



The Canadian Trade Commissioner Service

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PPP will be the model for financing Turkish infrastructure projects and its use will be expanded to other sectors in line with the Government's privatization policy. - Turkish Finance Minister, August, 2013.

Given the relatively young history of PPP in Turkey, it has proven an impressive success for the Turkish infrastructure investments. The PPP model has been implemented in Turkey as a financing formula in many projects over the last ten years and the results have been encouraging. Finance Minister Mehmet Simsek recently stated that the Government will continue encouraging private investment in public infrastructure and PPP will be the model adopted for the financing of these projects. He further emphasized that the use of PPP will not remain limited to traditional infrastructure projects only, but will also be applied for other sectors including touristic facilities such as marinas, cruise liner ports and hotel complexes.

Indeed, among the private investment projects materialized over the last decade, the largest ones were those which were realized through PPP financing and this trend will continue at a faster pace as the PPP practice is further established on strengthened legislative and institutional basis.

Turkey currently allocates 1 % of its GDP to infrastructure development and the country's ambitious infrastructure development plans for the next 10 years, valued at approximately \$400 billion, require innovative engineering as well as financing solutions.

The current infrastructure project portfolio of the Turkish Government includes 21 new projects with an estimated value of \$ 138 billion. These projects will be offered to investors through competitive bidding within a year or two. These large scale infrastructure development projects create not only investment opportunities, but also a vibrant market for specialized services, products and equipment. As these projects gain momentum, they will certainly offer increased business opportunities for the suppliers of specialized technologies, engineering and management services.

The most visible impact of the infrastructure development projects has been on the Turkish banking sector. The massive financing requirement for these projects also encouraged international financiers to seek presence in Turkey in terms acquisitions or in shareholding capacity.

According to a comment by Mr. Huseyin Gurer, the CEO of Deloitte Turkey, large infrastructure projects keep foreign investors' interest in Turkey and availability of efficient financing institutions is the key criteria for investment. Acquisition of Turkish Denizbank by Russian Sberbank for \$ 3.6 billion and a 25 % acquisition of Garanti Bank, one of Turkey's top lenders, for \$ 5.8 billion, may be sited among examples. Other banks from Kuwait, Lebanon, Qatar and Saudi Arabia are also actively seeking acquisition opportunities in Turkey.

Anecdotal evidence suggests that traditional services of financing and investment in Europe may be drying up, opening avenues for alternative sources of financing including Canada.

As reported in the previous issues of our bulletin, Turkish PPP projects cover a wide sectoral spectrum wherever private investment is applicable and profitable.

The trend is to apply PPP in projects involving large investments, sophisticated technologies and management expertise, which are often available through private enterprise.

Major Projects :

Filyos Coal-Fired Power Plant :

The project, which will have a capacity of 1,600 MW, is located on the Black Sea coast. In order to reduce potential environmental risks due to using coal as fuel, advanced combustion technologies, including “supercritical boiler technology” will be required. The plant will be required to be completed within 5.5 years and will have an economic life of 49 years. The project is available for applications by investors and applications can be made to the Energy Market Regulatory Board.

North Aegean Candarli Bulk Terminal Port :

Designed to be one of the world’s 10 largest container ports, Candarli will have a 120 million ton/annum capacity and will cost approximately \$1.33 billion. When completed, the port will reach a capacity to accommodate 1,100 ships each larger than 200,000 gross tons. Contract for the first stage of the project, expected to be completed by the end of 2013, has been awarded to a Turkish consortium consisting of Limak and Kolin. Contracts for the additional stages will be available in 2014.

Marina Projects :

Turkey currently has 43 marinas and boat yards with 17,500 total mooring capacity. The Government plans to increase this capacity to 20,000 and 30,000 by the years 2015 and 2023 respectively. The Ministry of Transportation has initiated studies for new marina facilities in three locations in Izmir on the Aegean coast, namely Cesmealti, Karsiyaka and Inciralti, with 450 yacht capacity each. Total value of investment in these projects is estimated to be \$ 130 million. Tendering on BOT model, used as a variant of PPP in Turkey, and construction works are planned to be started in 2014.

Hospital Campuses :

The Ministry of Health has included several new projects in its investment plans :

Sanliurfa : This project, which will have 1,700 bed capacity, will cost \$ 500 m. The operation period is estimated to be 25 years. Tender will be announced in 2014.

Denizli : This is the second project in the program which will have a bed capacity of 1,000 and cost \$ 250 m will be tendered in 2014.

Osmangazi : This project, located in Bursa province, is planned to have 400 bed capacity and cost \$ 150m. The construction works are planned to start after completion of tendering process in 2014.

Izmir, Yenisehir : This 1,200 bed \$ 300 m hospital will be realized through private investment with a 25 year concession to operate.

Tekirdag : A 480 bed, \$120 m hospital is expected to be tendered in 2014.

Aydin State Hospital : Proposal for this 600 bed \$ 200 m project has been submitted to Higher Planning Council for approval for inclusion in investment plans.

Railway & Urban Transit Projects :

Edirne-Kars Railway : This 2.000 km, \$ 13 b. project will be realized in three segments. The Turkish Government is holding talks with various countries for possible cooperation, but no definite schedule has been announced.

Aliaga-Bergama : The project involves the construction of a 50 km double line railway between Aliaga and Bergama, Izmir. Estimated cost for the project is \$ 300 m. The design and feasibility studies have been completed and will be tendered after cabinet approval, expected in 2014.

Diyarbakir-Sanliurfa : This is a 120 km rail connection between the provinces of Diyarbakir and Sanliurfa. The preliminary studies for this \$400 m project have been submitted to the Ministry of Environment and Urban Planning.

Yenisehir-Bilecik : This 35 km line will be the second stage of Bursa-Osmaneli Railway for which construction and tunneling works are underway.

Izmir Tramcar Project : The project will have two sections totaling approx. 50 kilometers and 46 stations, with an estimated cost of \$ 400m. The project awaits cabinet approval after which engineering design work will commence.

Procurement of Railcars : Turkish Railway Authority has applied to The Ministry of Development for an approval for the purchase of 106 high speed railcars. The project is foreseen to cost \$1.3b. and planned to be completed in a five-year program.

TANAP - Trans Anatolia Gas Pipeline :

As an alternative to Nabucco Project, TANAP will transport natural gas from the Caspian Shah Deniz fields to Europe. While the project is in the conception stage, the 1,890 km pipeline will have an approximate investment cost of \$ 13 b. Currently, feasibility studies are underway and the project will be tendered in 2015 after completion of detailed engineering design works.

Afsin Elbistan Coal Basin Project : This is an integrated power generation project involving the development of a major coal bed and construction of a 8,000 MW power plant. The Turkish Ministry of Energy is currently holding talks with international developers for this \$12 b project. Applications for expressions of interest for the complete package or components of the project are welcome.

Airport Projects :

With the tendering of the 3rd Istanbul Airport complete, Government of Turkey is focusing on smaller scale projects. State Airports Authority is conducting studies regarding the privatization of various existing airports through Transfer of Operating Rights. These airports include Bodrum, Dalaman, Cappadocia and Samsun airports. Construction of a new \$100m airport in Giresun is also under consideration. Announcements will be made after the studies are completed.

The Consulate of Canada in Istanbul and the Embassy in Ankara will be organizing a PPP Infrastructure Conference in January 2014. The two-day conference will take place in Istanbul and Ankara to bring together Canadian companies and investors interested in the Turkish PPP projects with the project developers and contractors active in the Turkish infrastructure development sector. We encourage Canadian companies to attend this event and invite them to contact the Consulate of Canada in Istanbul further details and formal invitation:

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