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REPUBLIC OF TURKEY PRIME MINISTRY
Investment Support and Promotion Agency of Turkey

TRANSPORTATION & LOGISTICS INDUSTRY REPORT

JANUARY 2010



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1. Executive Summary

The transportation and logistics sector, broadly defined to include airlines and airfreight, shipping, road and rail transport and the associated infrastructure and services, generated US\$ 3.4 trillion of revenue globally in 2007. It has grown with a CAGR of 6.2% between 2003 and 2007. By 2012, the global transportation industry is forecast to reach US\$ 4.5 trillion growing with a CAGR of 5.4%.¹

The share of the logistics sector (broadly defined to include all transport as above) in Turkey's GDP is estimated between 8-12%.² Thus the size of the sector can be estimated as being around US\$ 65-95 billion in 2008. The size of Turkish transportation & logistics industry is determined as US\$ 59 billion, while the share of the logistics service supplier market is estimated as US\$ 22 billion in "Turkey Logistics Industry Survey 2008". It is also stated that the industry has tripled since 2002 while the share of logistics service suppliers has increased by only 7%, which signals an unrealized growth potential for logistics service companies.³ The industry has grown by 20% on average in the last 5 years and the forecast size is US\$ 120 billion in 2015.⁴

Road transport is currently the major mode of freight and passenger transportation in Turkey: at present 95% of passengers and 90% of goods are carried by highway transport.² The Turkish Government intends to further modernize existing roads and construct new roads. The estimated investment cost for such modernization and construction amounts to TL 37 billion.⁵ Privatization of the two Bosphorus bridges and various motorways is planned for 2010.

The railway system has suffered from a legacy of past underinvestment. The Turkish government aims to modernize the railways through a range of projects, for which a budget of US\$ 23.5 billion has been allocated up to 2023.⁵ The flagship project is the Marmaray Project (the Rail Tube Tunnel under Bosphorus in Istanbul) where construction is well advanced and completion is planned for 2013. Another major infrastructure project is the Kars-Tbilisi-Baku railway.

Turkish Airlines is the largest airline in the country and now the 4th largest in Europe in 2009 according to passengers carried.⁶ It has achieved one of the best growth rates of any airline worldwide in the past decade. Although traded on the Istanbul Stock Exchange, it is mainly State-owned, but it is included in the national privatization program. There are currently 45 airports in Turkey. These are mostly very modern, but a budget of around TL 4 billion⁵ is projected for further airport modernization and construction.

Turkey has a competitive advantage in maritime transport since it is surrounded by seas on three sides. By August 2008, the Turkish maritime fleet consisted of 1,631 ships and ranks 25th in the world according to the number of ships.² Shipping is the most usual method of transportation for Turkey's exports and imports, with respective shares of 46.0% and 59.1 %. Second to shipping for Turkey's foreign trade is road transportation, with a share of 41.7 % for exports and 23.6 % for imports.⁷ Air transport comes third. In addition to the shipping of foreign trade, maritime transport of individuals is also significant, especially by IDO (Istanbul Sea Buses and Fast Ferries) in the Istanbul region.

Currently there are 2,000 customs clearance companies, 1,200 international road transport companies, 1,000 international maritime companies, 250 freight-forwarders and 200 bonded warehouses which offer logistics services to international trade firms.⁸

¹ Datamonitor, 2008

² IGEME (Export Promotion Center of Turkey), 2009

³ Quattro Business Consulting "Turkey Logistics Industry Survey 2008"

⁴ Capital Magazine, 2007

⁵ Deloitte, Investors' Guide Turkey, 2009

⁶ Association of European Airlines, 2010 Traffic Data

⁷ TUIK (Turkish Statistical Institute)

⁸ TSKB (Industrial Development Bank of Turkey), Sector Report, 2009



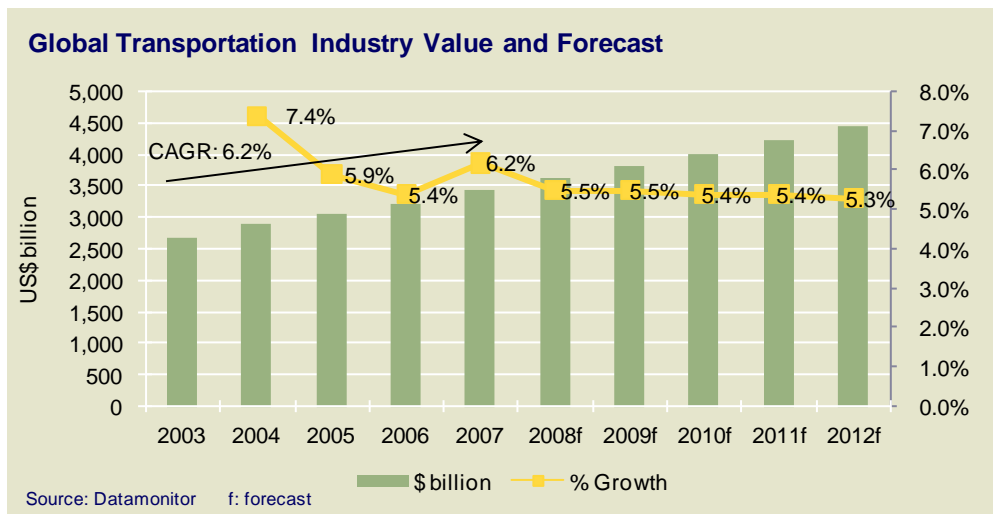
2. Sector Overview

2.1 Global Sector

Logistics are a critical factor in a country's overall foreign trading competitiveness. The importance of logistics is also increasing in BRIC as a result of the growth in their economies. In addition, the location of a country is a critical factor for logistics: countries such as Turkey can serve as a transport hub or a link between neighbouring countries.

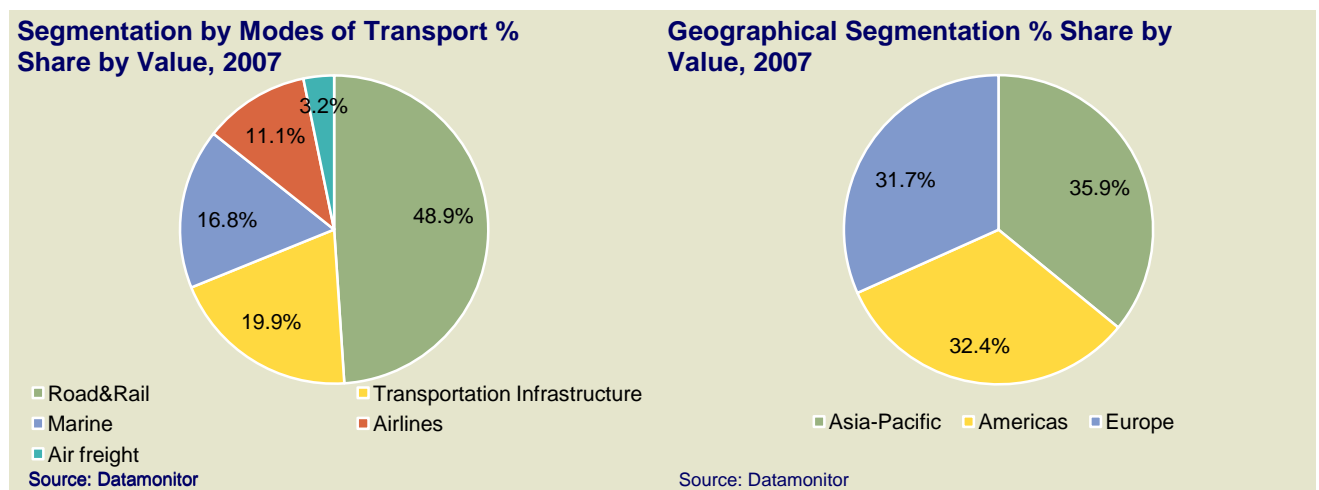
The transportation industry has experienced fluctuating growth between 2003 and 2007. Growth is expected to continue in future, but at slightly lower rates than the recent past, as shown by the yellow line in the chart below.

Figure 1 – Global Transportation Industry Value



With respect to geographic classification, Asia-Pacific and Americas create 35.9% and 32.4% of the total sector revenue, respectively.⁹

Figure 2 - Global Transportation Industry Segmentation



⁹ Datamonitor, 2008



Road Transport Industry

A decline in the global road sector's size is believed to have occurred in 2009 but the sector is expected to resume growth in 2010 since carriage by truck is often the initial and final stage of freight transport. The global road sector produced total revenues of US\$ 2,308 billion in 2008, with a CAGR of 7.8% between 2004 and 2008. Competition is intense and entry barriers are low, which can be illustrated by the fragmented nature of logistics with the top 50 companies having a market share of only 33%.¹⁰ Increasing costs due to high oil prices and new environmental measures adopted, since road transport is the largest contributor to global warming, negatively impact the margins of the road transport companies.

Railroad Transport Industry

After good growth between 2003 and 2007, with a CAGR of 6.3%, the growth of the railroads sector is forecasted to lose speed. The global railroads sector created US\$ 472.1 billion of revenue in 2007.¹⁰ Since expansion of the network is so capital-intensive, the rail sector is mostly constrained to operate with its existing network. However Europe and North America are working towards improving and renovating existing railway infrastructures.

Air Transport Industry

The global air freight sector created total revenues of US\$ 100 billion in 2008, with a CAGR amounting to 5.6% between 2004 and 2008. After a rapid growth stage between 2004 and 2007 (a CAGR of 7.4%), the air freight sector grew only by 0.1% in terms of value and contracted by 0.5% in terms of volume in 2008.¹⁰ In 2009 some airports reported extreme decreases in freight volumes due to lower frequency, merged routes and bankruptcies. Also high oil costs challenge the companies and force them to pass on such costs to customers.

The global airline industry has experienced strong growth since 2003 and that growth is expected to continue in the future. The global airline industry produced US\$ 429.9 billion of revenue in 2007, with a CAGR of 11.2% between 2003 and 2007.¹⁰ Price has been becoming a dominant factor in competition between airlines, even for the business segment. The use of on-line booking enables customers to find the lowest priced ticket for their trip. Even though the intensive capital investment requirement and safety regulations are barriers to potential new entrants, low-cost competitors have managed to challenge the established airlines in recent years.

Maritime Transport Industry

The global maritime industry grew very fast, with a CAGR of 34.5% between 2004 and 2006 but revenues then declined by 21.4% in 2007. Further decline is expected to have occurred in 2009 but a recovery period is forecast to start towards 2013. The maritime industry earned US\$ 749 billion of revenue in 2008.¹⁰ The industry is highly capital intensive due to the cost of vessels and large cash flows required for funding working capital requirements. Moreover, expertise and technical know-how are critical factors since the international shipping regulations related to safety are strict. Competition is price based; however, companies with younger fleets can charge a premium.

2.2 Domestic Sector

2.2.1 Overview

Turkey's geographical location establishes links between the East and the West which makes the transportation industry crucial for the economic development of the region. The Customs Union agreement between Turkey and the EU that came into force in 1996 and potential EU membership are important opportunities encouraging new investments in this industry. Transport is among the five major chapters already covered in Turkey's EU accession agenda. The harmonization process with EU laws includes compliance with

¹⁰ Datamonitor, 2008



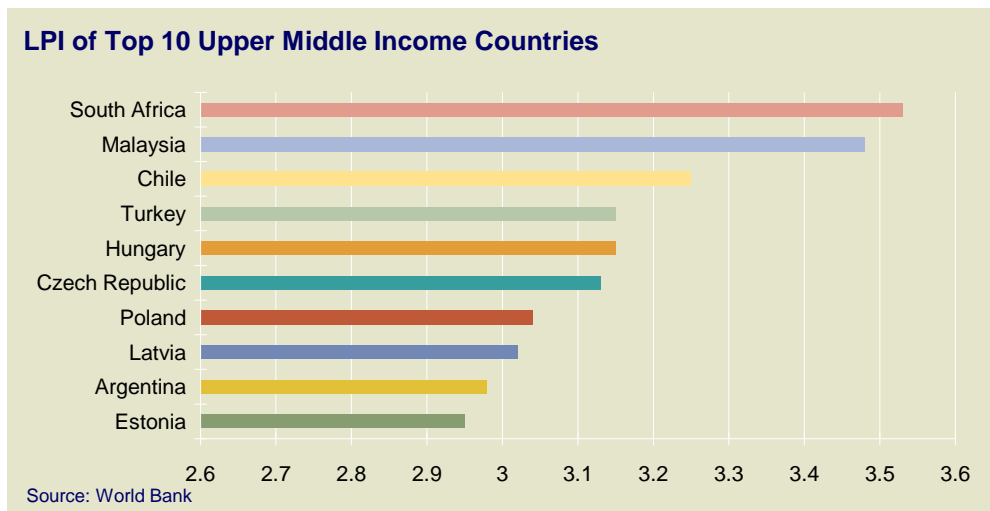
infrastructure, vehicles, environmental standards, the development of logistic networks and the improvement of foreign trade policies.

The current transportation network in Turkey is behind EU-27 standards mainly in terms of the density of the highways, motorways and railways. The State Planning Organization has underlined this fact in their 2010 Annual Programme, which describes steps for the development of the transportation industry. Further details of the Development Programme, signalling the potential for future growth, are provided at the back of this report.

Turkish logistic companies mainly serve the sectors in which most foreign trade is concentrated: these include textiles/garments, automotive, FMCG, retail and food, petrochemicals, machinery production and the construction industry. The share of construction and construction equipment has significantly increased since 2002.

According to the Logistics Performance Index (“LPI”) issued by the World Bank, Turkey is improving its logistics performance. LPI is based on a survey of operators on the ground worldwide, providing feedback on the logistics friendliness of the countries in which they operate and those with which they trade. Economies are divided according to 2008 GNI per capita, calculated using the World Bank Atlas method. Turkey belongs to upper middle income group having a GNI per capita between US\$ 3,856 - US\$ 11,905. Turkey ranks fourth among 24 upper middle income countries. The LPIs of the top ten upper middle income countries from the study are exhibited below.

Figure 3 – LPI of Top 10 Upper Middle Income Countries



According to TUIK, 1.1 million people are employed in the transportation-communication and storage services in Turkey as of September 2009. The share of the transportation and logistics sector in Turkey’s GDP is estimated between 8-12%.¹¹ The size of Turkish transportation & logistics industry is determined as US\$ 59 billion, while the share of the logistics service supplier market (Third Party Logistics) is estimated as US\$ 22 billion in “Turkey Logistics Industry Survey 2008”. The industry has tripled since 2002 while the share of logistics service suppliers has only increased by 7% which signals an unrealized growth potential.¹² Freight transportation has been increasing continuously as seen in the following table.

¹¹ IGEME (Export Promotion Center of Turkey), 2009

¹² Quattro Business Consulting “Turkey Logistics Industry Survey 2008”

Figure 4 - Transportation of Freight and Passenger

Freight and Passenger Transportation by Modes of Transport					
Million	2004	2005	2006	2007	2008
Road					
Freight kilometers	156,853	166,831	177,399	181,330	181,935
Passenger kilometers	174,312	182,152	187,593	209,115	206,098
Maritime⁽¹⁾					
Freight kilometers	3,929	3,477	3,830	5,189	6,001
Passenger kilometers	621	670	752	843	847
Railway					
Freight kilometers	9,417	9,152	9,676	9,921	10,739
Passenger kilometers	5,237	5,036	5,277	5,553	5,097
Air Transport⁽¹⁾					
Freight kilometers	321	392	N/A	N/A	N/A
Passenger kilometers	3,223	3,992	N/A	N/A	N/A

Source: TUIK

⁽¹⁾ Data does not include transport to or from foreign countries.

2.2.2 Road Transport

Road transport is the major mode of freight and passenger transportation in Turkey: at present 95% of passengers and 90% of goods are conveyed by highway transport.¹³

The network of highways has been developed significantly and the relative importance of highways has increased. The Turkish Government intends to further modernize existing roads and construct new roads. The planned cost for modernization and construction of roads amounts to TL 37 billion.¹⁴ Turkey is involved in the construction of the Black Sea Ring Highway, which is planned to have 7,140 kilometres of length and to pass through 12 BSEC countries. In addition, to mitigate road congestion in Istanbul, the government is considering the construction of a third Bosphorus Bridge. The two existing bridges are scheduled to be privatized.

Besides construction of new roads, major roads which will be modernized are summarized below;

- Denizli-Antalya Motorway 135 km
- Şanlıurfa-Habur Border Gate Motorway 400 km
- Ipsala-Malkara Motorway 54 km
- Iskenderun-Antakya-Cilvegözü Motorway 70 km
- Havsa-Malkara Motorway 87 km
- Gerede-Amasya-Erzincan-Erzurum-Ağrı-Gürbulak Border Gate Motorway 1300 km
- Ankara-Samsun Motorway 400 km
- Trabzon-Şanlıurfa Motorway 550 km
- Urfa-Diyarbakır-Gürbulak Motorway 650 km
- Ankara-Pozantı Motorway 316 km
- Aydın-Denizli Motorway 182 km

¹³ IGEME (Export Promotion Center of Turkey), 2009

¹⁴ Deloitte, Investors' Guide Turkey, 2009

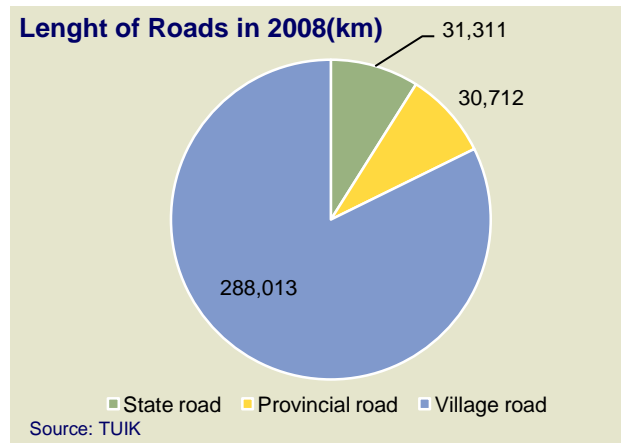


Figure 5 - International Road Transportation Network



Length of the roads in 2008 is presented below. 97% of state and provincial roads and 87% of village roads are surfaced.¹⁵

Figure 6 - Length of Roads



2.2.3 Railway Transport

In Turkey the length of railways is 8,697 km, operated by the General Directorate of Turkish State Railways (TCDD). Since most of the railways are old, the Turkish government aims to modernize the system through various projects. A budget of US\$ 23.5 billion is allocated to railway development up to 2023.¹⁶

The Turkish Government intends to construct Ankara-Istanbul, Ankara-Konya, Ankara-Izmir and Istanbul-Bulgaria high-speed lines. It also aims to complete the Marmaray (the Rail Tube Tunnel under Bosphorus in Istanbul) Project in 2013, a major project under the Bosphorus in Istanbul which has been under construction for several years and which will connect the European side with the Asian side. The length is 76 km and the total cost is anticipated to be US\$ 3 billion.¹⁶ Another major infrastructure project is the Kars-Tbilisi-Baku railway for which construction has started in 2008. The total length of the project would reach 124 kilometres of which 92 kilometres will cross through Turkey. Once the projects are finalized, Turkey will become a connection hub among Europe, Central Asia and the Middle East.

¹⁵ TUIK (Turkish Statistical Institute)

¹⁶ Deloitte, Investors' Guide Turkey, 2009



Figure 7 - Marmaray and Kars-Tbilisi-Baku Projects



Source: UTIKAD



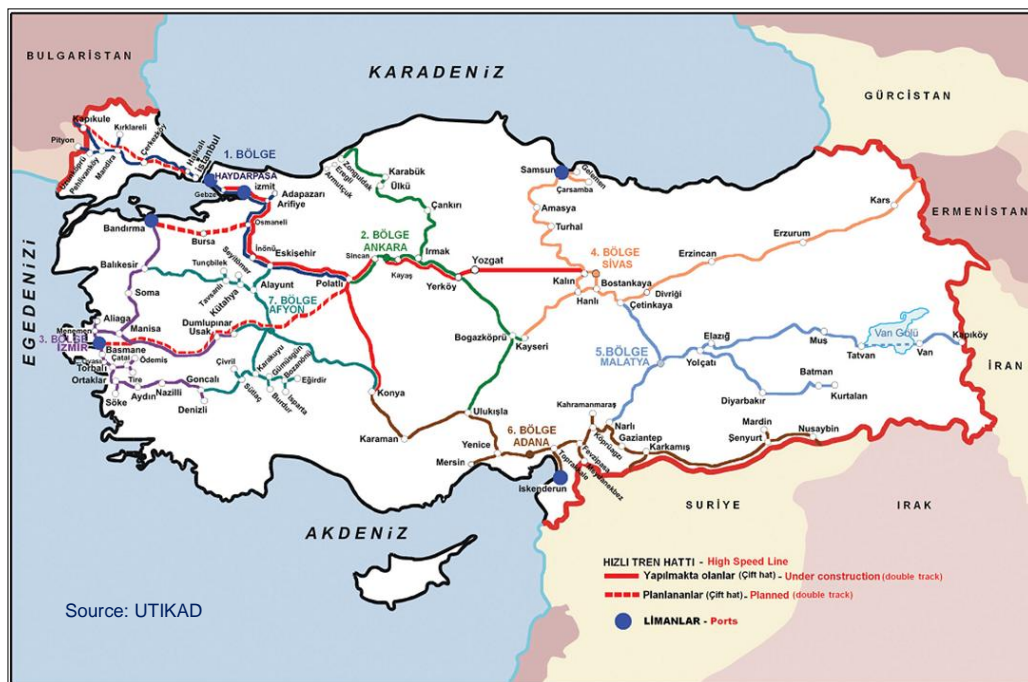
Source: UTIKAD

Apart from the construction of new railways, the lines which will be modernized are listed below:

- Halkalı-Kapıkule
- Sivas-Erzincan-Erzurum-Kars,
- Ankara-Izmir,
- Kayseri-Şefaatlı,
- Bandırma-Izmir,
- Konya-Mersin,
- Bandırma-Bursa-Osmaneli,
- Eskişehir-Antalya,
- Ankara-Sivas,
- Lake of Van North Passage.

The World Bank approved a loan of EUR 143.7 million on June 9, 2005 to finance the first phase of the Rail Restructuring Project in Turkey. The loan agreement was signed on March 13, 2006. The project is an Adaptable Program Lending (APL) with a total cost of about US\$ 450 million.¹⁷ The overall objective of the project is to improve the financial viability, productivity, and effectiveness of railway operations. This will be achieved through separation of infrastructure from operations, increasing accountability and competitiveness in rail operations, restructuring and rationalization of passenger services, staff adjustment, as well as institutionalisation and privatization of non-core activities.

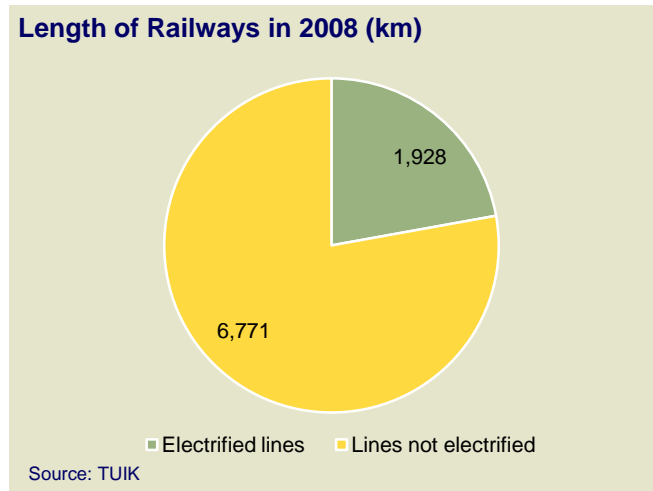
Figure 8 - Railway Transportation Network



Source: UTIKAD

¹⁷ World Bank

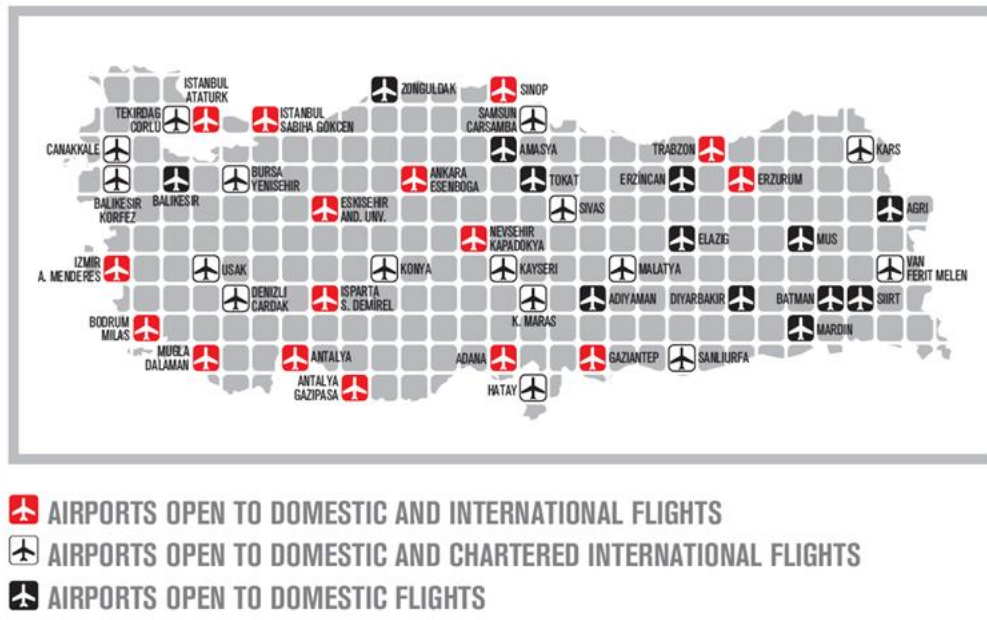
Figure 9 - Length of Railways



2.2.4 Air Transport

Turkey has many modern airports that are open to international and domestic flights. The major international airports are Atatürk in Istanbul, Antalya international terminals, Esenboğa in Ankara and Adnan Menderes in Izmir. There are 45 airports, 16 of which serve for international flights. In addition to the 45 airports in Turkey, the government intends to construct new airports in Bingöl, Iğdır, Hakkari Yüksekova, Şırnak, Kütahya-Afyon-Uşak, Istanbul, Çukurova and Diyarbakır. The cost for airport modernization and construction is projected around TL 4 billion.¹⁸

Figure 10 - Air Transportation Network



Source: ISPAT

Turkish Airlines is the largest airline company in the country and the only one with a significant international network. Its shares are traded on the Istanbul Stock Exchange but it is mainly owned by the Turkish State. It is included in the national privatization program.

Turkish Airlines' sales revenues increased by 26.0% in 2008 compared to 2007 and reached TL 6,123.2 million, with 78.0% derived from international flights and 22.0% from domestic flights.

¹⁸ Deloitte, Investors' Guide Turkey, 2009



The total number of passengers carried grew by 15.1% and reached 22.6 million in 2008. In addition, cargo carriage increased by 8.0% to 203,000 tons.¹⁹ With deregulation and liberalization in the sector, several private airline companies have entered the market in recent years: the largest are Pegasus, Atlas Jet and Onur Air. The result has been dramatic growth, as shown in figure 11 below.

The freight carried by domestic and international lines has continuously grown until 2008. However, freight volumes then declined in 2008 due to the effects of the global financial crisis. Although domestic airfreight volume is smaller than international airfreight, it is growing faster. The CAGR between 2004 and 2008 has been 7.1% for freight carried by international lines and 11.0% for freight carried by domestic lines.

Figure 11 - Air Freight Transportation

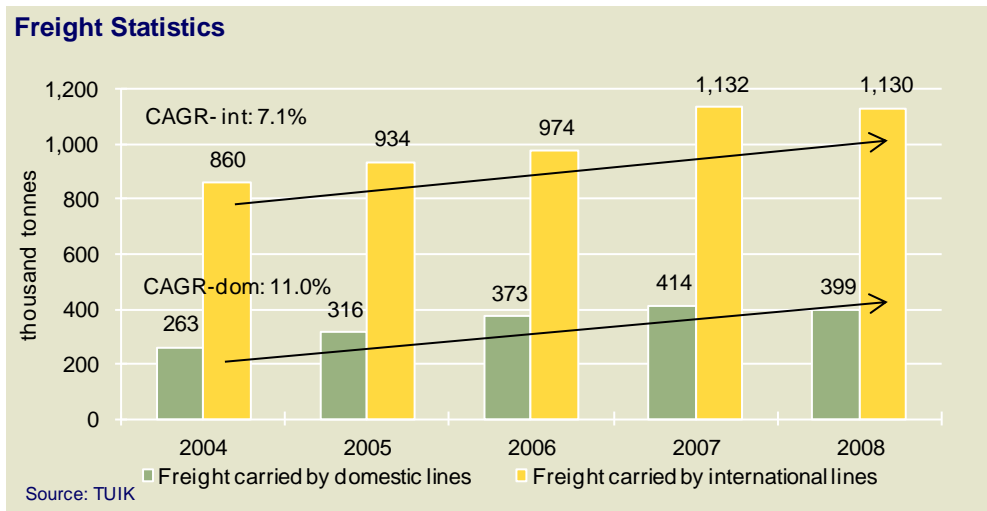
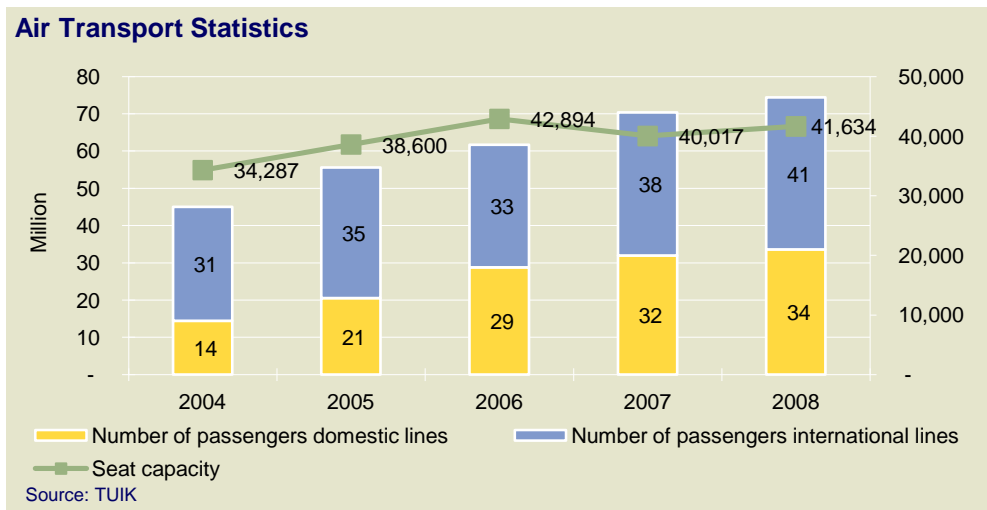


Figure 12 - Air Transport Statistics



¹⁹ Turkish Airlines, Annual Report, 2008



2.2.5 Maritime Transport

Turkey has a competitive advantage in maritime transport since it is surrounded by seas on three sides with the Mediterranean, the Aegean, and the Black Sea, together with the straits of the Dardanelles and the Bosphorus. The length of Turkey’s coastal borders is 8,333 kilometres. Marine transport is mostly handled by Istanbul-Izmit, Izmir, Adana-Mersin and Samsun ports. Mersin Port Administration was privatized in 2007.

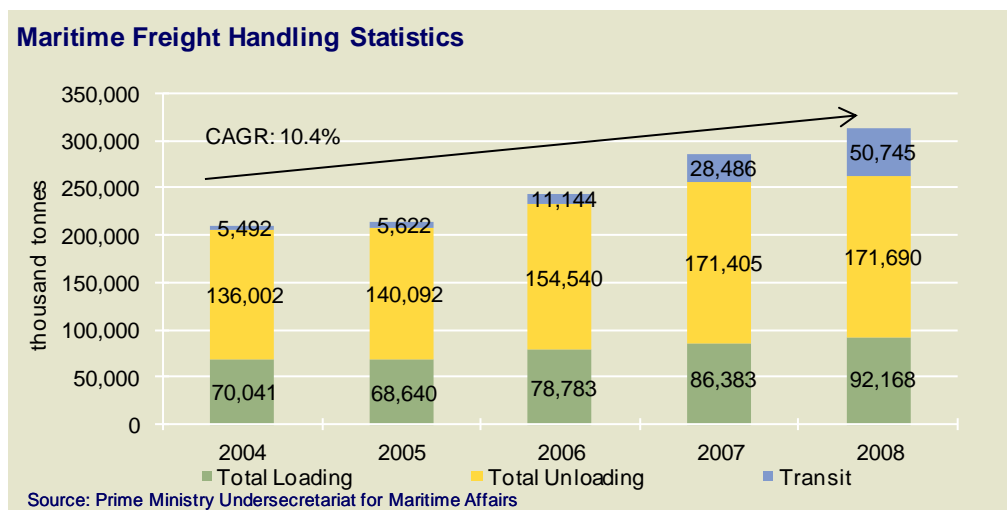
The ports of Bandırma, Samsun, Derince, Iskenderun and Izmir will be privatized for 36 years in 2010. In August 2008, the Turkish maritime fleet consisted of 1,631 ships and ranks 25th in the world by number of ships.²⁰

Figure 13 - Major Port Authorities in Turkey



The total loading, unloading and transit volumes have been continuously increasing. Total maritime freight grew at a CAGR of 10.4% between 2004 and 2008. The unloading of goods at Turkish ports constitutes the highest volumes within the total maritime freight transportation.

Figure 14 - Maritime Statistics



²⁰ IGEME (Export Promotion Center of Turkey), 2009

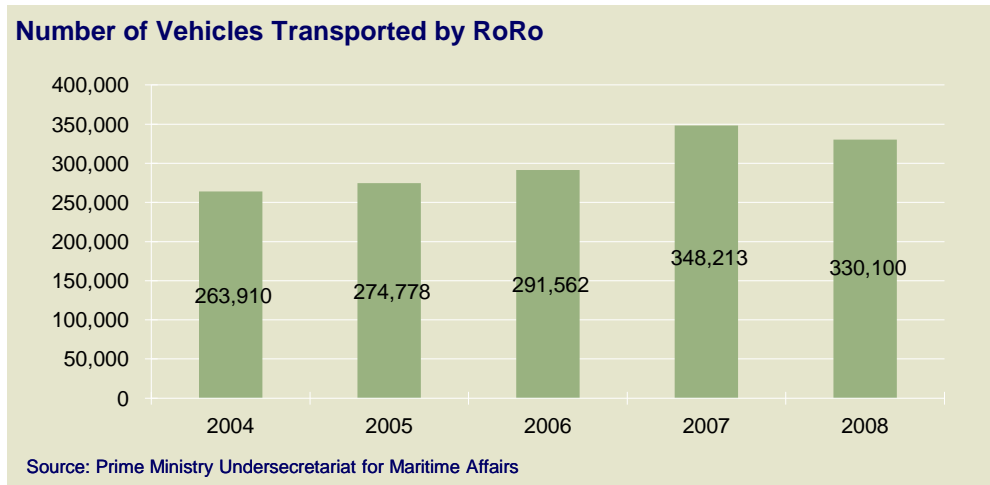
2.2.6 RoRo Transport

The RoRo lines used by Turkish companies are Haydarpaşa (Istanbul)-Trieste (Italy), Ambarlı (Istanbul)-Trieste, Zonguldak-Ukraine, Samsun-Novorossisky (Russian Federation), Trabzon-Sochi (Russian Federation), Rize-Poti (Georgia), Çeşme-Bari/Brindisi/Ancona, Mersin-Magusa, Derince-Constanta and Taşucu-Girne. 330,100 trucks/cars were carried through RoRo and 18% of road traffic was handled by RoRo services in 2008.²¹

Figure 15 - RoRo Operations



Figure 16 - RoRo Statistics



2.2.7 International Trade

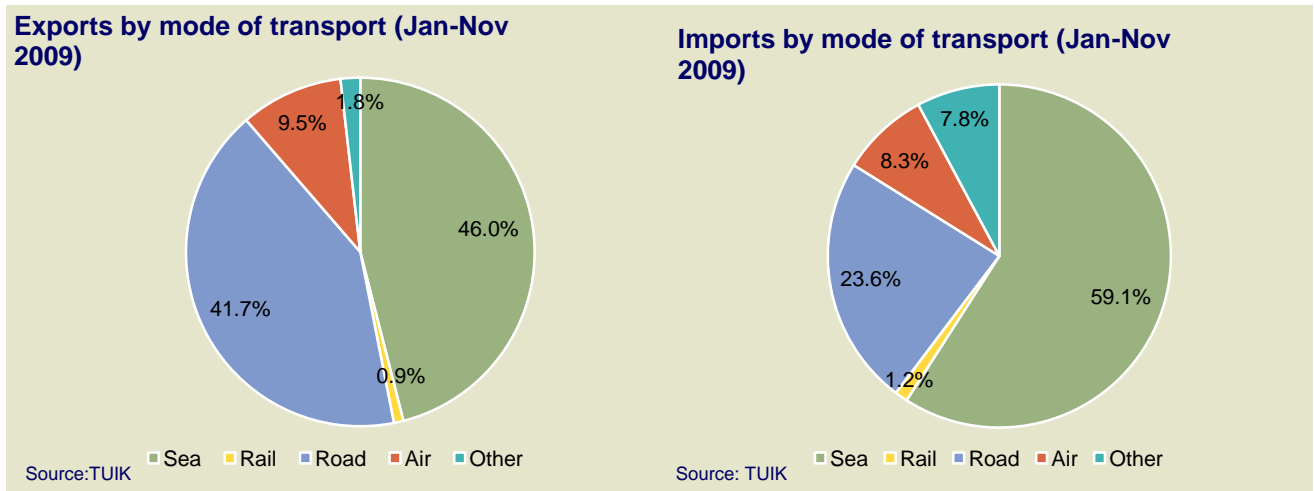
Maritime transportation is the most preferred method of transportation both in Turkey's exports and imports, with respective shares of 46.0% and 59.1% in total. This is followed by road transportation, with a share of 41.7 % of exports and 23.6 % of imports between January and November 2009. Air transportation comes third for both exports and imports.

Germany and the Benelux countries (Belgium, Netherlands and Luxembourg), are the leading locations to which logistics companies transport. The share of Germany and the Benelux countries has dropped while the East European countries and Turkic Republics became new markets for the industry. Industry players expect an increase in East European countries (especially Romania, Moldavia and Poland) and Germany in the coming years.²²

²¹ UTIKAD (International Freight Forwarders & Logistics Service Providers Association), 2008

²² Quattro Business Consulting "Turkey Logistics Industry Survey 2008"

Figure 17 - Export and Import by Modes of Transport



2.3 Main Players

Currently there are 2,000 customs clearance companies, 1,200 international road transport companies, 1,000 international maritime companies, 250 freight-forwarders and 200 bonded warehouses which offer logistics services to international trading companies.²³ There is excess demand for customs clearance, container transportation and bonded warehousing services in Turkey. With the restructuring processes and investments from global logistics companies, Turkish logistic companies have achieved worldwide quality standards. Major players in the Turkish transportation & logistics industry, selected according to their revenues from the 2008 Capital 500 list, are listed in the following table.

Figure 18 - Main Transportation and Logistics Sector Players in Turkey

Major Transportation & Logistics Companies						
Capital 500 Ranking	Company Name	Sector	Location	Revenue 2008 (TL million)	% Change from 2007	
13	Türk Hava Yolları	Transportation	Istanbul	6,123.2	35.4%	
48	TAV Hava Limanları	Transportation	Istanbul	1,466.3	69.3%	
92	Onur Air Taşımacılık	Transportation	Istanbul	834.5	1.4%	
120	Pegasus Hava Taşımacılığı	Transportation	Istanbul	669.3	27.3%	
138	THY Teknik	Transportation	Istanbul	615.2	3.7%	
205	Istanbul Deniz Otobüsleri	Transportation	Istanbul	405.4	16.5%	
228	Unsped Paket Servisi	Logistics	Istanbul	353.8	22.1%	
232	Omsan Lojistik	Logistics	Istanbul	345.4	9.0%	
242	SKY Hava Taşımacılık	Transportation	Antalya	336.0	42.1%	
246	Ekol Lojistik	Logistics	Istanbul	329.9	35.9%	
255	Borusan Lojistik Dağıtım	Logistics	Istanbul	319.9	45.2%	
271	Çelebi Hava Servisi	Transportation	Istanbul	302.0	9.3%	
290	Reysaş Lojistik	Logistics	Istanbul	271.3	3.5%	
311	Kamil Koç Otobüs İşletmeleri	Transportation	Bursa	257.1	38.6%	
313	Balnak Lojistik Grup	Logistics	Istanbul	255.9	13.9%	
336	Havaş Havaalanları Yer Hizmetleri	Transportation	Istanbul	239.2	28.1%	
346	Ceva Lojistik	Logistics	Istanbul	230.0	70.3%	
350	Hürkuş Hava yolu Taşımacılık	Transportation	Istanbul	228.0	N/A	
376	Horoz Lojistik	Logistics	Istanbul	210.5	(1.3)%	
384	Netlog Lojistik Hizmetleri	Logistics	Istanbul	205.3	15.9%	
410	Mars Lojistik	Logistics	Istanbul	190.9	8.4%	
485	Fasdat Gıda Dağıtım San. Ve Tic.	Logistics	Kocaeli	156.8	42.6%	

Source: Capital 500, 2008

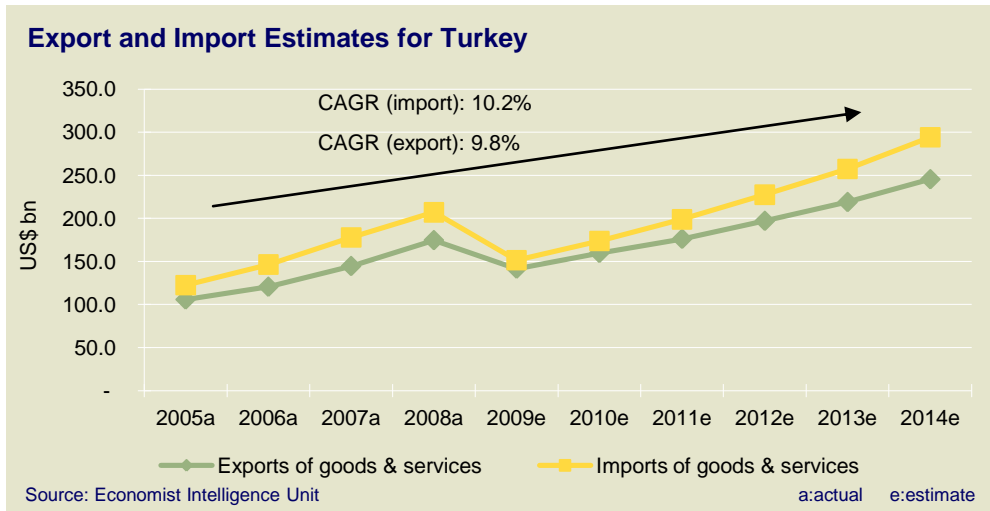
²³ TSKB(Industrial Development Bank of Turkey), Sector Report, 2009



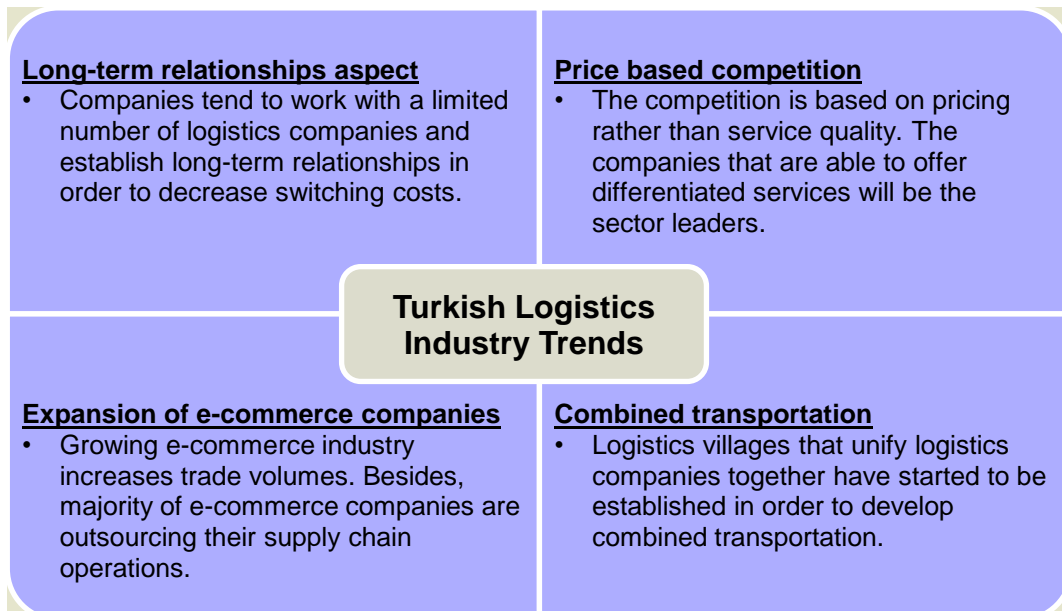
2.4 Sector Outlook and Trends

The industry has grown by 20% annually on average in the last 5 years and its forecasted size is US\$ 120 billion by 2015.²⁴ The value of the logistics sector is directly related to the size of Turkey’s exports and imports. As presented in the chart below, foreign trade is expected to resume its growth, which should offer promising growth potential for logistics service suppliers.

Figure 19 - Export-Import Estimates for Turkey



As a result of the new projects in Turkey, combined transportation will gain more importance in the future. Turkey is also planning to construct new logistic villages in Halkalı, Köseköy, Kayseri, Samsun, Eskişehir, Balıkesir, Yenice, Erzurum, Mersin and Aydın. The current major trends in the Turkish transportation & logistics industry are as follows;



In the medium term programme of 2010-2012 prepared by the State Planning Organization, future steps for the development of the transportation industry are listed as;

²⁴ Capital Magazine, 2007



- Public-private partnership models will be widely implemented for transportation infrastructure investments and traffic safety will be increased in all transport modes, with maritime safety being given priority.
- Efforts to integrate the national transport network with European transport will be continued.
- The existing dual carriageway infrastructure works will be completed and also the standards of existing highways will be improved.
- TCDD (State railways) quality of service will be increased and high speed train passenger transport will be made more widespread. TCDD will be restructured in order to reduce its financial burden on the State.
- In freight transport, priority will be given to rail and maritime transport and ports will become logistics centres that facilitate combined transport. Appropriate port areas will be determined and effective and efficient management of the ports will be ensured.
- Studies will be conducted in order to determine the medium and long term capacity needs of airports. Necessary measures will be taken to promote regional air transportation.

2.5 SWOT Analysis

Strengths

- Geostrategic importance- Turkey is like a hub on the way from the developing Middle East and Turkic Republics to Europe
- Presence of the logistic multinationals enables the local players to transfer know-how
- One of the largest truck fleets in Europe and a developed road transportation industry

Weaknesses

- Price driven competition constrains the high quality service providers and negatively impacts their margins especially in trucking
- Unregistered players in the sector
- Modernization requirement in rail and marine infrastructure

Opportunities

- Railway restructuring projects will increase efficiency
- Size of the industry is significantly lower than EU countries and the market is still unsaturated
- Increasing international trade
- Turkey's potential EU membership would further stimulate trade volumes
- Suitable topography for the construction of new harbours

Threats

- Substantial transportation quotas, visa restrictions and custom documentation for the trucking industry
- Competition with neighbouring countries, such as Greece
- Intensive capital requirement



2.6 Investment Opportunities

Below is a list of major M&A transactions by foreign investors in the Turkish transportation & logistics industry over the last decade. Deal values are in millions of US dollars.

Figure 20 - Major M&A Transactions

Selected M&A Transactions (2004-2010)						
#	Acquirer	Origin	Target Company	Date	Stake	Deal Value USD(m)
1	Invest AD Private Equity	UAE	Ekol Lojistik	Nov-09	N/D	74.9
2	HSBC Investment Bank; İş Private Equity	UK-Turkey	Havaş Ground Handling	Oct-09	35.0%	152.6
3	United Parcel Service	USA	Unsped Paket Servisi	Jun-09	80.0%	N/D
4	CEVA Logistics	Netherland	Varan Kargo	Sep-08	N/D	N/D
5	Gulftainer	UAE	Demas International Lojistik	Jul-08	50.0%	15.9
6	Mærsk Line	Denmark	Mærsk Denizcilik	Jun-08	40.0%	N/D
7	Manara Investments	Saudi Arabia	ACT Airlines Inc	Feb-08	21.0%	N/D
8	The Great Circle Fund	USA	Balnak Logistics	Oct-07	49.1%	N/D
9	Trieste Bidco by Kohlberg Kravis Roberts (KKR)	USA	U N Ro-Ro	Oct-07	97.6%	1,283.7
10	GeoPost	France	Yurtici Kargo	May-07	25.0%	95.2
11	Babcock Brown; Goldman Sachs	Australia-USA	TAV	Dec-06	N/D	315.0
16	Tcar S.a.r.l by Bedminster Capital	USA	Hedef Araç Kiralama	Oct-06	N/D	87.5
12	Camper and Nicholsons; İçtaş	USA-Turkey	Çeşme Port	Jul-06	N/D	7.0
13	Babcock & Brown; Goldman Sachs; Islamic Dev. Bank	Australia-USA-Saudi Arabia	TAV	May-06	N/D	388.0
14	DP World	Dubai	Yarımca	Dec-05	N/D	105.0
15	TNT Post	Netherland	TNT Lojistik	Jul-04	50.0%	8.7

Source: Merger Market
N/D: Not Disclosed

Privatization Portfolio

The motorways and bridges listed below as well as the maintenance-operation and toll connection units will be privatized via TOR agreements. These motorways and bridges are currently in use and being operated by KGM. Assets subject to privatization were included in the privatization portfolio in April 2007 and are intended to be privatized by December 31, 2010.

Figure 21 - Financial Summary of Motorway and Bridges Subject to Privatization

	Number of Vehicles (million)		Gross Income (TL million) ⁽¹⁾		Expenses (TL million)	
	2007	2008	2007	2008	2007	2008
Edirne-Istanbul Motorway	50.7	51.5	105.9	102.2	27.6	33.2
Istanbul-Ankara Motorway	66.2	69.5	191.0	194.4	69.7	70.9
FSM Bridge and Peripheral Motorway	81.0	78.8	155.3	122.8	17.2	18.9
Boğaziçi Bridge	66.3	67.2	98.5	87.7	6.1	3.1
Izmir-Çeşme Motorway	7.3	7.8	11.4	11.6	7.7	8.3
Izmir-Aydın Motorway	11.2	12.1	23.1	23.4	20.6	17.7
Pozantı-Adana-Mersin Motorway	9.3	10.0	23.6	23.5	10.7	13.4
Adana-İskenderun-Şanlıurfa Motorway	11.0	12.9	32.6	37.8	18.1	20.9
Total	303.1	309.8	641.5	603.4	177.7	186.5

Source: Privatization Administration
(1) Motorway Income figures include 18% VAT, Bridge Income figures include 18% VAT and 10% municipality share.

The following five ports are included in the privatization portfolio for 2010. The tenders for Bandırma, Derince, Izmir and Samsun have been completed and submitted to Council of State for its final decision. The tender for Iskenderun has been revoked by the High Council of Privatization and another tender should take place.

Figure 22 - Ports Subject to Privatization in 2010

Ports Subject to Privatization				
Port	Privatization Method	Status	Bidder	Sale (US\$ million)
Bandırma	TOR	The tender started by the announcements as from February 20, 2008 concerning privatization of Bandırma Port, and the mentioned tender process completed on May 16, 2008 with the decisive bargaining negotiations which were open to the public. A decision dated September 19, 2008 numbered 2008/59 has been obtained from Privatization High Council regarding privatization of Bandırma Port. The Privilege Agreement has been submitted to the Council of State after initials have been put on each page.	Çelebi Joint Venture Group	175.5
Derince	TOR	The tender started by the announcements as from June 21, 2007 concerning privatization of Derince Port, and the mentioned tender process is completed on September 12, 2007 with the decisive bargaining negotiations which were open to the public. A decision dated November 22, 2007 numbered 2007/64 has been obtained from Privatization High Council regarding privatization of Derince Port. The Privilege Agreement has been submitted to the Council of State after initials have been put on each page.	Türkerler Joint Venture Group	195.3
İskenderun	TOR	The tender started by the announcements as from July 11, 2005 concerning privatization of İskenderun Port, and the mentioned tender process is completed on September 9, 2005 with the decisive bargaining negotiations which were open to the public. However, the mentioned tender is revoked by the decision of the High Council of Privatization numbered 2007/09 and dated February 6, 2007. Another tender is planned regarding the mentioned port.		
İzmir	TOR	The tender started by the announcements as from 04.01.2006 concerning privatization of İzmir Port, and the mentioned tender process is completed on 03.05.2007 with the decisive bargaining negotiations which were open to the public. A decision dated July 03, 2007 numbered 2007/47 has been obtained from Privatization High Council regarding privatization of İzmir Port. The Privilege Agreement has been submitted to the Council of State after initials have been put on each page.	Global-Hutchison-Ege İhracatçı Birlikleri Liman Hizmetleri ve Taşımacılık A.Ş. Joint Venture Group	1,275.0
Samsun	TOR	The tender started by the announcements as from February 20, 2008 concerning privatization of Samsun Port, and the mentioned tender process is completed on May 16, 2008 with the decisive bargaining negotiations which were open to the public. A decision dated September 19, 2008 numbered 2008/59 has been obtained from Privatization High Council regarding privatization of Samsun Port. The Privilege Agreement has been submitted to the Council of State after initials have been put on each page.	Ceynak Lojistik ve Ticaret A.Ş.	125.2

Source: Privatization Administration



2.7 Sector Establishments and Institutions

Sector Establishments and Institutions			
Name	Code	Description	Website
International Freight Forwarders & Logistics Service Providers Association	UTIKAD	A non-governmental organization for combining all logistics companies and it has 350 members.	http://www.utikad.org.tr
Logistics Association	LODER	An occupational organization mainly focuses on conferences, education and informing logistics companies and it has 2,505 members.	http://www.loder.org.tr
Ro-Ro Vessel Operators and Combined Transporters Association	RODER	An association which gives services to international highway transportation companies and Ro-Ro ship transportation companies and it has 718 members.	http://www.roder.org.tr
International Transporters' Association (UND)	UND	Occupational organization has been established to solve and present sector problems in national and international platform and it has 940 members.	http://www.und.org.tr
Railroad Transport Association	DTD	The association aims to develop railway transportation service and increase quality and it has 26 members.	http://www.dtd.org.tr
International Highway Freight Transporters and Agency Owners Association	UKAT	Organization aims to simplify procedures, decrease harmful competition, solve custody problems, and speed up operations and has 2,000 members.	http://www.ukat.org.tr
Carrier Association of Turkey	TND	Association aims to combine all sector enterprises into the big organization and constitute a national and an international social sector power and has 150 members	http://www.tnd.org.tr
Vehicle Logistics Association	ARLOD	The organization gives service to educate loading and driving automobile transporters and its 22 members serve automotive sector for transportation of finished automobiles.	http://www.arlod.org



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**ABBREVIATIONS**

3PL	Third Party Logistics
CAGR	Compound Annual Growth Rate
BRIC	Brazil, Russia, India and China
BSEC	Black Sea Economic Cooperation
EU	European Union
EUR	Euro
FMCG	Fast Moving Consumer Goods
GDP	Gross Domestic Product
GNI	Gross National Income
IDO	Istanbul Sea Buses and Fast Ferries Inc.
ISPAT	Republic of Turkey Prime Ministry Investment Support and Promotion Agency
KGM	Directorate of Highways
LPI	Logistics Performance Index
TCDD	General Directorate of Turkish State Railways
TOR	Transfer-of-Operating-Rights
TUIK	Turkish Statistical Institute
UAE	United Arab Emirates
UK	United Kingdom
USA	United States
US\$	US Dollars
UTIKAD	International Freight Forwarders & Logistics Service Providers Association

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