

# Impact of the economic crisis on port development in Turkey

- Impact of the global crisis to the Turkish port industry
- What we should expect for the future ?
- M&A 's, have we come to an end ?

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# Turkish ports : 2008 at a glance

- Turkey has 177 sea ports with ISPS code.
- During 2008 Turkish ports handled 315 million tons; total capacity of the ports is 350 million tons, an occupation rate of 90 % creating congestion
- The growth rate for the last three years has been 14 %, 17 % and 10 % respectively where the import/export share is over 70 %.

# Impact of the global crisis to the port industry and the real economy

- Turkey is not a disconnected country from the world economy, during the first two months of 2009, Turkish foreign trade has shown 37 % recession while the seaborne trade at the Turkish ports decelerated in line with the recession in the world.
- Automotive, textile and electronics industries have been the most affected sectors. However the adverse consequence of the imbalance at the Turkish foreign trade, has been offset by the economic slow down and fluctuating currency rates; bringing 2009 target foreign trade deficit down to -\$34bn (this was -\$70bn in 2008)

# Comparison of cargo movements in Turkey by the end of February 2009

<b>TURKLIM PORTS (38)</b>	<b>2008 YTD FEBRUARY</b>	<b>2009 YTD FEBRUARY</b>	<b>% of LYR</b>
<b>CONTAINER (TEU)</b>	<b>535.185</b>	<b>430.528</b>	<b>-20%</b>
<b>GENERAL CARGO (mt)</b>	<b>7.969.846</b>	<b>5.989.179</b>	<b>-25%</b>
<b>BULK CHEMICALS (mt)</b>	<b>583.010</b>	<b>498.334</b>	<b>-15%</b>
<b>BULK OIL (mt)</b>	<b>453.203</b>	<b>778.474</b>	<b>72%</b>
<b>CAR (unit)</b>	<b>182.368</b>	<b>71.731</b>	<b>-61%</b>

Source: TURKLIM

# Cargo movements at Izmit Gulf during Q1 of 2009

Izmit Gulf	2008	Q1/2009	% of LYR
Volume (mt)	53.161.536	9.357.012	-30%
Ships (unit)	12.457	2.335	-25%

Source: UMA (Undersecretariat of Maritime Affairs)

# Different sectors different trends

- Volumes contracted 20 % to 30 % with the exception of
- car exports which is down by 63 % because of the world scale automotive industry crisis
- transit oil business which is up by 72 % mainly due to growing transit oil business at the southeast of Turkey.

# 2009 started with difficulties

- Port Privatisation initiative has seriously being affected by the economic conditions; Izmir and Iskenderun ports privatisation process remain highly doubtful, the famous closure of Haydarpasa Port will continue to remain as a saga (potential tourism complex project)
- Bulk chemical business in the Marmara region after a sharp fall will be stagnant in 2009
- General cargo, break bulk and dry bulk volumes slowed down, port incomes are significantly lower.

# But no reason to panic

- We strongly believe that the reflection of the weaker economies in USA and Eurozone will continue to affect our region but the growth in Asia excluding Japan, and Middle East will not cease and contribute positively.
- IMF has now more resources (\$1.1 trillion) to stimulate the world economy and because of the global crisis, the known prescription of tight fiscal policies and programmes of IMF may also change. We will probably see, more Government spending on different sectors including infrastructure and transportation which will support the international trade.

# What we should expect for the future ?

- Oil prices will recover due to limited energy reserves, higher exploration and extraction costs, population and consumption growth; the demand will grow faster than supply.
- Globalisation and free movement of the merchandise will not come to an end, even bigger ships will favour the shipping and trading prospects.

Source : Deutsche Bank Think Tank

# Has the crisis been tangent to Turkish Ports

- The geopolitic importance of Turkey as a transit corridor for the region will remain intact, the railway connected ports will continue to be a gateway not only to middle east countries but also to Caucasian landlocked countries.
- Once the capacity utilisation rate will be back to normal levels in Turkey, the ports will support the in and out product flow; over the next 20 years the volume to be handled in the Turkish ports will increase by 300 %

Source: NEA Transport Research

# “ B Plans ” at Turkish ports

- The ports should make their preparations from today if they don't want to be late tomorrow. Ports with greater hinterland, with access to motorways and railways will have distinct advantage; long waiting hours for accessing highway exits, passing tolls and bridges will create deficiencies.
- Joint ventures, service mix, cost optimisation, investment planning and multimodality will be instrumental to serve the objective.

# Port investments planning

- The Ministry of Works and Settlement issued a Coastal Structures Master Plan for the cities of Kocaeli (Izmit) and Yalova.
- The Ministry of Transportation is in the process of preparing the Coastal Structures Master Plan for Turkey. Active participation of NGO 's has also foreseen. The plan will determine existing and planned port sites and will guide the decision makers if there is a need for constructing new large scale and hub ports.

# 10th Transportation Council Target 2023

- A Ports infrastructure committee with the participation of bureaucrats, private sector and NGO 's started to work to prepare the infrastructure and the operational needs of the ports as well as the legislative framework which will cope with these requirements.
- The committee will also put together the existing ports capacity of Turkey and also planned capacities at different locations in order to asses and plan the necessary port capacity for 2023.

# M&A 's , have we come to an end ?

- During the last five years, there has been a multitude of mergers and acquisitions at Ambarli Ports and Izmit Gulf area; some changed ownership or shareholders more than once, some others are still in the process.
- Container Ports have been the rising stars for obvious reasons, but there was also strong interest for bulk liquid storage terminals and general cargo ports. Largest port operators keep searching for new investments and joint venture opportunities.

# Mergers and Acquisitions at Izmit Gulf

<b>Name</b>	<b>Seller</b>	<b>Buyer</b>	<b>Sector</b>	<b>Location</b>
<b>Green Field</b>	<b>Evyap</b>	<b>Erdemir</b>		
<b>Green Field</b>	<b>Erdemir</b>	<b>DP World</b>	<b>Container (Project)</b>	<b>Izmit Gulf</b>
<b>Belde</b>	<b>Deger (partly)</b>	<b>Arkas</b>		
<b>Belde</b>	<b>Arkas</b>	<b>Ashmore</b>	<b>Container (Project)</b>	<b>Izmit Gulf</b>
<b>Sedef</b>	<b>STFA</b>	<b>Yilport</b>	<b>Container</b>	<b>Izmit Gulf</b>
<b>Alemdar</b>	<b>Alemdar</b>	<b>Yilport</b>	<b>Container/Gen Cargo/Liquid</b>	<b>Izmit Gulf</b>
<b>Altintel</b>	<b>Aktar</b>	<b>Arkem</b>	<b>Liquid/General Cargo</b>	<b>Izmit Gulf</b>
<b>Efesan</b>	<b>Kizilkaya</b>	<b>Efe</b>	<b>General Cargo</b>	<b>Izmit Gulf</b>

# Mergers and Acquisitions other regions

<b>Name</b>	<b>Seller</b>	<b>Buyer</b>	<b>Sector</b>	<b>Location</b>
<b>Yalova Elyaf</b>	<b>Global</b>	<b>Vopak</b>	<b>Liquid (Project)</b>	<b>Yalova</b>
<b>Armaport</b>	<b>Shipowners</b>	<b>Arkas</b>	<b>Container</b>	<b>Ambarli</b>
<b>Soyakport</b>	<b>Soyak</b>	<b>Arkas</b>	<b>Container</b>	<b>Ambarli</b>
<b>Kumport</b>	<b>Cooperative venture</b>	<b>Fiba/Turkon</b>		
<b>Kumport</b>	<b>Turkon (partly)</b>	<b>Fiba</b>	<b>Container</b>	<b>Ambarli</b>
<b>Ege Gubre</b>	<b>Ege Gübre</b>	<b>TCB</b>	<b>Container (Project)</b>	<b>Aliaga</b>

# Port investments more attractive then ever

- It will not be unwise to say that port investments are more attractive with lower cost of steel and concrete; wharf construction, pavement, dredging, removing and demolishing became less expensive
- We will also see a growing interest from foreign investors as the case was in the financial sector and infrastructure projects like telecom. Entrepreneurs will keep investing in Turkish ports