power stations. However, these are less advanced, and less likely to result in firm contracts, especially since the cost of building the stations, which has to be reflected in the electricity sales agreement, fluctuates much more from one site to another compared with the thermal projects.

Government privatisation plans include some firms in the energy sector but one strategic, state-owned energy firm that appears unlikely to be privatised for some time is Turkish Petroleum Company (TPAO), the country's largest crude producer with an output of 26,000 barrels a day (b/d). This compares with 18,000 b/d and 5,000 b/d produced by the local subsidiaries of the Royal Dutch/Shell Group and the US' Mobil. Total domestic output of around 49,000 b/d, plus about 1.5 million cubic metres of gas, accounts for around 12 per cent of hydrocarbon needs — the rest has to be imported.

Despite a 55 per cent drop in Turkey's oil bill, thanks to the fall in international crude prices in 1986, oil imports still totalled $1,807 million for the year. The bill is expected to increase in 1987, with the streng-

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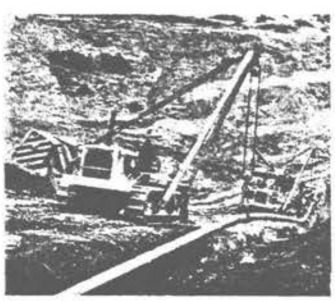



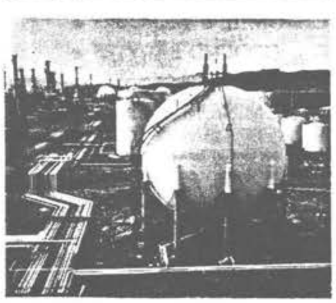
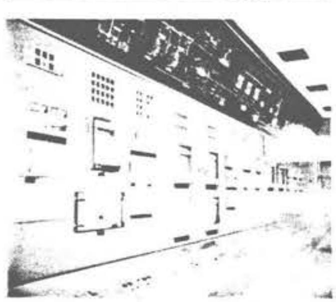
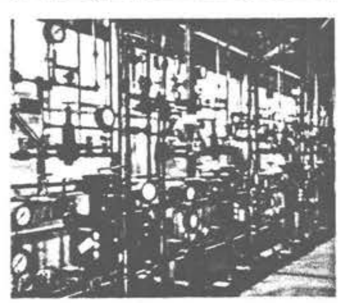
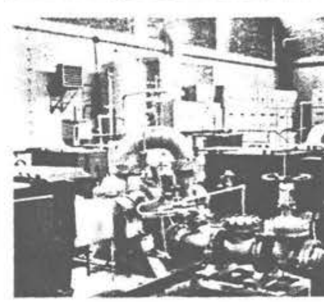

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thening of oil prices resulting from OPEC's renewed pricing and production discipline.

TPAO general manager Ozer Altan says the company will try to increase production in 1987, on a long-term basis. Fields starting up in 1986 produced a total 3,000 b/d. Although small fields predominate in the fractured geology of the country's main crude producing area in the southeast, TPAO still hopes to find a comparatively large field, Altan says.

The government in 1983 introduced more attractive terms for foreign companies exploring for oil — about 14 such firms now hold exploration licences. However, in the past four years, only one commercial find — a small one by Aladdin Middle East — has been made by the newcomers. Turkey will continue to rely heavily on expensive crude imports for the forseeable future.

JB

Transport and telecoms top investment priorities

TRANSPORT and communications have top priority, with energy, among infrastructural improvements the government believes necessary to produce the economic revolution that will transform Turkey into an international industrial and trading power. Highways alone have a TL 7.2 million million ($8,978 million) allocation for the next 10 years.

Nor are telecommunications being neglected: by the end of 1987, every village will have a telephone link. Starting in 1988, the government aims to expand the system to provide a telephone to every villager who wants one, Transport & Communications Minister Veysel Atasoy says.

Important advances since the government took office in 1983 include an increase in the number of central switching exchanges to more than 800, from 140, and a rise in the number of telephone lines to 3.5 million, from 1.9 million, Atasoy notes.

Other major steps include the construction of two more earth satellite stations – with one more planned, to link with the International Maritime Satellite Organisation (Inmarsat) system – plus the introduction of telefax equipment, car telephones and fibre optic links between large cities. As a result, telephone services have improved sharply.

In line with the government's denationalisation programme, the posts, telephones and telegraphs administration in 1987 plans to sell its shareholding in the country's two joint-venture telephone equipment manufacturers – Teletas, partnered by the US' ITT, and Netas, whose foreign partner is Canada's Northern Telecom.

On the transport front, road building is being given priority over railways, says Atasoy. New motorway and trunk routes are needed to service transit trade – projected to recover to new heights if the expected reconstruction boom follows an end to the Iran-Iraq war – and to cater for burgeoning domestic traffic, which is seriously congesting existing roads.

Contracts valued at more than $700 million were signed with foreign and local contractors, on the basis of 100 per cent external financing, in the first quarter of 1987. Two are for vital sections of the trans-Anatolian highway from the Bulgarian border to Ankara. These complement contracts awarded in 1985-86, including the second Bosporus bridge and associated motorways. Only a few sections of the route have still to be let. A third order calls for the construction of motorways to complete the important southeastern link between Mersin and Gaziantep, part of the transit route to the Iraqi border crossing at Habur.

The treasury has had to bear in mind Turkey's direct balance of payments needs when mandating these highway financing packages – to the point of excluding borrowing from major international financial centres, like Tokyo, when balance of payments syndications might be prejudiced by saturation of the markets with Turkish risk.

The treasury says it will not allow any new toll motorway funding packages to go ahead in 1987, fearing the inflationary impact of a deluge of public works, and a rise in Turkey's already onerous debt servicing burden. However, discussions have already started for the construction, on a build-operate-transfer (BOT) basis, of a motorway between Izmir and Cesme, with an associated roll-on, roll-off (ro-ro) port.

Talks have also opened about a section between Pozanti and Tarsus, to link an existing motorway from Ankara with the Mersin to Gaziantep route. The government may also resume negotiations for motorways between Izmir and Denizli.

The toll motorway programme may be the focus for foreign contractors, but it forms only part of the General Highway Directorate's (KGM's) responsibilities. Local companies are upgrading routes between the Black Sea ports of Hopa and Trabzon, and Iran, KGM chief Atalay Coskunoglu says. And roads countrywide are being improved through the Turkey transit highway transportation (TETEK) project, which is part-funded by the World Bank.

KGM has a budget of about TL 405,000 million ($505 million) for 1987. Of this, TL 130,000 million ($162 million) has been set aside for maintenance and current spending. Coskunoglu says 100 per cent financing is called for in the toll motorway programme, to release funds needed for work on other roads.

He adds that KGM is trying to concentrate on maintenance, leaving road construction to the private sector. This trend will increase as maintenance demands rise with the construction of more motorways and highways. KGM is responsible for around 60,000 kilometres of road.

The government also hopes to renovate and expand the network run by state-owned Turkish Railways (TCDD). The World Bank in 1986 approved a $187 million loan for TCDD's $580 million second railway project. This calls for the repair of 740 kilometres of main line, and the construction of a further

Answering the call: continued investment is meeting demand for better services

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