

**T.C.
MARMARA ÜNİVERSİTESİ
AVRUPA TOPLULUĞU ENSTİTÜSÜ
AVRUPA BİRLİĞİ EKONOMİSİ ANABİLİM DALI**

**MARITIME TRANSPORTATION IN
TURKEY & EUROPEAN UNION
WITH SPECIAL REFERENCE TO PRIVATIZATION OF PORTS**

Yüksek Lisans Tezi

Merve ÜNALMIŞ

İstanbul, 2005

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Tez Danışmanı: Prof. Dr. Osman KÜÇÜKAHMETOĞLU

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ABSTRACT

In this study, it is realised that, by the geographical location linking the continents and being the key point on the line of world's land and sea transportation traffic, Turkey should be a part of this logistic chain by using its ports and water sources more effectively. Therefore, the steps that should be taken on this way are underlined.

In this context, Turkey's and European Union's maritime transportation policies are examined and suggestions are made for the integration of these policies. In addition to this, port management matter, which, is the main subject of maritime transportation has been chosen and examined in detail. The port privatisation models of the European Union, has been examined, the suitable models for Turkey, has taken into consideration for research made for private sector's participation to the Turkish state ports.

Nowadays, the privatisation of ports in Turkey has been on the agenda, the impediments are being eliminated so the models of privatisation of ports in Turkey is analysed and in consequence, the increasing performance of privatised ports has been proved. It is highlighted that, further port privatisations will be beneficial for Turkey from the economic aspect.

ÖZET

Bu tez çalışmasında; kıtaları birbirine bağlayan coğrafi konumuyla, dünya taşımacılık güzergahının kilit noktasında bulunan Türkiye'nin, topraklarından geçen taşımacılık trafiğine, deniz yollarını ve limanlarını daha etkin kullanarak dahil olması gereği ortaya konmuş ve bu konuda atılması gereken adımların altı çizilmiştir.

Bu bağlamda, Türkiye'nin ve Avrupa Birliği'nin deniz taşımacılık politikaları incelenmiş ve bu politikaların uyumlaştırılması için önerilerde bulunulmuştur. Buna ek olarak, deniz taşımacılığının en önemli ayağı olan liman işletmeciliği konusu seçilerek ayrıntılı bir şekilde ele alınmıştır. Dünyadaki ve Avrupa Birliği'ndeki liman işletmeciliği, ve özelleştirme modelleri incelenmiş, Türkiye'deki önemli liman işletmelerine, uygun modeller seçilerek özel sektörün katılım yolları araştırılmıştır.

Türkiye Cumhuriyeti Devlet Demiryolları'na ait limanların işletmelerine özel sektörün katılımının önünün açıldığı ve bu konunun yoğun olarak gündeme geldiği ortamda, Türkiye'de daha önce yapılan liman özelleştirmeleri analiz edilerek, özelleştirilmeyle birlikte performanslarının arttığı tespit edilmiş, bundan sonra yapılması gereken liman özelleştirmelerine ve bunun ülke ekonomisine sağlayacağı faydalara ışık tutulmaya çalışılmıştır.

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ABBREVIATIONS

ABP:Associated British Ports
BOT: Build Operate Transfer
CLM: Council of Logistics Management
CTP: Common Transport Policy
DWT: Deadweight ton
EC:European Community
ECS:European Shipper's Councils
EEA:European Economic Area
ESCA:European Community Shipowner's Association
EU:European Union
GNP:Gross National Product
GRT:Gross Tonnage
IAPH: International Association of Ports and Harbors
ILO:International Labor Organization
IMO:International Maritime Organization
ISL:Institute of Shipping and Logistics
ISPS:International Ship and Port Security Code
ISM:International Safety Management Code
ITO:İstanbul Ticaret Odası
LNG:Liquid Naturel Gas
LODER:Logistics Association of Turkey
LPG:Liquid Petroleum Gas

MEBO: Management and Employee Buyout

NAFTA:North American Free Trade Agreement

OECD:Organisation for Economic Co-operation and Development

PPA: Piraeus Port Authority

RO-RO:Roll-on Roll-off

TCDD: Türkiye Cumhuriyeti Devlet Demir Yolları

TEN-T:Trans-European Networks

TEU:Tewenty Feet Equivalent

TINA:Transport Infrastructure Needs Assesment

TMO:Turkish Maritime Organization

UNCTAD:United Nations Conference on Trade and Development

VLCC:Very Large Crude Carriers

VTs:Vessel Traffic Management or Surveillance

WBP: World Bank Publications

WTO:World Trade Organization

I. INTRODUCTION

From the ancient times, the maritime transportation has been used by human. Some of the countries are lucky to have seashores. It is a striking reality that these countries are more civilised and have better economies than the others. Even the maritime transportation is the only source of income in the economy of some countries. The place of seaway usage in whole transportation sector is huge Turkey is one of the luckiest countries. Recently maritime transportation in Turkey is recording an increase on the efficiency of the ports, related with realizing the operation of the ports by autonomous private sector instead of public management. The application of the privatisation of ports all over the world and the advantages of these privatisations to Turkey are mentioned. Maritime policies of the European Union countries are compared with the policies followed in Turkey.

The transportation sector plays a key role in European Union. European Union produces continuously with the aim of catching their economic goals and transfers billion of Euros to the big scaled transportation projects like Short-Sea Shipping and Trans-European networks with the aim of transferring these products to the final consumers in the present conditions. This clearly shows the importance given to this sector by the European Union. Transportation sector has important duties to realize the integration of the new member countries to the Union.

Transportation sector has a big volume among the whole sectors. Nowadays with the abolition of the commercial boundaries, if we consider that the commercial relations are established on internet and the people buy the goods on internet, the need of the replacement of the goods rapidly is increasing day by day. Quality, speed and security

are at the centre of the transportation policy of all the developed countries. And the quality, speed and security factors determine who will get the profit in transportation sector.

The advantages of the maritime transport is assuring the quality, speed and security together, having low costs according to the other transportation modes and giving low damages to the environment according to the others.

Maritime trade plays an important role in the development processes of the economies of countries and this role will further increase in future, particularly as a result of the current EU policies aimed at shifting a substantial amount of transport volume from roads to the sea. Especially by producing projects necessary, there is no reason not to take advantages of Turkey's enormous potential.

It is vital to emphasize and draw the attention to the dimensions of the costs charged by the insufficient usage of seaways, granted for Turkey by her geopolitical location and the misevaluation of Turkey's enormous potential by the authorities.

It can be gathered from current articles of the expertises of this sector, it has been understood that the necessary suggestions had made by these people. However, the maritime sector could be a great opportunity for Turkey by creating employment and assuring an enormous exchange to the country, the authorities could not give an answer to the demands of sector because of some economic and political reasons. Unfortunately, the careless attitude has shown on this issue caused a huge loss for Turkey bigger than the estimated.

In the second chapter of my thesis; maritime transportation with main features, the change of the different transportation modes increasingly, containerization, the development of the world maritime trade volume, the markets of maritime transportation, sub-divisions of the international institutions on maritime transportation and information about the studies of these sub-divisions, are considered.

In the third chapter; the main features of the common transportation policy of the European Union, maritime transportation policy, the arrangements which constitute the basis of the EU maritime transportation, evaluation of the Paris Memorandum which constitutes the basis of the EU maritime transportation, evaluation of the data of eurostat about maritime transportation, European Union fleet and the comparisons with other fleets and cabotage, security and environment factors which constitute the international structure of the maritime transport are considered in detail in separate topics. Besides, the issues like the maritime policy revised with the help of the new member countries in European Union, Trans-European Network Project which assures the integration of the sea and land transportation and the Marco Polo Project developed according to the same aims and short sea shipping issue which is one of the steps of the European Union maritime policy are handled in details.

The fourth chapter contains the situation of maritime transport in Turkey, the development process of Turkish maritime trade fleet, the situation of Turkey in maritime sector among the other countries, the differentiation of Turkey's maritime transportations according to the flags which are Turkish or foreign flags, the EU countries and the other countries to which Turkey, are mostly engaged in business, the criteria which we should obey for the harmonization with EU and suggestions to the problems under the framework of the Eighth Five Year Development plan.

In the fifth chapter; the importance of the ports in maritime trade, the aims and the advantages of the port privatization are examined. And the accession ways of the private sector, like build-operate-transfer and concession acts, to the port operations are handled after evaluating the solutions like modernization, which is suggested for the ports, which could not be privatized completely.

Therefore the effectiveness of the public private partnership model, various forms of concession type agreement which is becoming a widely used method in port privatisation are suggested and the terms of privatisation, overstaffing situations and what is to be done to eliminate this challenge, detailed mentioned. On this issue, as an

outstanding model the UK has achieved to get support from its labour who became defender of privatisation afterwards by making them stake-holders.

In the sixth and the last chapter; the operating methods, which are applied on the port of the European Union, the situation of the ports in Turkey are evaluated in general features, the recorded activity, productivity and the performance of the ports of the Turkish Maritime Organization before and after the privatization are analyzed on tables.

Since the privatisation activities in Turkey are quite recent ideas are supported by the articles rather than books written on this subject. It has been reached the analysis of the performances of the ports of Turkish Maritime Organization from the Departments of Ports of the General Directorate of Turkish Maritime Organization Inc. This section is the most important part of my thesis. The documents were taken from the folder of the ports, which are prepared for Turkish Maritime Organization's own studies.

In the privatization planning process of the ports, a detailed study is necessary. It is essential to be careful both in processes of projecting and application. It is vital that the bidding procedures should be transparent and everybody should be informed about this issue.

It should not be forgotten that the ports are the values of Turkey. The most important factor which should be taken into consideration during the bids is that the organization should give the rights of the bid to the person and institutions who know this sector and maritime well not to the person who give the highest price. Some problems derived from the issues like this, is seen in the privatization process of the ports of the Turkish Maritime Organisation. Because of this reason, the same mistakes repeated in privatization during the new ones, can cause a disaster for the country.

A greater importance is given to the privatization of the ports of the Turkish State Railways increasingly. The Port of Mersin has already been privatized recently. It is clearly seen that, this is necessary for our country. With its clumsy structure, old equipments and having a surplus employment in its own and being surrounded with

bureaucracy the ports of the Turkish State Railways is not meeting the international needs and is falling on the last lines in the competition among the world ports. If it is considered that the ports of the Turkish State Railways has a big share in handling capacity of our country, the best solution for this issue will be realizing the transfer of these ports to the private sector as soon as possible with the suitable policies.

In this context, if the operation rights of the ports like Haydarpaşa, Izmir, Samsun which has an advantageous situation geopolitically and is the host of the trade ways and having surrounded from three side by seas, will transfer to the private sector, the trade volume of Turkey will rise, automatically the unemployment problem will decrease and it is undeniable that results, of this acceleration will contribute to Turkish economy positively.

II. THE PLACE OF MARITIME TRANSPORTATION IN WORLD TRADE

In last 25-30 years, the world is coming into a rapid transformation and development process. In one hand, while the methods called flexible production systems are being developed; on the other hand, technology is moving ahead with an incredible speed and various kinds of products are take place in the market. These new coming products are causing new market searches, commodity and finance markets are forcing their limits and they are passing country limitations.

In this environment, in which trade and market movements are coming major, transportation services take an active part together with communication. Carrying the commodity from production place to the markets within the shortest time, without damage, in the cheapest way and in security become one of the important parts of the competitive power.

Economy, management of meeting the endless needs with limited sources, is the reason of all events in the world. Transportation is taking the most important role in maintaining the supply and demand balance in economy management. After Cold War era, in an environment in which USA is leading, liberalization of world trade was adopted as the main goal. With the help of developing technology, e-trade concept is arising. Hereafter, consumers can buy the desired products from Internet. So, they

would like to get these products as quick as their ordering process. And again this shows the importance of transportation sector clearly.

Consumers are paying attention to two important factors while buying a good is price and quality. Quality, one of the important determinant factors in commodity traffic in all over the world, is coming on the desired level. Price, the other important factor in determining the consumer attitudes, is coming more important. In last researches, the share of transportation is being estimated as 10 % while adjusting the selling price of a good.¹ Transportation was formed only by the transportation companies at the beginning, but now this sector is ready to leave its place to another sector which display activity on creating a supply chain defined as logistics.

According to the definition adopted by Council of Logistics Management (CLM), logistics is the process of planning, implementing, and controlling the efficient, effective flow and storage of goods, services, and related information from point of origin to point of consumption for the purpose of conforming to customer requirements.

While the companies are using a logistic service, this has positive reflections on their activity and competition powers. Companies realize cost reductions by outsourcing and increase their liquidity levels by giving flexibility on stock shortages. Outsourcing reduces the process of attaining to the market and the companies can attain to the market more rapid than their rivals.

¹ Taner Horoz , “The Logistics Industry is in an Evolution Process” , **Turkish Shipping World**, September, 2003 pg:17

The companies can concentrate in their own subjects after transferring their logistics activities.

According to the Loder (Logistics Association of Turkey) definition, outsourcing: consecutive transferring of some of the basic logistics activities (minimum 3 different activities like storage, carriage and inventory management) to the specialized companies. Scientific researches indicate that operating profit of the company is increasing 5% with decreasing supply costs 1%.

In developed countries, companies are specialized in their own subjects and outsourcing activities are becoming widespread. We will handle the subject, which is about Turkey's undesired position despite its location and human resources.

2.1. Advantages of Maritime Transportation Against Other Types of Transportation

With the advancements on foreign trade, distance for transport of merchandise is increased and transportation ways are diversified. As we all know that transportation ways are transportation by air, railway carriage, land transport, sea transport and inland transport.

Land transport is preferred because of its without transshipment feature. However, when the distance is lengthened, land transport becomes more expensive.

Railway carriage is an economic and a secure transportation way in long distances.

But railway carriage needs more time than the others. Railway carriage needs huge infrastructural investments; so, in most of the countries railway companies are managed by public sector.

Because of its expensive costs, **air transportation** is preferred especially for the carriage of small sized and expensive goods, which need expedite shipment.

However **sea transportation** needs less infrastructural investment than railway carriage, sea transportation needs a huge capital. Sea transportation is 14 times cheaper than air transport, 7 times cheaper than land transport and 3,5 times cheaper than railway carriage.² The most distinctive feature of sea transport is that it can be transferred the big sized carriages to the distant markets in the cheapest way by the sea carriage vehicles.

World carriage services have similar features as the motion of world trade. Because of the world trade awoken after the Asian crisis; world carriage services reach 330 billion dollar by increasing 6%. Carriage services have an important portion (23%) in world service exportation. 90% of the world trade is carried by sea transport. In 2003, implemented sea transport volume reached 5840 million ton by increasing 4, 4 %. This growth rate was 1, 1 % in 2002.³ Bulk freights have an important role in sea transport.

² Alan E Branch, **Economics of Shipping Practice and Management**, Champman and Hall, London, 1998 pg: 19

³ Chamber of Shipping, **Maritime Sector Report 2003**, Istanbul, 2004, pg:27

For carrying the load of an ordinary bulk fleet carrying 150 000 ton iron ore, it needs 4000 articulated lorry.⁴

The researched conducted about carriage costs shows that sea transportation is the most economic carriageway. When the carriage system is adopted as transportation by air, railway carriage, land transport and when the carriage costs are examined in the basis of the carriage of one toned load for one km distance (ton x km), we see that the **two** units of carrying cost of sea transport system is equal to **five** units in railway carriage system, **eight** units in land transport system and **twenty five** units in air transportation system.⁵

The low costs and high performance of sea transportation effects the import and export costs positively in the same way. Prices can be decreased in the same ratio in exportation, and so competitive capacity is increasing. But in import, the currency paid for freights is lower than in export, because of this reason commodity prices are decreased and this create a negative effect on inflation in county economy.

None of the transportation system is ideal and every transportation system has some advantages and disadvantages. Because of its high carriage capacity and low energy consumption maritime transport stand in the forefront. Therefore, it has a great importance when compared with the other transportation systems. Except sea transport, another carriage system is not rational for some certain loads. Although a market which

⁴ Cavit Ozdem: "Ulaştırma Sistemimiz ve Dis Ticaretimiz", **Dunyada ve Turkiye'de Ekonomik Gelismeler**, T.C. Basbakanlik Dis Ticaret Mustesarligi, Ekim,2002, sayı 12, pg:48

⁵ Muzaffer Akkaya, : "Turk Denizciliginin Ithalat ve Ihracata Etkisi", **Turk Denizciliginin Sorunlari Semineri Raporlari**, Istanbul, 1997, Teblig No:10, pg:2

can be reached by roads geographically exist especially for bulk freights (coal, cereals, iron ore, oil, cement, fertilizer, phosphate), it is natural to prefer maritime transportation economically.

In transportation implemented on seaways, ships can carry 99 % of world trade volume and 80 % of world trade value.⁶

2.2. International Trade and Development of Maritime Transportation

The history and development of sea transport continued after Second World War with the help of the rapid economic growth that affects all countries. This rapid growth and radical changes stimulate technological explosion and a great increase in development rate, so these factors cause rapid development and extension of transportation and communication networks all over the world. Besides the global markets, some blocks are becoming like NAFTA (North American Free Trade Agreement) and EU, which are decreasing the limits in regional trade. On the other hand, all countries prefer simpleness and privatization in their national regulations, and this creates important market opportunities.

When the macro-global environment of maritime sector is taken into consideration, it is obviously seen that the maritime transportation sector has a big portion according to the developments of international trade volume. Because maritime sector display its

⁶ Alan E Branch, **Economics of Shipping Practice and Management**, Champman and Hall, London, 1998 pg:19

activities in an international arena in which the demand is coming from international trade.

The diversity of the commodities discussed in world trade volume, their features according to the weather situations and their solid or liquid forms constitute the structure of maritime trade fleet.

The terms like Deadweight ton (DWT), Gross ton (GRT) Twenty Feet Equivalent Unit (TEU) is used in defining maritime trade fleet. Understanding these terms will be useful.

Deadweight Ton: Total weight of cargo, stores, fuel and water needed to submerge a ship from her light draught to her maximum permitted draught; it is given by the difference between the load displacement and light displacement also known as lightweight). DWT in short.⁷

Twenty Foot Equivalent Unit (containers): A measurement of cargo-carrying capacity on a containership, referring to a common container size of 20 ft in length. TEU in short.

Gross Ton: Applies to vessels, not to cargo, $(0,2+0,002 \log 10V)$ where V is the volume in cubic meters of all enclosed spaces on the vessel. GRT in short.⁸

⁷ MI Link Maritime Dictionary, Accessed on June 12, 2004, <http://www.m-ilink.com/dictionary>

⁸ Transportation Institute Maritime Glossary, Accessed on June 12, 2004, <http://www.trans-inst.org/seawords>

2.3. Types of Maritime Transportation

Sea transport is divided into two classes whether it is load or passenger centered. To our concern, two ways of maritime transportation are:

- Cabotage Transportation
- International Transportation

2.3.1. Cabotage Transportation

Cabotage is the trade or transport of cargo in coastal waters between two points within a country. In other words, Cabotage is the reservation to a country of traffic within its territory.

Cabotage is being on exclusive possession of the maritime trade among the ports of a country to the ships carrying its own flag and its citizens. The right of cabotage is forbidden for foreigners. This ban is usually supported with sanctions. It is like flag discrimination, according to the maritime transport.⁹

2.3.2. International Transportation

International carriages; contains the other countries loads in transit charged and discharged on the harbors of this country, besides the charged and discharged loads.¹⁰

⁹ M. Cihat Lokmanoglu, “Ülkemizde Kabotaj Süreci ve AB İlişkileri” **Dünya Gazetesi, Perşembe Rotasi**, sayı:7332, 2004, pg:4

¹⁰ Chamber of Shipping, **Maritime Sector Report 2002**, İstanbul, 2003, pg:59

2.4. Ways of Maritime Transportation

Nowadays, maritime transport has two ways. These are: Tramp (disorder) sea transport and Liner (order) sea transport. Whether cabotage or international transport are divided into two groups according to the continuity and regularity of the service.

2.4.1. Tramp Transportation

Tramp transport is a kind of transport serves to ports that have load and unlike liner transport, tramp transport aimed full loading. Freights are progressing in a wavy way because of the intensive competition.

In tramp transport freight costs are cheaper than the costs in liner transport. So, the goods with low economical value are chosen in tramp transport. These are generally called bulk freights. For example; oil, phosphate, coal, iron are bulk freights.

Because of the intensive competition and variable freights in this transportation type, active freight specialization and service programming have a big importance in tramp transport.

Service programming which designates the economy in tramp transport is depending on these factors:¹¹

¹¹ Necmettin Akten, **Tasimacilik Kılavuzu**, Istanbul Ticaret Odasi Yayinlari, Istanbul, 1995, pg:18

- The number, serving frequency, types and sizes of the ships, which are in service in the transportation area.
- The volume, types and characteristics of the traffic on transportation line
- Weavings on the traffic
- Opportunities of creating connected lined service with the other transportation areas
- Climate conditions
- Situation and properties of the competition in transportation area
- Terminal and harbor services in the region
- Average sailing times in transportation area
- Politic attempts which have national characteristics seen on transportation area.(For example: flag protection, trade agreements, preferential and incentive measures)
- Sailing costs and average service incomes.

Service costs are very low because the hull of the tramp transport ships (except combine transport) is big and their handling equipments are cheap. In tramp transportation, according to the proceeding of goods and service operability, active communication, information (determination of freight costs), information network and a trustable shipbroker are needed.

2.4.2. Liner Transportation

The most important feature and basic characteristic of liner transport is serving according to a determinate schedule. Programming is the basis of liner transport. This kind of transport depends on the continuity of service. Costs are high in liner transport.

Handling expenses are in the first line of the costs of liner transport. These expenses are charging, discharging and insurance costs. Demurrage of the ships in the ports is very important in liner transport. Previously, because of the lack of containerization, handling processes on the ports were too long and sailing costs are too high. As an approximate value that 2/3 and as quantity 1/4 of the foreign trade volume is transferred according to a schedule. The reason is that the loads carried by liner transport system are more valuable and the service has more quality than other systems.¹²

After the combine transport, which is a need for world trade and containerization, was launched, liner transport passed tramp transport. In next years, if it is predicted that the containerized loads will be used more in international trade, the portion of the liner transport in world transport would rise. According to the vehicle council of loaders, assumes the market process and according to the loader the freight conferences and the ship owners assume it.

Dialog between the union of ship owners and freight conferences are the basis. Liner transport shows the characteristics of monopolist market. These can be listed as follows:¹³

- A) The loader company constitutes the market.
- B) Each of these companies is effective in freights according to the portion and the sizes of the market.

¹² Alan E. Branch, **Elements of Export Practice**, Champman and Hall, London, 1998 pg:186

¹³ Ignacy Chrzanowski, **An Introduction to Shipping Economics**, Fairplay Publications, London, 1985, pg:57

- C) Either the competition among the companies is eliminated or price agreements are taking the place of competition.
- D) The companies act together against the people who are trying to enter the market.

2.5. Carried Goods in World Maritime Trade

In world trade, carried goods are classified according to the type of the goods. These are:

- 1- Oil Carrying
- 2- Dry Load-Carrying
- 3- Carriage of Other Loads

2.5.1. Oil Carrying

Tankers are freight vessels designed to carry crude oil and oil products, chemical materials and liquid gas. As of 2003, world tanker fleet reached 290.0 mdwt.¹⁴

Tanker freight market is divided into two groups as black and white markets. Because of its physical appearance black market crude oil is used for oil products after white market refining process.¹⁵

Panamax: A vessel designed to be just small enough to transit the Panama Canal

VLCC: Very Large Crude Carriers. Tankers between 200.000-300.000 dwt.¹⁶

¹⁴ Chamber of Shipping, **Maritime Sector Report 2003**, Istanbul, 2004, pg: 15

¹⁵ Chamber of Shipping, **Maritime Sector Report 1996**, Istanbul, 1997, pg: 34

¹⁶ Transportation Institute Maritime Glossary, Accessed June 13 2004, <http://www.trans-inst.org/seawords>

Suezmax: A large tanker capable of transiting the Suez Canal fully loaded the maximum draught allowed in the canal is approximately 52 feet 6 inches salt water. This is equivalent to about 150.000 dwt.¹⁷

World sea route and the volume of crude oil carriage are in a continuous development period. The vessels need a special construction and maintenance, because the goods carried with chemical matter tankers are valuable. Because of this reason, costs and freight costs are raising. According to the Table 2.1, in 2003, implemented maritime transport delivery volume reached 5840 million ton by increasing 4,4 %. This growth rate was 1,1 % in 2002.¹⁸

Table 2.1
World Maritime Trade Volume (1995-2005)

	Crude Oil	Oil Products	Iron Ore	Coal	Cereals	Bauxite & Al.	Phosphate	Other Loads	TOTAL
1995	1415	381	402	423	196	50	30	1790	4687
1996	1466	404	391	435	193	51	31	1888	4859
1997	1519	410	430	460	203	54	32	1984	5092
1998	1535	402	417	473	196	53	31	1966	5073
1999	1550	415	411	482	220	53	30	2008	5169
2000	1608	419	454	523	230	53	28	2119	5434
2001	1592	425	452	565	234	51	29	2165	5513
2002	1588	414	484	570	245	54	30	2210	5595
2003	1650	435	540	610	240	55	30	2280	5840
2004	1690	448	575	635	250	56	31	2370	6055
2005	1725	464	605	655	260	57	31	2450	6247

Source: Chamber of Shipping, Maritime Sector Report 2003, 2004, pg:24

¹⁷ Glossarist, Accessed on June 24, 2004, <http://www.glossarist.com>

¹⁸ Chamber of Shipping, **Maritime Sector Report 2003**, Istanbul, 2004 pg:30

According to the Table 2.1 the volume of oil carriage reached 2085 million ton in 2003 with an increase of 4,1% after a decrease seen in 2002. Crude oil carriage reached 1650 million ton with an increase of 3,9%. On contrary, oil products carriage raised 5,2% by creating a powerful demand at the end of the 2002 and reached 435 million ton.

Tanker carriage is a transportation type, which is too hard and needs good care according to the characteristics of the carried freights. A slight negligence can cause a catastrophe. Tankers should have a specific crew for their dangerous stages. Besides, this carriage needs a sound co-operation with the brokers.

2.5.2. Dry Load Carrying

This is a kind of carriage by which the loads like mine ores, cereals, fertilizer, salt, and sugar are carried.¹⁹ According to the carriage amount, iron ore is the second important load in international maritime trade. Iron ore carriage, affected directly by the developments in world steel industry, shows a great increase. World cereal transportation is affected by climate conditions, population growth, economic growth and prosperity level, production and export policies and political conditions. And world cereal transport could not show a stable development because of the complex structure of the world cereal market. Today, 5% of the world cereal production is subject to maritime transport.

¹⁹ Ugur Kilinc, **Türk Deniz Ulaştırma Sektörü'nün Avrupa Birliği'ne Entegrasyonu**, T.C. Marmara Üniversitesi, Sosyal Bilimler Enstitüsü, Uluslararası İktisat Bilim Dalı, Yüksek Lisans Tezi, İstanbul, 1997 pg: 47

Iron and mine ores are used in coal and cereal carriage and 20000 and 35000 dwt vessels are called Handsize, 35000 and 50000 dwt vessels called Handymax, 50000-80000 dwt vessels called Panamax and the vessels bigger than 1000000 dwt are called Capesize.

Dry load carrying reached 2340 million ton with an increase of 5,5 % in 2003 after an increase of 3,6 % seen in 2002.

The reason of this development is that the coal becomes an alternative energy source as a result of the increase in oil prices and then coal consumption and coal carrying system started to known all over the world.

According to the Table 2.1 world coke coal carriage, which was totally 570 million tones in 2002, reached 610 million tones in 2003. Furthermore, world natural steel production raised 6,6 % and reached 962 million tones. Maritime transport of the iron ore reached 540 million tones from 484 million tones.

Trade of cereals is decreased to 240 million tones from 245 million tones. The reason of this decrease is the decline in carriage of wheat and uncultivated cereals from USA. This carriage decreased 4% and reached to 75 million tones in 2003.²⁰

²⁰ Chamber of Shipping, **Maritime Sector Report 2003**, Istanbul, 2004, pg: 30

2.5.3. Carriage of Other Loads

The loads studied under the title of the carriage of other loads are bulk freights, liquefied gases, chemicals, containers, Ro-Ro (roll-on roll-off) and other cargo freights and various freights. As an estimated value that the value of the carriage of these types of loads according to the Table 2.1 reached 2280 million tones with an increase of 3,2 % in 2003. In 2003, this freight group studied under this title constitutes 39 % of the total maritime transport. Small bulk commodities remained at the ratio of 14 %.

In contrary, the most developed kind of freight type is containerized cargo. The portion of container transportation in all transportations is 13 %.

With the help of the transports increased in high levels, in 2003 trade volume of LNG reached to 121 million tones from 111 million tones presumably. This volume shows an increase of 9%.²¹

In ro-ro transport, freights are directly charged to the wheeled vehicles on the supplier firms. Freights are coming to the ports with these vehicles and directly transferred to the vessels. Thus, charging and discharging duties are shortened, carrying duty is fastened and the possibility of being damaged is minimized.

²¹ Ibid, pg:35

Consequently, the freights of the carrier reached to its destination quickly with a small cost.

2.6. Unimodal Carriage System and Containerization

Formerly, the unimodal transport was dominant in world trade. Maritime transport is made from port to another ports. Hinterland transports are made by forwarders.

Transport concepts are turned to multimodal transport with unitization of the freights and especially with usage of containers in maritime transport in 60's.²²

Back port areas are joined to the port linked transport service, and this system turned to the system that the transport is made from door to door and from factories to shops.

Transportation systems, which can be integrated by seaways, are as follows;

- Roadway
- Airway
- Railway
- Inland transport

In combine transport, maritime transport system should be united with another transport system. Like maritime+highway, maritime+railway, maritime+ inland transport integration. Therefore, multiple carriages need coordination for a well-organized service.

²² Alan E. Branch, **Economics of Shipping Practice and Management**, Second Edition, Chapman and Hall, London/NY, 1988, pg:17

2.6.1. Containerization

Containerization is a method of distributing merchandise in a unitized form thereby permitting a multi-modal transports system to be evolved providing a possible combination of rail, road, canal and maritime transport. There are many advantages and disadvantages of containerization.²³

2.7. Maritime Transportation Market

The term “freight” means the cost of load and passenger carriage, thus the agreement on merchandise transport on the sea is called “freight agreement”.

Maritime trade is an international work that is not static, and it should be always speedy and active. In maritime trade, operating a vessel needs big expenses for the ship owners. According to the Turkish Commercial Code Act 946 the ship owner is a person who uses his ship in maritime trade.²⁴ Because of this reason, the main goal is finding the possible loads, which have the highest freights and the ship owners should take economic measures to decrease the cost prices and also they should arrange the amount of the freights according to the supply and demand ratios on the region. Freight forwarder should make an effort to minimize the carriage expenses, which play an important role in final prices of the goods.

²³ Alan E. Branch, **Elements of Shipping**, 4. Edition Chapman and Hall, London, 1977, pg:191-193

²⁴ Refik Akdoğan, **Deniz Ticareti**, Zihni Egitim Yayinlari, Istanbul, 1988 pg:173

“Charter market” is market, which shows a variety. More, it is developed according to the supply and demand factors. For instance, if the carried goods are small in amount and the number of the vessels is too much in a region, freights will be low. If the situation is completely opposite of this situation, that is if the carried goods are too much and the number of vessels is insufficient, freights will be on high levels.²⁵ By the way, the enterprises, which are operating vessels, need other stockbrokers to put the empty volumes of the vessels in use in an effective way.

For example brokers are especially important and they took an important place in maritime transport. Ship brokerage is mediation service work in ship marketing and brings together the ship and the load in maritime transport market. The duties of the brokers in carriage labor are:²⁶ Provide the most economic and secure carriage way for the freights, find the most suitable, secure and cheapest vessel for the freights, make a ship and load research, monitor the harbor conditions closely and protect the rights of the principal part in the best ways.

2.7.1. Mechanism of Freight Markets

“Baltic Freight Index” can give an idea to the brokers and freight forwarders in examining the progress of world freight markets. If “The Committee of Baltic Price Index ” found it appropriate, the freight index, which is founded according to the special

²⁵ Yilmaz Erdogan, “Deniz Tasimaciligi ve Turleri”, **Gozlem Dergisi**, 18 Ekim 1999, pg:45

²⁶ Refik Akdogan, **Deniz Ticareti**, Zihni Egitim Yayini, Istanbul, 1988, pg:110

data by the specialists of the most important broker companies, will publish in the body of BIMCO.

This index is followed by all of the maritime organizations with high sensitivity. And freight exchanges are formed in certain regions of the world according to these indexes.

2.7.2. Interactions of Maritime Transportation

We can explain the interactions of maritime transport as the situation that “as long as the economy, trade and relations growth, sea carriage capacity is growing and increased its stability; in contrary shrinkage of the sea carriage capacity and decreased it’s stability.” Sea carriage costs are affected positively or negatively according to the stability.

Interactions on maritime transport arise from the construction and reparation of the fleets and port services, and lie down to the inside of the economy.

Maritime transport affected positively from the developments of the economy, trade and economic relations in national and international scale; fill the vacant capacities in vessel construction industry, related industries and harbors; and when the capacities are achieving satisfaction it assures new investments to these areas. In both stages, it increases labor, commodity and service usage, production, income and the taxes in these areas and also in the areas that produce raw matter and products for these areas; and it assures the best acceleration of the settlement of investments, national income and

budget incomes to reach the best position in national scale. Of course the increase in production decreases the costs and the prices.

In an opposite situation, when maritime transport affected negatively from the crisis in international trade and relations, this situation shows these results; increase in the vacant capacities and costs in the areas mentioned above, decrease in products, service and labor, and decrease in investments, incomes and taxes.²⁷

If the maritime trade fleets show a bigger development more than in trade volume, it can cause similar results. The tendency of the third world countries to establish their own maritime trade fleets, enlargements in carriage capacities of maritime trade fleets seen in other countries, giving importance to the big tonnage tankers in oil carriage and decrease in world oil trade cause a big crisis for world maritime transport and maritime trade fleet in 1982.

In 1982, at the beginning of the crisis, world fleet has had 702 dwt carriage capacity, but at the end of the crisis in 1988 world fleet carriage capacity reached 637,1 dwt with a decrease of 5 %. This decrease and crisis is seen mostly in oil tankers. In this period, carriage capacity of the oil tankers reached at 127,8 GRT from 166,8 GRT with a decrease of 23,4 %. Actually, the danger alarm for oil tankers are started to ring between the years 1978 and 1979.²⁸ Crisis in bulk and dry commodity vessels show itself with a small retard in 1988. At the end of the same year, the carriage capacity of

²⁷ Hayri Sevimay, **Osmanlıdan Günümüze Denizcilik Sektörü, Politikalar Uygulamalar Sorunlar ve Çözümler**, İstanbul, 1992, pg:16

²⁸ Ibid, pg:17

bulk and dry commodity vessels decreased in 3,3%. The crisis of 1982-1988 affected the countries negatively in different ways.

After this crisis the maritime trade fleet reached 666,827,021 DWT carriage capacities in the middle of the year 1990, but another crisis is seen in the second half of the year 1990 with Gulf Crisis.

In 2002, maritime trade was in another difficult period because of the war and the world economy was experiencing a calmness conjuncture. The Iraq issue and the increase in oil prices seen related with this issue, the increases of the costs in maritime sector cause a difficult period for the world economy and world trade.

According to the Table 2.2 Bulk commodity and tanker fleet reached 605,6 million (mil) dwt with an increase of 3,1% in 2003. This value is equal to the double of the increase seen in 2002. 60% of the development is seen in tankers, and the rest is in bulk commodity vessels. It is seen that the tanker fleet reached 290,8 mil dwt with an increase of 3,9%, bulk commodity fleet reached 303,6 mil dwt with an increase of 2,7%, on the contrary combine transporters receded 12,1 mil dwt with a decrease of 3,9%.

In 2003, the carriage capacity realized with international seaways reached 5840 million tone with an increase of 4,4%.

This development was 1,5 % in 2002. Carriages in the basis of tone-mile reached 24,590 milliard tones with an increase of 5,5% from its value of 0,2% in 2002.²⁹

Table 2.2
World Fleet Development in 1993-2003 (mil dwt)

YEARS	TANKERS	BULK COMMODITIES	COMBINED TRANSPRTERS	OTHERS	TOTAL
1993	261,8	215,0	31,3	125,4	633,5
1994	266,9	219,0	28,7	130,6	645,2
1995	265,0	225,5	25,9	134,8	651,2
1996	263,2	242,2	20,7	140,9	667,0
1997	267,2	252,1	17,3	149,1	685,7
1998	268,7	263,3	16,9	155,3	704,2
1999	273,6	263,3	16,1	160,9	713,9
2000	281,2	267,4	15,2	166,7	730,5
2001	284,1	276,3	14,6	169,3	744,3
2002	283,5	288,5	13,8	174,7	760,5
2003	290,8	303,6	12,1	181,2	788,9

Source: Chamber of Shipping, Maritime Sector Report 2003, Istanbul, 2004, pg:26

²⁹ Chamber of Shipping, **Maritime Sector Report 2002**, Istanbul, 2003 pg:37

2.8. International Institutions and

Their Maritime Policies

As we mentioned before, maritime sector displays its activities in an international arena in which the demand is coming from international trade. Because of the feature of maritime trade, disputes, regulations and issues must be argued in an international area. There are many international organizations that are interested in maritime issues. Below we will examine some of these international institutions.

2.8.1. International Maritime Organization (IMO)

IMO is an international organization and it is defined as follows;

*‘The International Maritime Organization is the United Nation’s specialized agency responsible for improving maritime safety and preventing pollution from ships’.*³⁰

Inter-Governmental Maritime Consultative Agreement started its official studies on 6th January 1957. The name of the organization was changed as International Maritime Organization in accordance with the amendments, which entered into force on 22nd May 1982.

The purposes of the Organization, as summarized by Article 1(a) of the Convention, are “to provide machinery for cooperation among Governments in the field of governmental regulation and practices relating to technical matters of all kinds affecting shipping

³⁰ International Maritime Organization (IMO) Accessed on September 24, 2004, <http://www.imo.org/home.asp>

engaged in international trade; to encourage and facilitate the general adoption of the highest standards in matters concerning maritime safety, efficiency of navigation and prevention and control of marine pollution from ships”. The Organization is also empowered to deal with administrative and legal matters related to these purposes.

Its highest governing body is the Assembly, which contains all member states. Council which is the execution organ of the organization is consist of 40 member countries elected after the regular sessions for two years by the Assembly. The Council is responsible for the supervision and administration of the studies of IMO. The Secretariat consists of approximately 300 personnel in charge on the Headquarter of the Organization on the capital city of the Great Britain, London.

In the body of IMO, these following Codes are entered into force in 2002. These are:³¹

- **International Ship and Port Facility Security Code (ISPS)**

On the Diplomatic Conference held on 9-13th September 2003, IMO has adopted the entrance of an International Security Code for ports and ships to SOLAS as the 11th section. This International Security Code is adopted against the possible attacks and security measures, which are possible after the 11th September attacks. The last format is declined on December 2002 and then adopted on July 2002. This Code is established for ensuring the needed prevention for terrorist attacks and taking the needed security measures on ships and ports.

³¹ Chamber of Shipping, **Maritime Sector Report 2002**, Istanbul, 2003, pg:8

New Code brings some responsibilities for the ships, harbors and ship companies. The most attractive applications about the Code can be listed as; forming some Plans for Ship and Ports Safeties and assuring their adoption on related security institution after making a safety evaluation on ships and ports, assuring the appointment of a security personnel for these ships and ports and giving the responsibility of the application of the security plans, at the same time ensuring co-operation conditions among ships and ports, determining the security levels 1 to 3 related to the risks and security measures and taking needed security measures according to these security levels.

- **International Safety Management Code (ISM)**

ISM rules, which are added to the SOLAS (International Convention for the Safety of Life at Sea) as the Section IX, for including passenger ships and 500 grt oil tankers, chemical tankers, gas tankers and bulk freight ships are entered into force on 1st July 1998. And the same rule, for other freight ships up to 500 grt is entered into force on 1st July 2002.

ISM Rules comprise the needed procedures for safety managements of the ships and give some responsibilities to the enterprise for determining the responsibilities. The connection between the ships and the enterprise has a great importance in application of this mentioned Code. The company is responsible for getting a conformity certificate (DOC) of the ships and a Certificate of Management Security (SMS).

- As of January 2002, 1988 Solas Protocol and Marpol (International Convention for the Prevention of Pollution from Ships) amendments are entered into force.

- The date of entry into force of the STCW 95 Protocol (Standards of Training Certification and Watchkeeping) was declared as February 2002, but after realizing that the needed operations are not made on the ships, this protocol was entered into force with an extension of six months on the last date, August 2002.

2.8.2. United Nations Conference on Trade and Development (UNCTAD)

UNCTAD, an organ of the General Council of United Nations, worked as an international forum on which the needed measures for economical developments are discussed and formulated. The foundation of UNCTAD was decided by the decision numbered 917 on 3rd August 1962 on UN Economic and Social Committee's 34th session and it became an organ of the Council by the decision numbered 1995 on 30th December 1964.

The most important difference between this conference and other UN organizations and international economic organizations is that this conference eliminates the difficulties and obstacles on international trade between developed countries and under developing countries.

'UNCTAD functions as a forum for intergovernmental deliberations supported by the discussions with experts and exchanges of experience, aimed at consensus building. It undertakes research, policy analysis and data collection for the debates of government representatives and experts. The continuous organ of UNCTAD Conferences is the Council of Trade and Development. The Council assembles twice in a year and the members join the Council automatically. The Council has six main Committees. Maritime Transport Committee which has 103 members is one of these committees' ³²

³² UNCTAD, United Nations Conference on Trade and Development, Accessed on October 26, 2004, <http://www.unctad.org/Templates/Page.asp>

UNCTAD is the most dynamic organization in maritime sector and UNCTAD pay attention to this issue for the advantage of the developing countries. Since its establishment, the maritime activities are conducted by Maritime Committee and by the working group which is about International Maritime Trade subjects.

The decisions taken on UNCTAD Conferences have not binding characteristics, because of this reason their application possibilities are reduced significantly. The entry of an agreement into force which aims protecting the balance of interests between the people availing for the services and the producer of these services on 6th October 1983 is one of the successful issues and one of the successes of UNCTAD.³³

2.8.3. World Trade Organization (WTO)

World Trade Organization is the leading organization of trade in the world economy aiming of maximising economic efficiency and growth.

WTO official website states this by;

*'The WTO is the only global international organization dealing with the rules of trade between nations. The goal is to help producers of goods and services, exporters and importers conduct their businesses'*³⁴

In Doha Conference, at the end of the year 2001, member countries took a decision for the continuity of the negotiations about the maritime services. According to this plan, it

³³ Ridvan Karluk, **Uluslararası Ekonomik Kuruluşlar**, Tutunbank Yayinlari, Istanbul, 1996, pg:186

³⁴ World Trade Organization (WTO) Accessed on September 10,2004, <http://www.wto.org/english/>

was predicted that negotiations will be completed by 2006. The issues about the maritime sector are included to these negotiations.

EU, attended to the negotiations in the name of the member countries, focused on the issues of reaching the goods independently, freedom of choosing the service, and using the budget sources in all countries for infrastructure investments without discrimination. These issues are related to the maritime transport. EU member countries prefer the negotiations to include the maritime services as well. The idea of the cooperation of the international laws on the issues about the developments and liberalization seen in international maritime sector will be an effective solution for the potential disagreements.³⁵

2.8.4. Organization for Economic Co-operation and Development (OECD)

OECD plays a regulatory role in the world economy to increase the volume of trade between the largest economies in the world. This is stated as;

*‘The Organization for Economic Co-operation and Development is a unique forum where the governments of 30 market economies work together to address the economic, social, and environmental and governance challenges of the globalising world economy’*³⁶

OECD Maritime Commission is arriving at different evaluations about the measures taken for the security of the transportation chain, the risks of terrorism, economic results

³⁵ Chamber of Shipping, **Maritime Sector Report 2002**, Istanbul, 2003, pg:7

³⁶ OECD Organization for Economic Co-operation and Development, Accessed on September 15, 2004, <http://www.oecd.org/about/02237.en>

of the terrorism threat and the measures, which should be taken against these risks; and will act unanimously for common policy.

The report of the Secretary of OECD, published in most of the OECD countries on April 2002 is the second important study of 2002.³⁷ This report is about the Competition Law, which will apply to the Scheduled Liner Services.

In this report, due to the competition law of the European Union, the Secretariat insisted on the abolition of determining common freight prices by the member countries.

³⁷ Chamber of Shipping, **Maritime Sector Report 2002**, Istanbul, 2003, pg:8

III. MARITIME TRANSPORTATION IN THE EUROPEAN UNION

Transportation policy of EU is forming one of the key sectors of the Union. Transportation industry has an important place in EU. Transportation sector constitutes 7% of the EU's gross national product, 7% of the employment, 40% of the investments of the member countries and 30 % of the energy consumption and also transportation is an important factor of competitive power.³⁸

In the original of the Treaty of Rome, transportation policy was one of the two important policies, which were given a specific title under articles 74 and 84 (Articles 70-80 under the consolidated version of the Treaty further to Amsterdam) and were taking place under the title of "Common Policies". (The other important policy is agriculture).³⁹

This situation reflects the strategic importance of transportation policy. Since 1958, the date on which the Treaty of Rome came into force, transportation policy is focused on the goal that aims to remove the obstacles among the member countries to confirm the free movement of goods and people.

³⁸ Marmara, Aegean, Mediterranean, Blacksea Regions Chamber of Shipping, **European Union Maritime Transport Guide**, Istanbul, 2000, pg:1

³⁹ Ibid pg:2

3.1. Common Transportation Policy of the EU

Common Transport Policy (CTP) constitutes an important place in the EU. It is one of the most important among the whole sectors. As Hitiris states below, transport policy is an important output in production and the European Union give a special importance on this subject.

“The reason economic unions require a common transport policy is that transport is an important production input and thus transport cost constitutes a major component of output price. It is estimated that on average 25% of final costs are accounted by transport costs”⁴⁰

The need for creating a Common Transport Policy became inevitable after some important steps were taken for the liberalization of the economy of the union. These steps are like accomplishment of the Single Market, especially abolition of the boundaries and the liberalization of maritime transport.

Setting up a common transport policy was a difficult and slow process for three main reasons:⁴¹

- a) differences of opinion regarding the interpretation of the treaty,*
- b) different attitudes towards intervention in transport,*
- c) conflicts of interest which divided by the member states*

The Schaus Memorandum (1961) was the first attempt to introduce a common transport policy in the EU. The Memorandum suggested an elimination of impediments to the creation of a common market in transport services, the national markets for transport

⁴⁰ Theo Hitiris, **European Union Economics**, 5th Edition Pearson Education Imprinting, 2003 pg:268

⁴¹ Ibid, pg: 270

services ought to be open and that there should be attempts to create conditions for free competition in the provision of transport services.⁴² After that this general principles embodied in Action Programme in 1970, three alternative approaches were considered in the programme:⁴³

- *A policy focusing on fostering competition*
- *The establishment of a common market in transport*
- *The pursuit of an active interventionist approach*

Regulations should take into account social and regional but also economical objectives of the Community.

The Council of Transport Ministers can't find any common idea about the policy.

Therefore the Commission prepared proposals about the; control of entrance to road and inland waterway transport sectors with the help of common regulations, adoption of a “forked tariff” that determines maximum and minimum limits to prevent monopolistic situation over the market, to harmonize technical, tax and subsidy regimes of the member states, to control investments in transport infrastructure in each member country and to organize investments equal distribution among the different modes of transport.⁴⁴

With enlargement of the Community to nine members in 1973, the need for a new approach became clear.

⁴² Miroslav N. Jovanovic, **European Economic Integration Limits and Prospects**, London and Newyork,1997, pg: 363

⁴³ Stephen Dearden, Transport Policy. In : Frank Mc Donald, Stephen Dearden (Eds), **European Economic Integration**, 4th Edition, Pearson Education Prentice and Hall, 2005, pg: 270

⁴⁴ Ibid, pg: 270

The Commission presented a new version of CTP based on following basic elements:

- Gradual implementation of the principles of market economy with free competition in the transport market and bring together the starting conditions between states.
- Coordination of the national taxation of commercial vehicles
- The approximation of national provisions governing relations between the railways and the state
- Harmonization of social legislation, improvement of working conditions, transport safety regulations, etc
- Coordination for developing a common transport infrastructure.

The Council made no formal response to the proposal. In 1983 European Parliament (supported by the Commission) took the EU Council to the Court of Justice because failing to carry out its obligations under the Treaty (TEEC 1, 3 and 70). The Court held that the Council had indeed infringed the treaty by “*failing to ensure freedom to provide services in the sphere of international transport and to lay down conditions which non-resident carriers may operate transport services in a member state*”⁴⁵

The growing traffic jam, reduction in quality of the services, damage on the environment, danger of security and isolation of some regions needed new activities about transportation.

The certain goals of the White Paper, “*Future Development of the Common Transport Policy*” which was published in December 1992 by EU about transportation, are;⁴⁶

- The removal of any remaining restrictions or distortions in the single market,
- The proper functioning of EC transport systems,

⁴⁵ Theo Hitiris, **European Union Economics**, 5th Edition Pearson Education Imprinting, 2003 pg: 272

⁴⁶ Norman Lee, Transport Policy. In: Milce Artis, Norman Lee (Eds) **The Economics of the European Union Policy and Analysis**, Oxford Union Press, 1995, pg:206

- The integration of environmental objectives within the CTP

Other goals of transportation policy are listed as the requirement of restructuring of highways, strengthening the place of the railways, preventing the air pollution and congestions in airways, developing the maritime transport, using the inland-water transports effectively, creating a connection among seas, inland-water transports and railways, encouraging multi-modal transports, eliminating legal congestions, accelerating the developments in trans-european networks, assuring the security in transportation, pricing the infrastructure usages, rationalizing the local transport and stabilizing the transportation policy and the developments.⁴⁷

The most recent statement of Community policy covering the period up to 2010 is the White Paper which was published in 2001. This emphasized the economic affecting costs being imposed by increasing congestions across Europe and the affect that transport is making to the environmental pollution.⁴⁸

3.1.1. The Basis of EU Maritime Policy

The results of the 1980's maritime trade crisis were seen on the maritime transport sector of the member countries, earlier and deeper than in the non-EU countries. Although EU is the largest trade block in the world, the negative effects were also seen in the EU.

⁴⁷ Ridvan Karluk, **Avrupa Birliği ve Türkiye**, 6. Basım, Beta Yayınları, İstanbul, 2002 pg:366

⁴⁸ Stephen Dearden, Transport Policy. In : Frank Mc Donald, Stephen Dearden (Eds), **European Economic Integration**. 4th Edition, Pearson Education Prentice and Hall, 2005, pg:271

Half of the declared catches on 12 member countries was decreased between the years 1980-1988 and the portion of the community which was 29,7% in world tonnage in 1980 was decreased 15,4% in 1988. With a 45% decrease in the number of the seamen in EU was decreased to 169 000.⁴⁹

As a result of this situation, the obligation of acting together was growing for the member countries and EU's transport ministers started to make arrangements best fitted to the spirit of the Treaty of Rome to realize a common maritime policy.

Previously maritime transport was not included in the provisions relating to the CTP within the Treaty of Rome. This combined with the lesser interest of the original Community members in intra Community maritime transport helps to explain the limited progress in developing a Community maritime policy until the mid 1970s.⁵⁰ This arose from the "continental" orientation of the original six member states, maritime transport has little importance between them.

Next, to cover the EU maritime policy more deeply, we will examine the Paris Memorandum which has an important place in EU common maritime policy, arrangements in 1986 and the measures taken to prevent flagging out seen as a result of the third countries protectionist policies and the advantages of costs.

⁴⁹ Eurostat, Accessed on May, 29, 2005, http://epp.eurostat.cec.eu.int/portal/page?_pageid

⁵⁰ Norman Lee, Transport Policy. In: Milce Artis, Norman Lee (Eds) **The Economics of the European Union Policy and Analysis**, Oxford Union Press, 1995, pg:225

3.1.2. Port State Control

Organizational activities about safety of life at sea and prevention of the sea started to show an importance at the end of the second half of the 1900's. Since 1950's they are unified under the United Nations International Maritime Organization (IMO). The most important event is that the member countries have the right to supervise the ships carrying their own flags in the capacity of "State of Flag" whether they are convenient to the requirements of the Conventions or not, and after the monitoring period they have the right to certificate the suitable ones. According to the Solas Convention dated 1974, an authorized person from the supervisor port administration will make a decision about the certified ship whether this ship can sail safely.

The flag supervisions of the countries can be made by the "controller" designate their vessels or by the notified bodies, but port state controls of these countries can only be made by the authorities of the port state administrations. Supervisor Authorities of the Port States can be charged by a general authorization or by an authorization determined according to the events.⁵¹

Port State Control can be made on the following bases:

- Capacity of the country
- Request of another country or information about the sea vehicle

⁵¹ Sedef Yavuz, **Dunyada Liman Devleti Denetimi ve Liman Devleti Denetimi ile ilgili Turk Mevzuatinin AB Muktesebatiyla Uyumlastirilmas icin Gerekli Duzenlemeler**, Uzmanlık Tezi, DPT Yayinlari, Ankara, 2003, pg:36

-The information given by a person who has an interest about the staff of the vessel, an organization or association of profession, trade association, or about the security of the sea vehicle, its staff, passengers or sea environment.

All necessary measures to prevent to be detained or the delays of the ship should be taken by the port state. Otherwise, all the expenses of the damaged vessel should be covered. Torrey Canyon incident and the security problem coming on the scene with the damage given to the environment by the Amoco Diaz tankers have some impact on the effected countries and therefore they started to take measures.

The first effects of the efforts given to create a supervision mechanism, which gives a chance to the port states to supervise the vessels, are seen in Hague Memorandum. In Hague Memorandum, the efforts of supervising the vessels started in a regional scale. The main principle of the Hague Memorandum, which is adopted by nine member countries is; *“realizing the suitability of the vessels to the sea and raising the standards of the vessels.”*⁵²

The difficulties seen in Hague Memorandum lead to the foundations of the Paris Memorandum.

⁵² Necmettin Akten, Aydogan Ozman, **Liman Devletleri Tarafından Gemilerin Kontrolu Sozlesmesi (Paris Sozlesmesi)** Istanbul, 1986, pg:8

3.1.3. The Paris Memorandum

The agreement about port state control known as the ‘Paris Memorandum of Understanding on Port State Control’ was signed by thirteen European countries (Belgium, Denmark, Germany, Finland, France, Holland, England, Ireland, Spain, Sweden, Italy, Portugal and Greece) on 28th January 1982 in Paris. This memorandum permits to the supervisions of the ships on the ports of these countries according to the agreements, which are adopted by the International Maritime Organization (IMO) and with the help of the ILO (International Labor Organization) agreements on the minimum standards of trade ships. It entered into force on 1 July 1982.

The principles of the Paris Memorandum can be summarized as ;

*‘increasing the safety of life at sea, protection of the environments on seas, developing the working and living conditions on vessels, adapting the vessels to the international standards, preventing the activities of the vessels with low standards, keeping away from damaging the competition between the ports, enhancing the cooperation and information chances between the member countries, applying unprivileged operations without taking into consideration their flags.’*⁵³

The countries of Paris Memorandum supervise the trade ships on their ports with the help of the controllers who are highly authorized according to the provisions of IMO and ILO agreements. At the end of the supervisions, controllers are authorized on the subjects listed below:

- Detain the vessel from its journey,
- Satisfy the needs,
- Give permission to vessel although it has some deficiencies.

⁵³ The Paris Memorandum of Understanding on Port State Control, Accessed on June 20, 2005, <http://www.parismou.org/ParisMOU/Organisation/About+Us/History/xp/menu.3950>

This formation is trying to create a harmonized system between the port states. The aim of the memorandum;

- Safety of life at sea
- Prevention of pollution by ships,
- Improve living and working conditions on board ships.

There is no safety standard or a new convention made by the memorandum to reach this goal and their activities are based on IMO and ILO conventions.

The crisis seen in world maritime sector between the years 1970 and 1980 show its effects on EC countries earlier than the other countries and as a result of this crisis a decrease was seen in the proportions of the Community in world maritime transport. The ratio of the Community in world maritime sector was 31,9% in 1970, but this ratio decreased to 21% in 1985.

The reasons of this decrease can be stated as;

Constrictions seen in world trade volume, the end of the economic lives of the numerous vessels of Community, discounts on freight carriage prices made by the fleet of the socialist block and the decrease seen in profit margin in transportation market, the sovereignty of the Far Eastern countries on the market in 1980's, negative effects of the developments realized in markets on the Community.⁵⁴

⁵⁴ Tacettin Simsek, "CLC 69 VE Kiyi Fund Sozlesmeleri ile Paris Memorandumuna Taraf Olunmasi", **Turk Denizciliginin Sorunlari Semineri Sonuc Raporu Tebligleri**, Yalova, Mayıs 1997, pg:11

In 1970 the Bodson Report was the first call for the development for a coherent Community approach to shipping under the powers of Article 84 of Treaty of Rome.

It addressed issues such as;

*'agreements with non-EU States on cargo reservations and action on discrimination, a common approach to international negotiations and harmonization of state aid and crew conditions.'*⁵⁵

The crisis needed co-operation of the member countries and new arrangements are made on maritime trade.

Another debate within the EU is the ratification of the UNCTAD Convention on a Code of Conduct for Liner Conferences signed in 1974 which the Member States were prepared to accept, was in violation of the competition rules of the Treaty of Rome.

*This was subsequently resolved by granting a block exemption for liner conferences from compliance with these rules provided they met with certain conditions.*⁵⁶

Liner Conferences are composed of the shipping companies involved in a particular trade and determine shipping rates and condition of services.⁵⁷

Liner Conferences generally cover between 50 and 70 percent of total cargo shipments . *The important feature of the Code was the adoption of a 40/40/20 rule for participation to the trade. Shipping companies of two countries would each be reserved 40 per cent of the traffic with 20 per cent open to cross-traders.*

⁵⁵ Stephen Dearden, Transport Policy. In : Frank Mc Donald, Stephen Dearden (Eds), **European Economic Integration**. 4th Edition, Pearson Education Prentice and Hall, 2005, pg:296

⁵⁶ Norman Lee, Transport Policy. In: Milce Artis, Norman Lee (Eds) **The Economics of the European Union Policy and Analysis**, Oxford Union Press, 1995, pg:225

⁵⁷ Transportation Institute Maritime Glossary, Accessed June 13 2004, <http://www.trans-inst.org/seawords>

In the EU, the countries like Denmark and the UK opposed to ratification but France, Belgium and Germany supported the Code. Debates arised from two issues the share to be allocated to non-EU OECD Countries and the treatment of non-EU non-OECD carriers. The Code came into force in 1983.⁵⁸

On May 1985 the Commission prepared a document titled “Progress in common maritime trade policy; maritime transport” and this proposal was agreed in Council of Ministers which contains some offers.⁵⁹

In 1986, Community prepared four formulations as the first step to the Maritime Policy. In regulatory framework, EU Maritime Policy was entered in to force after signed by the European Council on 22nd December 1986.⁶⁰ These are the regulations titled;

- “Application of the freedom principle in serving maritime transportation services among member countries or between the third countries” Regulation 4055/86
- “Detailed rules for application of the 85th and 86th articles of the Treaty of Rome to the maritime transport” Regulation 4056/86
- “Unfair prices in maritime transport” Regulation 4057/86
- “Coordinated action for giving free entrance to the freights in inland-water transport” Regulation 4058/86.

⁵⁸ Stephen Dearden, Transport Policy. In : Frank Mc Donald, Stephen Dearden (Eds), **European Economic Integration**. 4th Edition, Pearson Education Prentice and Hall, 2005, pg:296

⁵⁹ Ibid pg:297

⁶⁰ Europa, “Freedom to supply services, competition, unfair practices and free access to ocean trade” Accessed on March 27, 2004 <http://www.eu.int/scadplus/leg/en/lvb/l24064.htm>

The 1986 package, failed in changing the trend of flagging out and this package also could not obstruct the decrease in European Union fleet. The important reason of this decrease is the common tendency in, flagging out usage as a result of the third world countries' protectionism and the cost advantages for the member countries who are getting more than half of their incomes from the cross trades that are made with third world countries.

3.2. Flagging Out in World Maritime Transportation

During the centuries, the ship owners searched for new methods to sail their ships more effective with a minimum cost. This searches which continued since 18th century, was intensified by sailing the ships under different flags like Panama, Honduras, Venezuela, Liberia during the Second World War by the US ship owners to over come the legal difficulties and handicaps which were executed by the government. After the war those countries were named as "open registry" or "flag of convenience" countries and they began to take an important place in world maritime sector. In the course of time, number of these countries increased and also ship owners began to sail their ships under those flags. Thus, "free registry" and "easy flag" called countries' fleets left the traditional nautical countries' fleets behind and they began to gain a big share from the world sea trade. The problems in education and finding qualified personnel played an important role in the continuation of flagging out process.⁶¹

Developed countries' national legislations' being not sufficient to employ foreign seaman and syndicates' reactions to this subject obstructed the employment of cheap

⁶¹ Chamber of Shipping, **Maritime Sector Report 1994**, Istanbul, 1995, pg:128

workforce in national fleets. To benefit from this opportunity the ship owners ornamented their ships with low salaried seamen from Far East Countries like South Korea, Philippines, India and China by transferring a huge amount of their tonnage to easy flagged fleets.

Community-based shippers have experienced increasing international competition over the last thirty years from non- EC fleets that benefited from free registry and also low costs.

Norman Lee's statement put it clear;

' The consequences for EC-based shipping operations have been overcapacity in the industry, a pronounced decline in the shipping tonnage registered under EC Member States to continue state aids to shipping and to continue certain restrictive measures to protect home fleets.' ⁶²

The solution searches for the problems written above created a concept called "international ship registry" in the world seamanship to be applicated. In this application the income tax and other social insurance pays which were taken from the employee salaries, either were totally abolished or were priced in the lowest level.

Besides, various tax advantages and exemptions came into force for the ship-owners who are registered to the international ship registry.⁶³

⁶² Norman Lee, Transport Policy. In: Milce Artis, Norman Lee (Eds) **The Economics of the European Union Policy and Analysis**, Oxford Union Press, 1995, pg:225

⁶³ Chamber of Shipping , **Maritime Sector Report 1994**, Istanbul, 1995, pg:128

3.3. Union Registry

In 1989 the EU member countries' subjugated their fleets' 73% and %70 as gross ton.

The tonnage of Member Country Flagged ship was 32,7% of world total in 1967. This percentage decreased to 14,7 % in 1989 in the gross tonnage distribution that is registered to the Europe Member Countries, England, Italy and Greece were controlling 60,5% of the fleets of the EU in 1989.

In this situation as a second step; The Member Countries' Transport Ministers were obliged to evaluate the positive precaution suggestions that are aiming to gain power for the EU sea transportation competition. These suggestions were;⁶⁴

- To form Union Registry to the ships that has Europe Flag besides national flag.
- The free transportation of the seamen whom are in the ships registered
- Promotion of the Union Flagged ships.
- To increase the effectiveness of Port State Controls.
- The definition of the EU ship owners.
- The free supply of the sea transportation services between member countries.
- The elimination of cabotage precautions for registered ships. (The ability of making cabotage services in any country for the registered ships under 6000grt)
(Especially Greece and some EU countries want the protection of their existing cabotage rights.)

⁶⁴ Ugur Kilinc, **Türk Deniz Ulaştırma Sektörü'nün Avrupa Birliği'ne Entegrasyonu**, T.C. Marmara Üniversitesi, Sosyal Bilimler Enstitüsü, Uluslararası İktisat Bilim Dalı, Yüksek Lisans Tezi, İstanbul 1997, pg: 47

- To produce EU fund for the researches that will be made for personnel.

EU aimed to progress in cabotage in 1988 and 1989 evaluated the execution of free supply principle by “creating a Union Registry” to the member countries’ cabotage trades in the package named “1989 Positive Precautions”.

This led to propose the establishment of an EC shipping register (EUROS) which aimed to offer some economic attractions to encourage EC based fleet to register but was also intended to harmonize registration conditions within the EC.⁶⁵

Vessels had to be under 20 years old, be on an EU national register and employ EU nationals as officer and half of the crew. But there were some problems like in the event of accidents the law of the country applies and there was no certain body which apply EU laws in such events.⁶⁶

3.4. The Free Supply of Maritime Trade Services (Cabotage)

One of the most important principals of European Union is the right of member countries’ citizens to legally serve to other member countries’ citizens. The member Countries’ cabotage rights have been a big handicap in the execution of Liberty principals in services. The Union’s five southern members that are executing cabotage are defending the view of “protection of the cabotage”. These views can be defined as

⁶⁵ Norman Lee, Transport Policy. In: Milce Artis, Norman Lee (Eds) **The Economics of the European Union Policy and Analysis**, Oxford Union Press, 1995, pg:226

⁶⁶ Stephen Dearden, Transport Policy. In : Frank Mc Donald, Stephen Dearden (Eds), **European Economic Integration**. 4th Edition, Pearson Education Prentice and Hall, 2005, pg:298

national security, especially in routes of islands to supply public services, to strengthen the national fleet and the social security of the seamen.

For example Greece is using the national security as a shield because of the disagreement between her and Turkey. This country claims that the islands are very near to the Turkish coasts so that all the voyages to the islands should be done under Greek flag, because of national security reasons. The European Parliament accepts the allocation of this kind of services to the national flag because of the national security. Spain, Italy claimed that the seamen would loose their jobs and welfare if the cabotage is eliminated.

The European Parliament accepted the degree of the Liberalization of Cabotage. On the date of 12th July 1992, considering this decree, the Council accepted the Regulation 3577/92. These regulations from the date of 1st January 1993, gave the opportunity to any member countries' ship to enter any other member countries' cabotage as a main principle.⁶⁷ Thus this right has not been defined commonly and there have been some exceptions and limitations.

For example, some countries, by using their delegation rights, could be apart from this regulation, some of the commands about the transportation services that are done to Spain, Portugal and France coasts in the Mediterranean Sea. The execution of the regulation's commands have been suspended for cruise transportation till the 1st

⁶⁷ Norman Lee, Transport Policy. In: Milce Artis, Norman Lee (Eds) **The Economics of the European Union Policy and Analysis**, Oxford Union Press, 1995, pg:226

January, 1995; for strategically goods like oil, oil products and drinking water till 1st January, 1997, for regular passenger transportation and ferry services till 1st January, 1999. In the same way the island transportation in the Mediterranean Sea could have been apart from regulation's commands till the 1st January 1999.

The third paragraph of the 6th article prolonged this autonomy till the year 2004 for the passenger transportation and ferry services between the Greek Islands and the ships, which are smaller than 659 GRT.⁶⁸ Otherwise, every member country which proves that she has faced a big amount of loss in her own internal market because of the abrogation of cabotage, could be apart from the by-laws' commands not longer than 12 months by taking "Protective Precautions".

3.5. Safety in Maritime Transportation

Worldwide, every year, approximately 230 ships with 1,1 tonnage has been destroyed by the accidents causing more than thousand of people's death. The maritime security is directly related to environment and sea pollution. For this reason, the worries about the maritime transportation have an effect beyond the European Union. EU attends to the IMO studies as an observer. With the support of member countries The Commission is offering new feasible suggestions about transportation security and preventing the sea pollution. The Commission is trying to make international legislations obeyed in the Union.

⁶⁸ Metin Canci, "AB, Türkiye ve Kabotaj", **Dunya Gazetesi Perşembe Rotasi**, sayı:7332, Temmuz 2004 pg:6

After the disaster, which occurred because of the Amoco Cadiz named oil tanker's submerging near the "Britannia" Coast of France in the date of 16th March 1978; European Union produced an action plan to decrease and control the pollution, which has occurred because of the hidrocarbonates that are spread to the sea.

As in this example, these accidents that are happened between different periods of time in the EU member countries' sea, affected the European Union to take precaution decrees. In 1990 two directives have been accepted, one of them was about the prevention of sea pollution and the other one was about the reform of passenger security.

The document, which has been accepted in 1993- named "common policy on the sea security" is the start point of the security policy in seamanship. The reason for this policy to be constituted is the accident happened in December 1992 near the Spain coast by the oil tanker named Aegean Sea.⁶⁹

In December 1999, Malta Flagged an oil tanker named Erika, was stranded in French far coasts. Nature and tourism had a deficit because of the oozing, and this caused a reaction in public. After this accident, Commission prepared the proposals named

⁶⁹ İktisadi Kalkınma Vakfı Yayınları, **Avrupa Birliği'nin Ulaştırma Politikası**, İstanbul, Aralık 2004
pg:17

Erika1 and Erika2. The proposal named Erika1 was anticipating three precautions to be taken which will come into force in July 2003. These precautions are;⁷⁰

- Increasing the auditing in ports.
- Controlling the activities of sea insurance classifications more often and firmly.
- Prohibiting the single-hull tankers.

In the proposal named Erika2, which came into force in 2004 is anticipating the precautions below;

- To form “watching” and “Union information” systems for better observation of the traffic in European sea.
- To form a complementary European fund that consists of one billion Euros for the compensation of the ones that had a deficit because of the oil oozing.

The arrangement that is anticipating the establishment of the “European Maritime Security Agency”. (This came into force in the year 2002).

3.6. Maritime Transportation and Environment

Nowadays pollution of seas became problem for both countries that have sea and world society. We can count the materials used in ship transport that pollutes seas as below:⁷¹

- Oil products and radioactive materials

⁷⁰ Europa, Accessed on March, 24, 2005, <http://europa.eu.int/scadplus/leg/en/lvb/l24071.htm>

⁷¹ Deniz Ipek, “Increased Penalties for Environmental Pollution”, **Turkish Shipping World**, January, 2002, pg:22

- Poisonous liquids
- Harmful materials carried by containers, wagons or truck tanks.
- Dirty waters of ships
- Rubbishes of ships

In January 2002 European Commission has published a direction about preventing and restoring the environmental pollution detriment after “White Paper” which was published two years ago.

3.7. Maritime Transportation Volume in European Union

As it can be understand from the Table 3.1. that the %40.7 of the export and import trade volume to the value of 805.6 billion Euro of the European Union is carried by maritime ways. When we looked at the carriage volumes in weight, the maritime ways are at the top of the list with %69.9. As it is seen clearly that the European Union prefers maritime ways in export and import carriages realized to the other countries.

Table 3.1
External Trade of the EU by Mode of Transport 2002

VALUE (billion EURO)							WEIGHT (million tones)					
Extra EU-15							EXTRA EU-15					
	Export		Import		Export+Import		Export		Import		Export+ Import	
Sea	392.1	39.5%	413.5	41.9%	805.6	40.7%	295.2	68.0%	1038.6	70.5%	1333.8	69.9%
Road	237.2	23.9%	195.5	19.8%	432.7	21.8%	85.3	19.7%	81.3	5.5%	166.6	8.7%
Rail	19.6	2.0%	18.3	1.9%	37.9	1.9%	17.5	4.0%	52.8	3.6%	70.3	3.7%
Inland waterway	3.6	0.4%	5.5	0.6%	9.1	0.5%	8.6	2.0%	23.8	1.6%	32.4	1.7%
Pipeline	2.3	0.2%	35.5	3.6%	37.8	1.9%	4.4	1.0%	194.2	13.2%	198.6	10.4%
Airway	255.3	25.7%	206.4	20.9%	461.7	23.3%	4.5	1.0%	3.0	0.2%	7.5	0.4%
Others	83.5	8.4%	112.4	11.4%	196.0	9.9%	18.4	4.2%	79.8	5.4%	98.2	5.1%
TOTAL	993.6	100%	987.0	100%	1980.6	100%	433.8	100%	1473.5	100%	1907.3	100%

Source:Eurostat

http://europa.eu.int/comm/eurostat/newcronos/reference/display.do?screen=welcomeref&open=/transp/various&language=en&product=EU_transport&root=EU_transport&scrollto=139, Accessed on March 05, 2005

Because of the data given about the new member countries is not valid, according to the Table 3.2 %12.0 in value and %19.7 in weight of the trade carriages among the 15 countries are carried by maritime ways.

Table 3.2
Internal Trade by mode of Transport

VALUE (billion EURO)			WEIGHT (million tones)	
INTRA EU-15			INTRA EU-15	
Sea	178.8	12.0%	216.9	19.7%
Road	725.5	48.6%	366.5	33.3%
Rail	46.3	3.1%	42.1	3.8%
Inland waterway	12.2	0.8%	70.3	6.4%
Pipeline	17.7	1.2%	90.1	8.2%
Airway	42.5	2.8%	0.4	0.0%
Others	471.0	31.5%	314.9	28.6%
TOTAL	1494.0	100.0%	1101.3	100%

Source Eurostat

http://europa.eu.int/comm/eurostat/newcronos/reference/display.do?screen=welcomeref&open=/transp/various&language=en&product=EU_transport&root=EU_transport&scrollto=139, Accessed on March 05, 2005

When the world maritime trade fleet is examined, it is seen from the Table 3.3 with its 264.5 million DWT fleet the European Union countries have a share of %33 in world fleet in 2002. Asian countries are controlling the world maritime trade with their 303 million dwt fleet. The share of foreign flag in Union fleet is %59.

Table 3.3
World Merchant Fleet (dwt million)

Ships of 1000 gt and over	1995	1999	2000	2001	2002
Europe	312.6	345.7	351.1	361.4	372.3
of which EU-15	207.5	242.0	247.5	257.3	264.5
N. America	51.0	46.5	49.4	45.4	42.6
Latin America	18.7	16.0	15.7	14.3	15.5
Asia/Oceania	245.4	286.6	291.3	301.2	303.1
Africa	6.7	7.0	7.1	5.4	5.1
Unknown	38.0	40.1	38.6	42.4	52.7
TOTAL	672.4	741.9	753.2	770.2	791.3
of which EU controlled	31%	33%	33%	35%	33%
EU-15 fleet foreign flag share	52.1%	60.2%	60.9%	60.2%	59.0%

Source: ISL (Institute of Shipping Economics and Logistics) Merchant Fleet databases; aggregates based on quarterly updates from the Lloyd's Maritime Information Systems, Accessed on November 14, 2004,
http://europa.eu.int/comm/dgs/energy_transport/figures/pocketbook/doc/2003.pdf

The total share of the each European country in European Union fleet and the number of ships can be seen in million dwt in the following table. Besides, the distributions of foreign and national flags on the fleets of all the member countries are shown in numeric and percentage at the Table 3.4 the share of the Greece in EU Merchant Fleet is at the top of the list with 3122 ships and 145.2 million dwt. Greece is not only at the top of the list in EU, Greece is also at the top of the list in world maritime trade fleet arrangement. It is estimated that the 55.2 billion dollar share of the Greece, which is taken from the 300 billion dollar world maritime carriage cake is reached 100 billion dollar with the other areas of the sector.

Table 3.4 EU Merchant Fleet (Ships of 1000 grt and over)

	B	DK	D	EL	E	F	IRL	I	L	NL	A	P	FIN	S	UK	EU-15	95-2001
Number	123	629	2169	3122	224	215	45	593	2	651	38	49	135	327	643	8965	8885
Million dwt	7.1	16.9	97.2	145.2	3.7	6.0	0.20	12.6	0.01	5.4	0.8	1.4	1.9	7.9	18.2	264.5	257.3
NATIONAL FLAG																	
Number	2	310	402	775	134	121	26	472	2	484	20	32	97	157	263	3297	3316
Million dwt	0.01	7.98	7.26	45.62	1.71	2.86	0.14	8.49	0.01	3.25	0.10	0.45	0.98	1.35	7.77	88.0	84.8
FOREIGN FLAG																	
Number	121	319	1767	2347	90	94	19	121	—	167	18	17	38	170	380	5668	5569
Million dwt	7.05	8.92	29.95	99.55	2.02	3.13	0.06	4.10	—	2.18	0.67	0.98	0.91	6.58	10.45	176.5	172.5
SHARE of FOREIGN FLAG in TOTAL FLEET																	
Number	98%	51%	81%	75%	40%	44%	42%	20%	0	26%	47%	35%	28%	52%	59%	63%	63%
Million dwt	100%	53%	80%	69%	54%	52%	31%	33%	0	40%	87%	68%	48%	83%	57%	67%	67%

Source: ISL Merchant Fleet databases; aggregates based on quarterly updates from the Lloyd's Maritime Information Systems, Accessed on November 14, 2004
http://europa.eu.int/comm/dgs/energy_transport/figures/pocketbook/doc/2003.pdf

3.8. Maritime Transportation Policies of EU in Twenty-First Century

Transportation is one of the most important economic activities in the EU. It contributes approximately 7 % to the GDP of the EU. This service industry employs approximately 7 million people in the union. Also transport sector suppliers have direct impact on the policy makers of the Union.⁷²

The maritime sector with shipbuilding, ports and related industries, services employs around 2.5 million people in the EU.⁷³ Beside historical and geographical reasons with the effect of globalization, European Union is still dependent to maritime transport. As it can be understood from the Table 3.1 70 % of foreign commerce and 41 % of inner commerce of EU is done by shipping lines. In a year more than 1 billion tons of loads are loaded and discharged in EU ports. By having one third of world fleet, maritime firms of EU, have an active role in all transport modes. This situation strengthens the strategic position of EU in international platform, and also increases national revenues of all member countries and support the payment-balance.⁷⁴

⁷² Miroslav N. Jovanovic, **European Economic Integration Limits and Prospects**, London and Newyork, 1997, pg: 362

⁷³ Theo Hitiris, **European Union Economics**, 5th Edition Pearson Education Imprinting, 2003, pg:278

⁷⁴ Basbakanlik Denizcilik Mustesarligi, **2. Ulusal Denizcilik Surasi Denizcilik Ulastirmasi Calisma Grubu Raporlari**, 28-30 Eylul 2000, Istanbul, pg:12

Competition and free markets are very important concepts for the European Union. The EU is moving towards full liberalization and it is also crucial to sustain a free market in the Maritime transport sector.

As Hitiris points out;

*‘As in other areas of transport the principle governing EU maritime policy is that of free competition, combined with environmental protection and safety. The process of liberalization and opening up national markets to competition within the EU is almost complete’.*⁷⁵

Supporting the transportation between the sectors is mentioned in the White Paper published by the European Commission. The report aims to contribute the support of the balance between the sectors. The aim of sectoral transportation of EU is forming “*integrated transportation connection*” and by using this carrying loads from one gate to another. European Union developed Trans European Network project to integrate different transport modes. Below we will explain how this project works and how such projects contribute to the development of the maritime sector in the European Union.

3.8.1. Trans-European Network

The Community guidelines for the development of the Trans European Transport Network on July 1996 set out the objectives and priorities of the TEN-T.⁷⁶ These principles are about the highways, railways, inland waterways, airports, ports and traffic administration systems which are in use in Europe, ensure the long distance transport traffic and cause the EU member countries to become closer to each other economically

⁷⁵ Theo Hitiris, **European Union Economics**, 5th Edition Pearson Education Imprinting, 2003 pg:278

⁷⁶ Ibid, pg: 283

and geographically. According to this, member countries have the main responsibility for realizing TEN-T. And also, giving financial aid to Trans-European Transport Network on union level is suggested with these principles.⁷⁷

On the first general framework, which is about the application of the principles of Trans-European Transport Network, the date of accomplishment of these networks is predicted as 2010. But, it is declared that on the report, which is about this issue, the objective will not be achieved on time because of the lack of the financial sources. European Commission offers an amendment on the regulation, which regulates the aids of the union for trans-european transport networks.

These networks will involve linking together national infrastructures and opening up access to them. By this way the Union will be integrated to each other as Hitiris points it out below;

‘The creation of trans European networks will help promote economic and social cohesion and will allow the EU citizens business and local communities to benefit fully from the establishment of the single market.’⁷⁸

A new TEN-T privileged projects list was presented on 1st October 2003 by European Council with taking into account the traffic jam which will realize with the EU enlargement and with the new members. And also some important amendments on TEN-T objectives, which were determined in 1996, were offered with this proposal.

⁷⁷ İktisadi Kalkınma Vakfı, **Avrupa Birliği’nin Ulaştırma Politikası**, Aralık 2003, İstanbul, pg: 11

⁷⁸ Theo Hitiris, **European Union Economics**, 4th Edition Prentice Hall, 1998 pg:301

The cost of infrastructure for harmonizing transport system to TEN-T will be mainly financed from the national budgets. But the Community when necessary, will provide support for infrastructure with the help of Cohesion Fund. EU will fund not more than 50% of the feasibility cost and 10% of the cost of the work. The balance must be set out of public or private sector funds.⁷⁹

Constituting an effective Trans-European Transport Network will give dynamism to the single market will enhance the coherence and so the competitive environment and development potential of EU will be enhanced. On this point, TEN-T will contribute to the EU economically.

On 22nd July 2003 Marco Polo project was accepted. The object of the projects is to slide some part of the increase in highway transportation to shipping lines and railways. This project supports shift from road to another mode of transport. Marco Polo can be thought as a part of PACT (Pilot Actions for Combined Transport) Project (1997-2001) and it has a budget of 35 million euro between the years 2003-2007.⁸⁰

EU is being affected by two main maritime policies. Developing short distance maritime transport is a part of EU common policy. The subject will be studied as a

⁷⁹ Theo Hitiris, **European Union Economics**, 5th Edition Pearson Education Imprinting, 2003 pg:283

⁸⁰ Stephen Dearden, Transport Policy. In : Frank Mc Donald, Stephen Dearden (Eds), **European Economic Integration**. 4th Edition, Pearson Education Prentice and Hall, 2005, pg:283

branch of port policy. Shipbuilding has also main importance in industrial policy of EU. So the principles for realizing a transport policy are:⁸¹

- To create a fair competition in sector,
- To form a managing mechanism for the common transport policies,
- For presenting maritime transport services freely, eliminate existing obstacles between member countries, supplying free circulation of services,
- Contributing EU commerce policies without flag discrimination,
- Supplying harmony between the Member States' legislations.

It can be said that basic policies of EU about maritime transportation in the near future will be especially about ship registers, competition, state aids, security, environment laws and international relations.

EU still works on projects to form more useful, cheaper, safer and permanent transport system. Commission also attempts to develop railway transportation, to increase the security in sea and to have stable, fair pricing system in transportation sector.

⁸¹ Basbakanlik Denizcilik Mustesarligi, **2. Ulusal Denizcilik Surasi Denizcilik Calisma Grubu Raporlari**, Istanbul, 28-30 Eylul 2000, pg:80

3.9. The Harmonization Process of New Countries to the Common Transportation Policy

At the beginning, it is assumed that some problems will arise on applying the common policies to the all countries of the European Union, which reached to 25 countries on May 2004. The programs related with the common transportation policy and the related legislation is the 10 % of the EU legislation. It is certain that the new member countries will need financial support while applying these policies. Trans-European networks have a great importance in the integration processes of the new countries to the Union. Because of this reason, the program of ‘Transport Infrastructure Needs Assessment’ (TINA) is constituted with the aim of supporting the new countries and assuring their integration with the Trans-European networks.⁸² This program whose costs are estimated to reach 90 billion euro is supported by the funds of the PHARE program. New member countries should consider on sea and inland waterway transportation issues especially on safety and fleet capacity, and working simultaneously with the EU bodies on the legislation and application issues.⁸³

The same advises are valid for Turkey. A great importance should be given especially to the maritime safety. Turkey is still on the black list of the Paris Memorandum. Because of this reason, Turkey is still working for obtaining the certificates needed on state port controls, decreasing the number of the ships which are taken abroad and harmonizing with the legislation of international relations about the EU maritime trade.

⁸² Commission of the European Communities, ‘Green Paper on Seaports and Maritime Infrastructure’, Brussels, 1997, pg:2 Accessed on November 12 2004 <http://europa.eu.int/scadplus/leg/en/lvb/l24163.htm>

⁸³ İktisadi Kalkınma Vakfı, **Avrupa Birliği’nin Ulaştırma Politikası**, Aralık 2003, İstanbul, pg: 22

IV. MARITIME TRANSPORTATION IN TURKEY

Turkey, is situated at the intersection of the intercontinental transportation roads in Eurasia and in the middle of land, rail, sea, waterway and air transportation roads of Balkans, Black Sea, Caucasia, Cenral Asia, North Africa, and Middle East. In other words Turkey is located in between Europe that materializes 40% of world trade with 7% of world population and Asia that materializes 5%of the world trade with 50%of world population. Also Turkey has 65 millions of population and has great consumption and production capacity.

That means Turkey is in a position that can obtain 15 billion dollars and above from the global logistics market. On the contrary Turkey is 23. Across the world with 9 million dwt merchant fleet. It has largest land fleet (25 000 TIR trucks) of the Europe and capable of taking advantage of experience in transportation, comprises only 2% of the Gross National Product (GNP) with a total value of 4 billion dollars, and the annual growth rate is 15%.⁸⁴

As understood maritime commerce is very important service for Turkey. Because of being international service maritime industry is one of the most liberated sector. It is high potential sector in world. Countries that want to develop their foreign commerce

⁸⁴ Taner Horoz , “The Logistics Industry is in an Evolution Process” , **Turkish Shipping World**, September, 2003 pg:18

should set a good transportation network. Maritime transport is an important part of this network.

Although the land is so convenient for maritime transportation, in Ottoman's period Turkish maritime industry had not developed. After missing the revolutions of industry, Ottoman lost the cabotage rights; as a result of these developments, it contented with a very small commerce fleet.

The contract signed in 1838 first with England, hereafter with other western countries, had the meaning of dependency of Ottoman's economy to west. By the contracts, importing and being a foreign merchant became advantageous than exporting and being local merchant. As a result state treasure was bankrupted then from beginning of 1880's the control of economy was mostly belonged to foreign firms. The only job for Turkish citizens and Muslim was agriculture anymore.

After the independence war, for the founders of the new state it was a must to create a group of national merchants to revive the economy.

In 1926, Turkish Republic had completed preparations for the use of cabotage rights. With the law 815 accepted on 11th April 1926, it is accepted all kinds of commerce done in harbors, in lakes and in streams; to be done by Turkish citizens and by Turkish capital. The cabotage right was accepted as one of the unrenouncable component of national independence.

This law is the base of our marine industry and caused improvements in Turkish ship owners. By the law our shore navigation (guiding, life guarding, saving ships, agency) got a national identity.

Cabotage has an unignorable importance for Turkish marine commerce. Turkey is one of 21 countries that adopted cabotage monopoly to its economic life. By cabotage there had been a development over 50 % in our maritime transportation volume. Our trade fleet jumped from a hundred and thousand to hundred and fifty thousands and their capacity increased from 15 million to 25 million.⁸⁵

As we pointed before, member countries of European Union got the freedom for maritime shipping by the law 3577/92/EEC accepted on 7th December 1992. The Commission can take precautions, if the home market is damaged because of letting cabotage free. In France, Italy, Greece, Portuguese and Spain cabotage settled free stage by stage. In these countries cabotage between the continents and islands, cabotage among islands becomes free in 1999. But in Greece there is an exemption about carrying ships and load up to 650 gross tons till 2004.

As known, sea cabotage will end automatically when Turkey become a member of EU. For this reason the required works should be done immediately and like Greece also we should lengthen the time for cabotage.

⁸⁵ Mustafa Herguner, “Kabotaj Kanunu ve Deniz Gucumuz”, **Dunya Gazetesi Persembe Rotasi**, sy:7332 Istanbul Temmuz 2004, pg:2

Necessary precautions should be taken to strength Turkish merchant fleet and carrying it to international level.

4.1. Maritime Transportation Policies of Turkey

In 1980's after petrol and fertilizers the biggest payment as foreign exchange was for maritime shipping and this put the agenda substation of foreign exchange. By 1990's it was understood that it was not possible to reach the expected stage only with defensive politics.

In the period 1982-1988 freight crises bombed all around the world also with two years delay in 1984 in Turkey. This caused to understand the importance of rivalry in maritime transport and importance of going foreign exchange as much as it is possible.

4.2. The Development of Turkish Commerce Fleet

By the republic age, maritime transport developed rapidly in private sector. 1942-1944 was the years in which sea commerce grew most.

With the Second World War the struggles were interrupted. In the long period without any changes in the sector after the war state was transporting passenger and load by Shipping Bank and was building new ports and other institutes.

Up to 1961 the share in commerce fleet of republic was more than private enterprise. But in 1962 the situation became inverse, the share of private enterprise increased and the share of public decreased.

In 1962 the ships, bigger than 1000 gross tons, of Turkish commerce navy had the capacity of carrying 798,300 gross tons, this capacity was 68,6 % of private enterprise.

In the beginning of first five year development plan, 40 % of maritime transport belonged to public and 60 % was belonged to private enterprises, 71 % of those ships were load ships, 21 % were tankers and 8 % of them were passenger ships. In 1967 passenger-transporting capacity of public was 287.518 dwt and capacity of private enterprise was 553.304 dwt. In other words private enterprise got the main role in shipping.

Transportation capacity was 798.330 dwt at the end of first five-year development plan but it become 773262 by the ending of second development plan. The decrease was planned because of the excess of capacity and oldness. By the end of the second development plan it is obtained that there has been 71 % increase, the capacity became 1.191.452 dwt.

By the end of the third plan, 2753 ships of 18 gross tones got the capacity of carrying 1550.993 gross tons and 1800.000 dwt. In these years there had been unexpected transit traffic in Turkey, it caused battle neck in ports and it becomes a must to reorganize

infrastructure. By the investments done on harbors, loading and discharging capacity increased. The capacity in 1983 has increased from 52,8 m tons in 1988.⁸⁶

The most effective factors for the increase in our commerce fleet in 1982 are the laws about developing Sea Commerce fleet and encouraging ship building institutes. 2581 was accepted on 12th January 1982 and 2361 was accepted on 21st September 1980. According to this law, there is an exemption for customs tax and charges in obtaining machines that use in building sea vehicles and ships have been imported from abroad.⁸⁷

While expanding sea commerce fleet, Turkey has also formed a legal framework for it. The legal framework for sea commerce becomes rich with regulations and international contracts.

4.2.1. Development of Turkish Commerce Fleet in Last 10 Years

In numeric our fleet has increased 8,9 % in 1994-1995, 1,5% in 1995-1996, 0,6% in 1997-1998, 3,1% in 1998-1999, 2,2% in 1990-2000 and has decreased 0,7% in 2000-2001, 0,6% in 2001-2002 and 2,8% in 2002-2003.⁸⁸ By the date 01.01.2004 world fleet is consisting of 154 country having 39,665 ships and 840.355.000 dwt. Turkish Commerce Fleet has the 23rd order on world sequence. With 22,1% Panama is the first, with 9,5% Liberia is second and with 6,3% Greece is third.

⁸⁶ Mehmet C. Dalkanat, **Avrupa Birliği'ne Giriş Surecinde Türkiye'nin Deniz Kabotaj Tasımacılığı** İstanbul Üniversitesi Deniz Bil. Ens., Yayınlanmış Yüksek Lisans Tezi, İstanbul 2001, pg:10

⁸⁷ Mehmet Emin Kaya, **Türkiye'de Tesvik Mevzuat ve Uygulama**, Ankara 1993, pg:39

⁸⁸ Chamber of Shipping, **Maritime Sector Report 2003**, İstanbul, 2004, pg:66

In 1996 our fleet was in 16th order with 10 million dwt, by 2004 felt to 23rd order.⁸⁹

4.2.2. Developments in Transportation of Foreign Trade Loads

Maritime transport is a sector depended on increases in export and import even on the changes of the merchandises in world. The portion of foreign commerce transporting of Turkey between the years 1994-2004 is shown as percentages according to years below.

Table 4.1
Distribution of Foreign Trade Loads According
to the Transportation Modes

YEARS	SEAWAY	RAILWAY	ROADWAY	AIRWAY	OTHER
1994	92,1	0,5	7,2	0,2	0
1995	91,1	0,8	7,7	0,2	0,2
1996	84,8	0,3	11,4	0,8	2,7
1997	85,5	0,3	12,5	0,4	1,3
1998	88,1	0,6	9,1	0,3	2
1999	88,9	0,5	8,7	0,2	1,8
2000	88,6	0,5	8,6	0,2	2,1
2001	87	0,6	10,6	0,2	1,6
2002	87,3	0,7	9,7	0,2	2,1
2003	87,6	0,8	10,5	0,1	1,0

Source: Chamber of Shipping, Maritime Sector Report 2003, Istanbul,2004 pg:71

⁸⁹ Ibid, pg:67

Table 4.2
Export / Import Transportation in 2003

	SEAWAY	RAILWAY	ROADWAY	AIRWAY	OTHER
EXPORT	41.476.801	553.917	9.448.608	99.706	24.091
IMPORT	98.673.637	778.425	7.344.689	79.410	1.542.587

Source: Chamber of Shipping, Maritime Sector Report 2003, Istanbul, 2004 pg:72

According to data from State Institute of Statistics the foreign commerce volume of Turkey is 160,021,871 tons. 140.1 million tons of that volume were carried by maritime transport, 1,3 million tons by railways, 16,8 million tons by highways and 179 thousand tons by airlines and 1,5 million tons by other ways. As seen from table 80,4% of 51,6 million tons exportation and 91% of 108,4 million tons importations were done by maritime transport.

4.3. Developments in Turkey's Maritime Transportation Volume

Although most of our population and industry is stated in shore regions, the portion of maritime transport in whole transportation is between 3% and 4,5% in our cabotage trade, as shown in the Table 4.3

Table 4.3**Turkey's Cabotage Transportation According to Ways**

YEARS	SEAWAY	ROADWAY	AIRWAY	RAILWAY
1998	21.529.461	434.885.000	63.716	15.840.000
%	4,56	92,07	0,01	3,36
1999	21.229.016	425.196.000	70.529	15.537.000
%	4,59	92,03	0,02	3,36
2000	20.847.595	455.177.000	71.002	18.524.000
%	4,21	92,03	0,01	3,75
2001	12.633.778	424.828.000	40.702	14.362.000
%	2,80	94,02	0,01	3,17
2002	16.430.000	421.569.000	53.540	14.424.000
%	3,63	93,17	0,01	3,19

Source: Chamber of Shipping, Maritime Sector Report 2003, Istanbul, 2004, pg:72

Table 4.4**Developments of Maritime Transportation (MTON) (1994-2003)**

Turkish Flag						
YEARS	TOTAL	EXPORT	IMPORT	SHIPPING QUANTITY	TR/FLAG	FRGN/FLAG
1994	74.743.615	22.112.827	52.630.788	36.986.641	49,5	50,5
1995	84.181.116	20.174.562	64.006.554	35.157.163	41,8	58,2
1996	91.680.312	18.846.073	72.834.074	36.057.963	39,3	60,7

TABLE 4.4 (Continuation)

1997	112.373.431	37.009.695	75.363.736	32.935.901	29,3	70,7
1998	104.076.233	24.773.274	79.302.959	33.856.861	32,5	67,5
1999	110.901.420	32.923.267	77.978.153	31.792.427	28,7	71,3
2000	118.248.056	32.291.101	85.956.955	36.082.371	30,5	69,5
2001	113.414.358	40.633.756	72.780.602	35.196.754	31,0	69,0
2002	125.244.852	39.065.012	86.179.840	41.178.590	32,9	67,1
2003	140.150.438	41.476.801	98.673.637	39.745.043	24,8	75,2

Source: Chamber of Shipping, Maritime Sector Report 2003, Istanbul, 2004, pg:73

In shipping of foreign trade loads Navigation under Secretary and State Institute of Statistics is taken as information sources. As seen from Table 4.4. Turkey's exportation shipping in 2002 increased from 39,1 million tons to 41,4 million tons in 2003 and importation shipping increased from 86,1 million tons to 98,7 million tons. But the portion taken bonded ship's portion in foreign commerce transport was 33,4%.

According to the Table 4.5 the portion in foreign trade transport taken by Turkish bonded ships had been decreased 8% in 2003 when compared with 2002. But the foreign bonded ship's portion had been increased 7.9% in 2003 when compared with 2002.

Table 4.5**Turkish and Foreign Flag Shares in Export and Import Maritime Transportation**

	TURKISH FLAG VESSELS				FOREIGN FLAG VESSELS			
YEARS	IMPORT	%	EXPORT	%	IMPORT	%	EXPORT	%
1994	26.485.179	50,3	10.501.462	47,5	26.145.609	49,7	11.611.365	52,5
1995	27.199.128	42,5	7.958.035	39,4	36.807.426	57,5	12.216.527	60,6
1996	28.615.896	39,3	7.442.071	39,4	44.218.178	60,7	11.404.167	60,5
1997	24.732.557	32,8	8.103.344	21,9	50.631.179	67,2	28.906.351	78,1
1998	26.674.042	33,6	7.182.819	29,0	52.628.917	66,4	17.590.455	71,0
1999	24.290.639	31,2	7.501.788	22,8	53.687.514	68,8	25.421.479	77,2
2000	27.565.778	32,1	8.517.593	26,4	58.391.177	67,9	23.774.508	73,6
2001	25.174.302	34,6	10.022.452	24,7	47.606.300	65,4	30.611.304	75,3
2002	31.096.923	36,1	10.081.667	25,8	55.082.917	63,9	28.983.345	74,2
2003	29.946.962	30,3	9.798.081	23,6	68.726.675	69,6	31.678.720	76,4

Source: Chamber of Shipping, Maritime Sector Report 2003, Istanbul, pg:74

4.3.1. Developments in Maritime Transportation According to Country Groups

The countries mostly exported and imported by maritime transport in 2003. Export: 16% to Italy, 10.3% to Spain and 7.9% to USA. Import: 20,4% from Russia, 7,1% from Iran, 6,9% from Ukraine.

Table 4.6**Maximum Exporting & Importing Countries of Turkey by Seaway**

COUNTRIES	EXPORT	COUNTRIES	IMPORT
ITALIA	6.702.760	RUSSIA	20.085.154
SPAIN	4.256.481	IRAN	7.008.491
U.S.A	3.290.914	UKRAIN	6.797.756
ISRAEL	2.155.822	U.S.A	6.289.554
CHINA	1.534.568	LIBYA	4.730.689
U.A.E	1.439.956	S.ARABIA	4.146.257
ENGLAND	1.373.840	ROMANIA	3.286.553
CEZAYİR	1.184.131	S.AFRICA	2.676.368
GREECE	1.158.385	BRASIL	2.401.988
S. ARABIA	1.100.751	GERMANY	2.401.988
OTHERS	17.279.193	OTHERS	38.867.537
TOTAL	41.476.801	TOTAL	98.867.636

Source: Chamber of Shipping, Maritime Sector Report 2003, Istanbul, pg:75

The total foreign commerce volume shipped to European Union countries is 32,7 million tons, 18,3 million tons of that volume is exportation and 14,4 million tons is importation.

Turkish bonded ships did 25,3% of this transportation. The countries exported to or imported from did 5,4% and other flag countries did 69,3% of this transportation.

Table 4.7
Maritime Trade Volume with 15 EU Countries of Turkey

EU COUNTRIES	TOTAL FOREIGN TRADE	EXPORT	IMPORT	T/FLAG %	OWN/ FLAG %	OTHER FLAG %
GERMANY	3.414.973	1.031.871	2.383.102	23,1	4,6	72,3
AUSTRIA	188.318	86.178	102.140	24,4	6,0	69,6
BELGIUM	2.314.936	734.994	1.579.942	25,7	4,2	70,1
DENMARK	235.874	57.287	178.587	6,7	25,6	67,7
FRANCE	2.146.851	944.378	1.202.473	21,7	5,3	73,0
FINLAND	311.734	-	311.734	10,6	14,5	74,9
NETHERLAND	2.0741.651	650.609	1.391.042	23,7	4,6	71,7
ENGLAND	3.200.789	1.373.840	1.826.949	18,1	9,2	72,7
IRELAND	236.699	209.488	27.211	6,8	0,9	92,3
SPAIN	5.111.285	4.256.481	854.804	27,5	1,9	70,6
SWEDEN	1.826.320	126.768	1.699.552	2,3	1,4	96,3
ITALY	8.911.454	6.702.760	2.208.694	33,4	6,4	60,2
LUXEMBURG	22.366	1.948	20.418	28,5	5,4	66,1
PORTUGUAL	1.184.291	1.024.491	159.800	14,5	1,4	84,1
GREECE	1.627.875	1.158.385	496.490	40,5	10,4	49,1
TOTAL	32.775.416	18.359.478	14.415.938	25,3	5,4	69,3

Source: Chamber of Shipping, Maritime Sector Report 2003, Istanbul, pg:77

The foreign commerce volume between Turkey and EU countries is 32,7 million tons.

26% of it is done with Italy, 16% with Spain and 10% with Germany.

4.4. Proposals to Develop Turkish Maritime Trade

If we have to make a proposal for the development of the fleet we can say that the importance of transportation of domestic commodity and human through sea instead of land should be recognized as soon as possible. The competent authorities should compute the amount of money to spent for highways, cost of fuel consumed on these roads, maintenance cost of land vehicles and the roads. If only a little amount of money was allocated for investment of sea vehicles that would operate along the coastline from eastern Black Sea to Eastern Mediterranean the Turkish merchant fleet would expand enormously. Importance of this issue would be recognized when the coastal sea transportation started to be made by Greek and Italian flagged ships entirely, when our integration became a reality.⁹⁰

Merchant marine is not a favor that can be benefited by every country. The number of countries having such a favor is limited. Three sides of Turkey are surrounded by seas. Many of the Asian and Middle East countries have to use Black Sea and our Straits in order to open to the world trade. Turkey's Aegean and Mediterranean coasts are our national assets having potential to make us an authority in the world merchant marine.

The economical competition between the world nations becomes hard and ruthless progressively. The nations bring their strong aspects forward and make them even

⁹⁰ M. Faruk Urkmez, "Our Country doesn't Have Political Structure to Produce Maritime Policy", **Turkish Shipping World**, January, 2002 pg:77

stronger to get a more advantageous position in order to be able to compete each other. Subsequently, Turkey should use merchant marine as a competition advantage owing to her geographic situation. The maritime sector must take its place among the strategic sectors that will be identified for development of Turkey.

State Planning Organization's Eighth-Five Year Development Plan including the years 2000-2005 has the proposal to improve our maritime sector.⁹¹

- Maritime sector should be accepted as one of the main sectors of Turkish economy like industry and tourism. Turkey should arrange its fleet according to developing transport systems and new port technologies with supporting politics for saving from the freight paid to increase its share in shipping and to realize foreign commerce with the lowest costs.
- 91% of foreign commerce is done by maritime transport in Turkey however 35% of the ships are Turkish bonded, for that reason in shipping for both export and import Turkish bonded ships should be decided.
- With a guarantee that the shipping of oil will be done by Turkish bonded tankers, our tanker fleet should be renewed.
- To improve the international rivalry force of our commerce fleet and to increase the share of Turkish bonded ships in national and international transportations our fleet should catch the international standards and the capacity of the fleet should be increased to 15 million DWT.

⁹¹ Devlet Planlama Teskilati, **Denizyollari Ozel Ihtisas Komisyonu Raporu**, Sekizinci Bes Yillik Kalkinma Planı, Ankara, 2001, pg:24

- Commerce fleet should especially have liner ships.
- Loaders should be organized in liner transporting.
- To contribute the development in our maritime sector and to catch the international standards, necessary changes should be done about the services in Turkish legislation.
- Private enterprise, foreign capital and their partners should be encouraged to invest on shipping lines and bordering services should be modified.
- To decrease the existing age average from 19 to 10 of the fleet serious inspections should be done and this condition should be asked when giving encouragement credits by the state.

4.4.1. Foundation of Shipping Ministry

In existing order there are 57 laws, 29 statutes, 41 regulations and 18 sub laws about shipping, this causes a competence disorder between the institutes empowered on shipping. As a result there are delays for important projects to begin for our country.⁹²

When the Ministry is founded all subjects about improving maritime sector and transportation will be executed by a simple competent authority and the problems and handicaps of shipping will be critized directly in the Council of Ministry

⁹² Mustafa Herguner, “Kabotaj Kanunu ve Deniz Gucumuz”, **Dunya Gazetesi Persembe Rotasi**, sy:7332 Istanbul Temmuz 2004, pg:2

Table 4.8
Administration Schema of Turkish Shipping

MINISTRY	SUB-UNITS
Ministry of Home Affairs	Command of Coast Guard
Ministry of Foreign Affairs	Consulates
Ministry of Justice	Maritime Law
Ministry of Tourism	Marinas, Sea Tourism
Prime Ministry Undersecretariat of Customs	Sea Customs
Ministry of Public Works	Ports
Ministry of Finance	Expenses, Taxes, Funds
Ministry of Transport	Undersecretariat of Maritime Affairs
Ministry of National Defence	Military Shipping (Logistics)
Turkish Armed Forces	Military Shipping (Operations)
Ministry of National Education	Shipping Education (High School Level)
Institutions of High Education	Shipping Education (University Level)
Ministry of Industry and Trade	Loans for Maritime Trade
Ministry of Agriculture and Rural Affairs	Water Products
Ministry of Health	General Directorate of Borders and Maritinal Health

Source: Dünya Gazetesi Persembes Rotasi, Temmuz 2004, sy:7332 pg:4

For that reason a Shipping Ministry should be found immediately that includes all services about navigation by the way competence disorder will end.

4.4.2. Adaptation of Turkish Legislation to the International Legislation

Our shipping laws should be adapted to EU legislation. It should be encouraged to sign contracts with EU countries to decrease working cost of Turkish commerce fleet and to create new working areas. Before signing these contracts opinions and suggestion of a specialist institute should be taken.

a. Turkish Commercial Code (6762)

Chamber of Commerce presented proposal to Ministry of Industry and Commerce about quoting the maritime firms to IMKB and presenting them to public.

According to first subject of article 815 of cabotage, only Turkish bonded ships can work in cabotage, in article 823 of Turkish Commercial Code is determined that ships can have Turkish bond if they belong to a Turkish citizen. In this situation it is impossible for a Turkish ship owner to have Turkish flag on the ship rented from a foreign country.

For that reason to use a foreign ship by financial renting method passage should be added to article 823 of Turkish Commercial Code like “The Navigation

Undersecretary of Turkish Republic has the competence of permitting the rented ship to have Turkish flag in duration of renting as it is determined that the ship belongs to a Foreign Financial Institute.”⁹³ By these changes the difficulties in practice will end.

b. Sea Labor Law (854)

The changes planned to be done in Sea Labor Law should be in a way law that suits maritime sector benefits.

⁹³ Basbakanlik Denizcilik Mustesarligi, **2. Ulusal Denizcilik Surasi Calisma Grubu Raporlari**, 28-30 Eylul, 2000, Istanbul, pg:17

In addition, the institutes about working and employment should be presented in international platform ILO (International Labor Organization), a permanent commission work on the subjects should be founded and to finance these, a fund should be assigned.

Also private employment offices should be found to educate the staff, and the credits from World Bank assigned for this subject should be used.

c. Financial Renting Law; 3226

It is understood that a renter ship owner can acquire ownership without waiting the end of a four-year period, lowest financial hiring duration, if there is a change in statute about the time and limit of hiring process. The struggles, done to fasten the progress about acquiring ship by financial renting, should be resulted.

d. Environmental Law Draft

Punishments are given to the polluters of environment. The general insight is to punish according to the rate of pollution and cleaning the pollution in the given time and invoicing the costs to the polluter. For this reason, taking developed countries, as example there should be fair, practical and effective changes in draft law of environment ; 2872.⁹⁴

⁹⁴ Ibid, pg:18

To actualize national dispositions, lawyers should be encouraged to work on these subjects to develop and amend the national shipping law; beside EU law also international laws about shipping should be studied.

4.4.3. Transporting with Turkish Bonded Ships

Although international institutes are against to load reservation in shipping, countries with strong economies and credit giving institutes stipulates using their own ships in their contracts try to do with Turkish enterprises and State Economic Enterprises Commission institutes.

It is a national duty to support national commerce navy by assuring loads till they become a national treasure by paying the credits taken from foreign countries in undertaken time. Especially transportation done for, exportation and investment in foreign countries and for the Ministry of National Defense should be done by Turkish bonded ships and it should be a state policy.

To support it, judgment 152 and Premiership notice (1997/75) is published. But the rules; transporting with Turkish bonded ships and developing industry of ship construction, are not obeyed by the public institutes.⁹⁵ As a result loads are transported by foreign bonded ships and in a year freight of 1,5 billion USD is lost.

⁹⁵ Devlet Planlama Teskilati, **Denizyollari Ozel Ihtisas Komisyonu Raporu**, Sekizinci Bes Yillik Kalkinma Plani, , Ankara, 2001, pg:58

By omitting the long distance freight presidium in 1995, transportation become to be done mostly with foreign bonded ships, and the share of Turkish bonded ships decreased from 50% to 30%.

As understood long distance freight presidium should be put on the agenda again. In private enterprise, by taking example CIF is for exportation shipping and FOB is for importation shipping, Turkish bonded ships can have the main role in transportation again; by the way it will be avoided to lose foreign exchange.⁹⁶ And this will be a great profit for Turkish economy.

4.4.4. Forming Effective Control Systems for Port of State

State port control aims to increase the standards of ships to unacceptable level. There are some reasons for the loss of time and money that Turkish bonded ships had in EU ports in last years. They are:

1. Problems occurred in Mediterranean countries sourced by the physiology of the controller because Turkish ships are mostly coasters.
2. Reasons caused of our old fleet.
3. Problems caused by maintenances, which are not done on time.
4. Lameness on life guarding systems and fire extinguisher systems

⁹⁶ Ibid, pg: 60

Problems sourced by the low number of all staff and their deficiencies.

Port States should have institutes for controlling and should supply the required equipment, educated staff for the institutes. Turkey is a member of Mediterranean and Black Sea memorandum so we should have 15% inspection for the ships. But, because of the lack of educated and infrastructure this inspections are not used, as they should be.⁹⁷

Because Turkey is not a member of Paris Memorandum the faulty foreign bonded ships in our harbors are not included in faulty statistics. By a common work with Mediterranean port states Turkey should have a serious inspection system in Istanbul, Izmir and Iskenderun Ports.

4.4.5. Procuring Whole Units of Turkish Maritime Sector to Have Quality Certificates

To get a good share in world maritime sector, all international rules should be obeyed and required agreements should be done. Fixing our shipping to world shipping can be done by fixing the country to the world. Seamen should work fixed with world and should be renewed.

⁹⁷ Ibid, pg: 62

As known ISM (International Safety Management) Code is accepted on July 1998 and this code is applied to passenger ships with capacity of 500 tons or more, ships carrying petrol and chemical materials, high volume material carriers and high speed ships.

Activities about ISM Code in Turkey should be coordinated and information about this subject people on duty should be given. By the Code's necessities ships will be found defective in inspections then financial penalties will be given to them.

After 11th September tragedy whole world got the importance of being united against terrorism. As a result of this conscious IMO formed a regulation that determines the standard of safety in ships sailing in international seas and in port servicing to these ships. Standards of ISPS (International Ship and Port Security Code) code become compulsory for the ships sailing on international seas and ports. Unfortunately, marine institutes in our country perceived the subject late and necessary preparations could not be done.

The last date to apply for the code is 1 July 2004. After this date, ships without this certification can be focused not to draw near international harbors or they can be taken under quarantine. IMO declared White & Black lists for both ports and ships by the way sea commerce will be done by only certificated ports and ships.

Statistics show that the detention rate for Turkish –flagged vessels is very high. Turkey should try to meet all its flag state and port state obligations by ensuring that sufficient number of trained inspectors to apply the acquis. Turkey is still in the very high risk category of the Paris Memorandum of Understanding black list.

Although Turkey is pursuing a policy of gradual alignment on the European Union's regulatory system in the transport sector, it is a long way from applying the *acquis*.

In its **November 2000 Report**, the Commission noted that since last regular report no new legislation transposing the Community transport *acquis*.

The **November 2001 Report**, emphasised that Turkey needed to step up its legislative work considerably to adopt the Community transport *acquis*.

The **October 2002 Report** noted that further progress had been made Turkey needed to focus further efforts on bringing its legislation in line with the Community transport *acquis* in all transport sectors.

The **2003 Report** indicated that, Turkey has made limited progress in transposing the transport *acquis*. Legislative alignment with the *acquis* should start on maritime safety.

The **2004 Report**, shows that harmonization of Turkish legislation with the Community transport *acquis* remains limited. Legislative and institutional reforms are needed to restructure the entire rail and maritime sectors in line with the *acquis*.⁹⁸

In the maritime sector there are no important obstacles in the measures that should be done for the EU. Anyway maritime sector is an international sector because of its nature. The necessary measures will be taken and the regulations will be harmonized.

⁹⁸ Europa, Accessed on June 18, 2005, <http://www.europa.eu.int/scadplus/leg/en/lvb/e13113.htm>

But it is important that, in this process in order to be successful institutions, organizations and companies should act in unity.

Greece had joined EU, twenty five years ago, it has granted cabotage exemption to improve its socio-economic status in line with its interests covering a long period through high level lobbying efforts.

Turkey's logical choice should be to know EU norms very well and to use them properly to compete with other countries in European markets in the maritime sector just like Greece.

Upon realization of necessary regulations, Turkey will see in a very short time the maritime industry would be capable of providing some 25 billion dollars input to Turkey every year.

Development of maritime sector does not means only improvement of this sector. It is also means that development of nation as a whole and is the solution for economical problems.

V. PORTS AND PORT PRIVATIZATION IN MARITIME TRANSPORTATION

The classic description of port is where goods from ships can load and discharge. Till now, port had a great process change: They were designed for ships to shelter then they become places to present utility. Sheltering is a secondary duty for port anymore. The main thing is to transfer the load cheaper, safer, more qualified and quicker between carrying systems.

This leads port to act and think economically. Acting without thinking of economy will affect whole transportation system. Importance of port rises as they work with other national transportation systems. By the way their efficiencies rise in their hinterlands and they become nationally even internationally formed. Port integrated with railways have more advantages than the others. These systems have more suited design for high volume loads.

Basic process of ports alternates according to load and their transportation system. Ports are the places to pick and distribute load and to change the type of transporting.

5.1. Benefits of Ports to Regional and National Economy

Ports have a main role in projects, which are formed to develop socio-economical status of countries. Day by day ports role in economic services are being important.

Insufficient port capacity can effect export and import which is a proof of increase in national income, then this will cause economy to go bankrupted.

Ports, that organize the amount of presenting of commodities, with its efficient warehousing functions, it balances prices or decrease then, cause exportation to increase. By the way, competing force of the country will rise up.

The port policies began to be applied in 1980's about building private ports and working them was supported by some projects. It was the sale of harbors, which belong to public institutes to private enterprise.

In 1993, a report by Cengiz Kaptanoğlu (chief of Chamber of Commerce) about sailing public ports to private enterprise was presented to Turkey Chambers Union.

In the report, there were some fixations; the number of staff in Turkish Maritime Organization and Turkish State Railways is over the need by missing the new technologies ports and harbors became heavy cost for the state. **Therefore private enterprise is really required for better work of ports.**⁹⁹

According to the report, the aim is; to increase the capacities of port by following working policies and by improving services, to increase the rate of profitability and

⁹⁹ Resad Deniz, **Liman Isletmeciligi**, Akademi Denizcilik, Akademi Yayinlari, 2003 pg: 290

efficiency. If the monopolies can be avoided, as a result of rivalry, quality of services will rise and the cost of transporting loads will be decreased.

5.2. Historical Developments in Privatization of Ports

As important gateways to trade, ports play a critical role in determining a country's competitiveness and economic welfare.

The globalization of the world economy has brought about tremendous increase in exchange of goods across the world. In pursuit of economical and competitive manufacturing, production centers have rapidly shifted their basis beyond national borders .

It can not be denied that to cope with growing world trade, ports will continue to play a critical and indispensable role. At the IAPH's (International Association of Ports and Harbors) World Port Conference in Kuala Lumpur in May 1999 Dr. Mahathir Prime Minister of Malaysia, clearly stated: "No matter how information technology advances , the world trade cannot be materialized without ports."¹⁰⁰

This is exactly why every country needs to develop much more advanced and efficient ports for its success in an international area.

¹⁰⁰ Satoshi Inoue, 'Towards a New Framework of Port Industry for the 21st Century', Secretary General IAPH Accessed on December 02, 2003 <http://www.iaphworldports.org/trade/inoue.htm>

Table 5.1
Port Functions

CARGO Stevedoring, Longshoring Equipment Operations Transit Storage Receiving and Delivery Cargo Tracking Consolidation, Utilization Warehousing Assembly and Processing Land Transport Barging	INFRASTRUCTURE Hydrographic Surveys Dredging Repair and Maintenance Engineering Design New Construction Equipment MARKETING Market Research Promotion and Sales
VESSEL Navigational Aids Pilotage, Towage Bunkering Utilities, Garbage Removal Stowage, Planning Anchorage, Buoys Launch Services Vessel Repair	MANAGEMENT Billing Accounting Data Processing Staffing SECURITY Security Forces Fire and Rescue Pollution Control

Source: Asian Development Bank, Port Sector Report, Part Two, pg:31 Accessed on December 2, 2003 <http://www.adb.org/Documents/Books>

The role of modern ports can be summarized in the following UNCTAD definition:¹⁰¹

“Ports are interfaces between several modes of transport and thus they are centers for combined transport. Furthermore they are multi functional markets and industrial areas where goods are not only in transit but they are also sorted manufactured and distributed. As a matter of fact, ports are multi-dimensional systems, which must be integrated within logistic chains to fulfil properly their functions. An efficient port requires, besides infrastructure, superstructure and equipment, adequate connections to other transport modes, a motivated management and sufficiently qualified employees.”

It must be studied that how port activities are coordinated and the role of port authorities must play in regulating ports’ infrastructure and activities.

As mentioned that before, in the last decades there were important changes in maritime transport which have modified the balance between capital and labor at ports.

Ports used to be labor intensive but now they are increasingly becoming capital-intensive industries. This change has caused an excess of employees in the most ports around the world. The development of containerized transport is another factor that has significantly modified ports’ operations. Containers have allowed large cost reduction in cargo handling, but they have also imposed new needs on ports in terms of equipment (gantry cranes, specialized terminals, improved pavements) On the other hand, economy obtained by the transport of large quantities of containers and bulk cargoes have led to the building of increasingly larger specialized ships that require substantial port investment, infrastructures and equipment.

The combined transport systems have several advantages to reduce the transport costs.

¹⁰¹ Lourdes Trujillo and Gustavo Nombela, ‘Privatization and Regulation of Seaport Industry, World Bank Publications’, 1999, pg:1 Accessed on July 24, 2004
<http://www.worldbank.org/html/dec/Publications/Workpapers/wps2000series/wps2181/wps2181.pdf>

Trujillo and Nombela demonstrates it as;

‘The development of integrated transport chains has reduced transport costs to such an extent that it is now often preferable for a shipper to use a distant port instead of a closer one, provided that the former has better facilities and connections than the latter’ (hinterland).’¹⁰²

5.3. Management of Ports

In the past ports have always been run by the government because of their special role as the gateway of people and goods entering a nation. Since industrialization, the costs of infrastructure have increased clearly. Governments have to find money for advanced infrastructure to begin participate trade throughout the region. Developing nations do not have enough sources necessary for these improvements. In less developed nations the tax base is not large enough to mobilize the funds necessary. Thus a role for the private sector is to become clear finance infrastructure and run ports efficiently.

State run and managed enterprises are differentiated with their inefficiencies and high prices. The lack of competition creates a monopolist situation where the producer can charge a rate than in a perfect competition. In addition, public sector is unable to adopt or utilize technological innovations effectively. Government bureaucracy slow down the decision making process.

Many of these problems with infrastructure are attributed to the lack of competition in the market. The government should only play a role in providing goods that would not be produced in the private sector. Port infrastructure very expensive investment,

¹⁰² L. Trujillo and G.Nombela, ‘Privatization and Regulation of Seaport Industry, World Bank Publications’, 1999, pg:1 Accessed on July 24, 2004
<http://www.worldbank.org/html/dec/Publications/Workpapers/wps2000series/wps2181/wps2181.pdf>

because of this the private sector is willing to provide because they can recover their costs and get profits if given the chance.

Privatization is regarded by De Matons as follows;

‘Privatization can be viewed as a transposition of public policy by which objectives to generate positive results for the public good are shifted from the public to private sector.’¹⁰³

The public character of ports prevents the rapid responses needed in a dynamic competitive environment. Inefficiency increases prices, reduced trade opportunities with the rest of the world and lower benefits to port region and society. Paper traffic slow downs customs operations and therefore it causes bottlenecks. And also long waiting process pushes up prices.

In addition to general inefficiencies, ports are slow to adopt advanced technologies. In the days of global competition, major multinational companies must use the latest logistics technology to reduce cost for increase market share. They want their products to move through the ports quickly. Ports must develop their facilities to respond these logistics companies.

¹⁰³ Jean Grosdidier De Matons, ‘Is a Public Authority Still Necessary Following Privatization’, 1997, pg:5 Accessed on August 15, 2004, http://www.worldbank.org/transport/ports/con_docs/dematons.pdf

International experiences have shown the private participation in both operations and infrastructure has improved significantly the outcomes of some ports.¹⁰⁴ These experiences make a case for revision of the traditional organization of ports around the world changes that will prepare ports for a more competitive market and less financial help from governments.

Government's specific objectives for promoting the role of the private sector in port operations and investment are mentioned below:¹⁰⁵

- Increase operational efficiency
- Promote competition among ports and terminals
- Accelerate growth of traffic
- Provide private financing of public infrastructure
- Improve the quality and capacity of infrastructure
- Reduce operating subsidies
- Reduce the national deficit
- Downsize government bureaucracy
- Depoliticize port management and labor
- Promote equality ownership

The objectives of the private sector in participating in port services:¹⁰⁶

- Provide an acceptable rate of return

¹⁰⁴ L. Trujillo and G.Nombela, 'Privatization and Regulation of Seaport Industry', World Bank Publications, 1999, pg:20 Accessed on July 24, 2004

<http://www.worldbank.org/html/dec/Publications/Workpapers/wps2000series/wps2181/wps2181.pdf>

¹⁰⁵ Asian Development Bank, 'Port Sector Report', Part Two, pg:33 Accessed on June 1, 2004,

http://www.adb.org/Documents/Books/Developing_Best_Practices/Ports/Part2_Ports.pdf

¹⁰⁶ Ibid, pg:39

- Provide integrated logistic services to the market
- Increase the reliability of the services
- Reduce the costs of transport

5.4. Elements of Ports

Private sector involvement to the ports sector can vary. Assessing the true extent of private sector within a port requires careful analysis of the different activities, roles and responsibilities which it is possible to transfer from the public entity to the private sector. From analysis of the industry it is apparent that there are different and essential elements of a port which may be privatized. Elements, which can be privatized either individually or collectively, are;¹⁰⁷

- Port regulator
- Port landowner
- Port operator

Regulatory activities within a port are generally total of some duties and responsibilities. Regulatory role is described in the title “Port Authority”. The “Port Authority” has been defined in various ways.

In 1997 Commission of European Union defined a Port Authority as a “State municipal, public or private body, which is largely responsible for the tasks of

¹⁰⁷ Alfred J. Baird, “Privatization of Trust Ports in the UK: Review and Analysis of the First Sales”, **Journal of Transport Policy**, Vol 2, No2, 1995, pg:135

construction, administration and sometimes the operation of port facilities in circumstances for security”. This definition is enough to include the various port management models existing within the EU and elsewhere.¹⁰⁸

5.4.1. Port Landowner Function

The landowner function relates to the development of port infrastructure and associated tasks. Key tasks of a port landowner are:¹⁰⁹

- managing and developing the port estate in line with user needs;
- realizing and, implementing national or regional port policies and development strategies;
- supervising major civil engineering works;
- providing and maintaining channels, fairways and breakwaters etc;
- co-ordinating port marketing and promotional activities
- providing and maintaining locks, turning basins, berths, piers and wharves and;
- providing or arranging road and rail access to the port facilities

5.4.2. Port Regulatory Function

This function concerns the port regulatory activities and their generally involves substantial statutory powers being given to a port’s management. Duties, powers and

¹⁰⁸ World Bank, ‘Alternative Port Management Structures and Ownership Models’, Port Reform Toolkit, Module 3, pg:11 <http://www.worldbank.org/transport/ports/toolkit/mod3.pdf>

¹⁰⁹ Gustaaf. De Monie, ‘Mission and Role of Port Authorities’, **Proceedings of the World Port Privatization Conference**, London, September, 1994 pg:16

responsibilities carried on under the regulatory functions are normally but not always the sole preserve of the public port authority, and will typically include:¹¹⁰

- overseeing of conservancy and pilotage
- providing vessel traffic management or surveillance (VTS)
- enforcing applicable laws and regulations
- maintaining port police force and emergency service capability
- licensing port works
- safeguarding port users' interests against the risk of monopoly formation, and the controlling of natural monopolies

5.4.3. Port Operators

Just as central governments and port authorities play key roles in the port communities, so too do private port operators (such as stevedoring firms, cargo handling companies and terminal operators). Port operators typically pursue conventional micro-economic objectives, such as profit maximization, growth and additional market share. Only if port operators are free to pursue such objectives can the benefits of a market-oriented System is achieved.¹¹¹

¹¹⁰ Ibid, pg:17

¹¹¹ World Bank, 'Alternative Port Management Structures and Ownership Models', Port Reform Toolkit, Module 3, pg: 13 Accessed on July 12, 2004, <http://www.worldbank.org/transport/ports/toolkit/mod3.pdf>

5.5. Port Management Models

A number of factors influence the way ports are organized, structured and managed:¹¹²

- The socio-economic structure of a country (e.g., market economy)
- Historical developments(e.g., former colonial structure) ;
- Location of the port (e.g., within an urban area, in isolated regions)
- Types of cargoes handled (e.g. liquid and dry bulk)

Four main categories of ports have emerged over time. They can be classified into four main models:¹¹³

- Service Port
- Tool Port
- Landlord Port and
- Fully Privatized Port

5.5.1. Service Port

The government is the owner the “infrastructure” (berth, wharves, waterway, channels and roads) and the “superstructure” (cranas, warehouses, cargo handling equipment, office building and communication networks) and to employ the port labour.

¹¹² World Bank, ‘Alternative Port Management Structures and Ownership Models’, Port Reform Toolkit, Module 3, pg:16 <http://www.worldbank.org/transport/ports/toolkit/mod3.pdf>

¹¹³ Ibid, pg:17

Many ports in the developing world and former communist countries are still run in this way, including China.

5.5.2. Tool Port

All the administration, infrastructure, building and equipment remain in public hands. Some services are carried by private sector to run and employ the necessary labor. Examples include some of ports in the US and Britain.

5.5.3. Landlord Port

The government, as a port authority, owns the land and other infrastructure and runs the port administration. The superstructure with the employment of labor is taken over by the private sector. At least 88 of the world's top 100 container terminals follow this model.

5.5.4. Fully-Privatized Port

The government sells all assets including land, berths and basins to the private sector and retains no controlling interest. This form of privatization is valid for some ports in Britain, New Zealand and Greece.¹¹⁴

¹¹⁴ L. Trujillo and G. Nombela, 'Privatization and Regulation of Seaport Industry', World Bank Publications, 1999, pg:11, Accessed on July 24, 2004
<http://www.worldbank.org/html/dec/Publications/Workpapers/wps2000series/wps2181/wps2181.pdf>

Table 5.2
Basic Port Management Models

Type	Infrastructure	Superstructure	Port Labor	Other Functions
Service Port	Public	Public	Public	Majority Public
Tool Port	Public	Public	Private	Public/Private
Landlord Port	Public	Private	Private	Public/Private
Privatized Port	Private	Private	Private	Majority Private

Source: World Bank, Alternative Port Management Structures and Ownership Models, Port Reform Toolkit, Module 3, pg:21, Accessed on July 12, 2004
<http://www.worldbank.org/transport/ports/toolkit/mod3.pdf>

This century saw the introduction of ports that were both developed and operated by government. This occurred in reaction to the monopoly practices of the private sector, especially railroads in port operation. Public operating ports provided advantages by lowering the costs of transport, and supporting both trade and regional economic development. Over time, the public ports managements become more politicized and less effective with their incapable labor. They behaved more inefficient monopolies unable to provide the quality of service required by the shipping environment. Although their inefficiencies, they insist on applying higher prices. Investments were made only there was urgent necessity or officials who benefited from the procurement. These problems provided rationale for current port privatization efforts.¹¹⁵

¹¹⁵ Asian Development Bank, 'Port Sector Report', Part Two, pg:54 Accessed on December 22, 2004, http://www.adb.org/Documents/Books/Developing_Best_Practices/Ports/Part2_Ports.pdf

Today, the term “port reform” connotes the changing institutional structure of the port business and more involvement of the private sector in the exploitation and financing of port facilities, terminals and services. Port reform therefore results in changing relationships between the public and private sectors.

5.6. Ways of Private Sector Involvement to the Ports

Governments and port managers can select from among a variety of strategies for improving organizational and operational performance. Some valid approaches are;¹¹⁶

- Modernization
- Commercialization
- Liberalization
- Privatization

In theory privatization seems to be the best answer for developing port infrastructure, but it is difficult to make the transition in practice. There is a range of privatization, and nations can be at different step of privatization practices. Full privatization is not always necessary for a port to achieve a desirable level of efficiency. The state has different choices to achieve how to liberalize its policies.¹¹⁷

¹¹⁶ World Bank, ‘Alternative Port Management Structures and Ownership Models’, Port Reform Toolkit, Module 3, pg:38 <http://www.worldbank.org/transport/ports/toolkit/mod3.pdf>

¹¹⁷ Simon Hakim, Paul Seidenstat, and Gary Bowman, ed. **Privatizing Transportation System**, Praeger Publishers, USA, 1996, pg:34

5.6.1. Modernization

When a state is particularly constrained by political actors or is unwilling to trust to the private sector it may chose this option. Modernization does not involve any major restructuring. The government chooses to develop its existing structures to improve efficiency and cost minimization. It involves increasing capacity within the port agency.

Examples of improvements that can be introduced without policy and legal changes are:¹¹⁸

- Adoption of corporate planing practices
- Application of human resources development (HRD) planning
- Use of computer applications and management information systems (MIS)
- Development of electronic data interchange (EDI) and information and communication technology (ICT)

A government might choose this strategy if its objectives are to improve efficiency , reduce expenditures, and cutback its workforce. Modernizing administration is an appropriate strategy if the port only needs to make minor changes.

¹¹⁸ World Bank, 'Alternative Port Management Structures and Ownership Models', Port Reform Toolkit, Module 3, pg:41 <http://www.worldbank.org/transport/ports/toolkit/mod3.pdf>

5.6.2. Commercialization

Commercialization is an appropriate strategy for giving the port a more businesslike character like the establishment of a port authority. Port authority management is allowed the freedom to make decisions and run more like a private company. It becomes more isolated from public opinion and politics. The benefits of commercialization are same as modernization. In addition, public existence with different roles and responsibilities, the port is not so tied with the labor unions. They can fire and hire employees easily and job performance of employee is important than seniority in their award system. In this strategy private sector lease facilities for short or long term from the port authority.¹¹⁹

Success of this strategy depends on flexibility degree of political constraints on the port administration.

5.6.3. Liberalization

In case of liberalization the private sector takes more active role in providing port services. Liberalization stimulates competition that allows for the adoption of efficient practices. Liberalization provides the state an easy way to develop an advanced infrastructure to attract trade. It enables port improvement with low costs to the state and will increase employment in the private sector.

¹¹⁹ Ibid, pg:42

It allows the private sector to introduce its minimum cost maximum profit approach to ports that can make a significant acceleration on the economy.

5.6.4. Privatization

Privatization of port facilities and services gives more real ownership to the private sector. Privatization involves a loosening of state control where the government plays a smaller regulatory role. The private owner has autonomy to run its own operations. The state agrees to stay in background.¹²⁰

Privatization ranges from operations to outright ownership of land. Often, the government remains as a shareholder in these operations. In this role, its interests coincide more closely with the private sector's because they both focus on earning a profitable return of investment.

5.7. Ways of Port Privatization

There are too many tools for forming port privatization.¹²¹ When choosing the best way to introduce private participation to port services, depends on port size and the type of service in the port.

¹²⁰ Ibid, pg: 43

¹²¹ L. Trujillo and G.Nombela, 'Privatization and Regulation of Seaport Industry', World Bank Publications, 1999, pg:21, Accessed on July 24, 2004
<http://www.worldbank.org/html/dec/Publications/Workpapers/wps2000series/wps2181/wps2181.pdf>

5.7.1. Leasing of port assets:

Port Authorities rent port assets to private operators during fixed period and thus they obtain income from contract fees.

Private firms are usually not required to make investments, therefore they only assume commercial risks. Some port facilities such as storage building is rented by operators under this scheme.

5.7.2. Concessions

A port concession involves the port authority giving rights over specified port land for a certain period of years in return for an agreed fee. At the end of the concessionary period the property usually reverts to the state, although there is a normally an option to extend the agreement. A concession implies that the concessionarie makes any necessary investments to improve an existing port facility. Concessions will examine in detailed in the part of process of privatisation. Concessions have been used extensively in a number of countries including Brazil, Argentina, Panama, Mexico Italy and Spain.¹²²

Concession contracts between port authorities and private firms are the most common instrument to allow private participation at ports.

¹²² Ibid, pg:22

5.7.3. Management Contracts

As mentioned before, privatization of ports takes place in several ways. Management Contracts are considered to be one of them. Cass examines it by stating;

‘With a management contract the port authority has ownership of the assets and is responsible for provision of further capital, whilst the private contractor offers the authority a package of solutions for effectively operates and manage the port of terminal.’¹²³

With the management contract, port authority entrusts a third party about the management of port or all of its facilities and services.

Management contracts are rather similar in practice to a lease in that they don’t involve any major investment by the contractor. Such contracts are usually granted for a period of at least 5 years.

5.7.4. Build Operate Transfer (BOT)

In this situation, the private sector can submit proposals to develop a infrastructure project. Under the supervision of the government the firm or consortium is permitted to build and operate a facility for a limited time period. The private sector may charge determine tariffs, fees to have reasonable rate of return on their investments. Although the firms generate revenue to recover their costs, the state usually retains the right to regulate the level of fees, which can cause tensions in the public-private partnership.¹²⁴ On the whole, BOT seems to be an ideal solution for the financing of port infrastructure and services.

¹²³ Sid Cass, **Port Privatization-Process, Players and Progress**, IIR Publications, London, 1996, pg:55

¹²⁴ Simon Hakim, Paul Seidenstat, and Gary Bowman, ed. **Privatizing Transportation System**, Praeger Publishers, USA, 1996, pg:36

5.7.5. Joint Venture

A joint venture is the establishment of a jointly owned independent organization by a port authority and one or more other organizations. The “parent” organisations share the costs and profits.

In a joint venture, the state controls the content of the project and exactly what is done.

5.7.6. Sale of port assets

Sale of port assets involves the transfer of ownership of all port land and equipment from the public to the private sector. There are three main ways in which a port sale is accomplished.¹²⁵ A port sale takes place in the following ways;

- *through a full or partial sale of shares to the general public, where the government sells the shares in total or in large blocks*
- *through competitive tender, whereby a sale is made to one bidder, which may be a management and employee buyout.(MEBO),*
- *through a negotiated sale, in which a sale is negotiated with a single purchaser, with the government free to select who the purchaser will be and with the price determined by negotiation.*

Technological changes introduced in the last decade in maritime transport sector can be summarized in two points:

- a) Containerization
- b) Development of larger and deeper specialized ships.

These transformations require modernized ports that have new equipments for provide services to shipping companies. These two revolutions in the maritime sector have

¹²⁵ Brian J. Thomas, “Privatization of UK Seaports”, **Maritime Policy & Management**, 1994, pg:135

forced ports to renovate of their facilities. Introducing private participation at ports seems to be an ideal solution for improved ports.

Private participation shows variety according to the type of the port but port management will choose optimal degree among modernization, commercialization, liberalization and privatization and also ways among leasing of port assets, concessions, BOT schemes, management contracts, sailing of port assets.

5.8. The Process of Privatization

Today, in practice, almost all “public projects” involve a certain degree of private sector intervention. For example, private contractors build infrastructure; operational equipment is modernized or sold by private firms. Similarly, private sector-led projects are still constrained, controlled, regulated by public sector organizations or entities, which keep the rights of approving lay-outs, prescribing norms, imposing levels of service, enforcing competition rules, or safety standards, setting or approving fares and rates, or tolls, and so on.

Therefore the effectiveness of the Public Private Partnership model which is becoming a widely used method in all sectors of the economy worldwide, depends on how the partnership concept is viewed and how it is implemented, effectively sharing both benefits and risks.

The privatization patterns have various forms such as full privatization of former public entities, the transfer of management from public to private sector, various forms of concession-type agreements, including Build-Operate-Transfer and similar models.

To achieve a successful outcome in all these kind of privatization projects, risks and responsibilities between public and private actors should be distributed properly. Mistakes or uncertainties left unaddressed, early in the process may cause serious problems during the implementation and operational stage, affecting both parties in the end.

There are established rules, traditions and practices applicable at public ports which are difficult to change, transfer of their activities to private enterprise must be very carefully designed to avoid any disturbances in terms of public interest.

Where the private sector is being introduced for the first time, the lease or operating agreement for negotiation or bidding with potential operators should be prepared very carefully and private monopolies should be avoided. Many ports throughout the industrialized and developing world have learned bitter lessons through not paying sufficient attention in the preparation of bid documents .¹²⁶

¹²⁶ J. Lethbridge and Z. Ra'anan, 'Port Administration: Public vs Private Sector', World Bank Publications, 1991, pg:1, Accessed on February 10, 2006
<http://www.worldbank.org/INTPRAL/Resources/338897-1117630103824/td-ps5.pdf>

Some of the key factors to be considered before privatization of ports are : ¹²⁷

- The terms of concessions and their future impact on the public and private returns on investments must be very carefully elaborated. It is frequently observed that as a consequence of the absence of such careful elaboration, profit centers are left to others and ports limit themselves to much lower revenues.
- If the private operator is responsible for the maintenance of both infrastructure and equipment, the port should ensure that its standards are adequate and that the facility does not deteriorate. If the port is responsible, it should avoid confrontation and claims when equipment is not available.
- The port must be sure that the quality of service provided is adequate to maintain or enhance its reputation and that there is an appropriate pricing structure in place. Agreements must stipulate provisions and measures enabling the port to control both and to terminate (or extend) the operating leases.
- The agreements must include clauses terminating the agreement if the operator is taken over by an organization that could threaten the freedom of the common user facility (i.e. by a shipping line or a major freight forwarder) or introduce other forms of discrimination.
- Participation of port labor in the decision-making process should be ensured from the start. Labor redundancy schemes or other similar programs will probably be necessary if a smooth transition from public to private sector is desired.

¹²⁷ Ibid; pg:2

5.8.1. Concession Contract Design

The different seaport services that can be offered by private operators are subject to various types of possible contracts. Port size shall be one of the key variables in determining the type of private participation that can be chosen. For small ports with an insufficient demand to allow for the existence of several terminals, transferring the port as a whole to the private sector. If desired, it would be feasible to keep public ownership over the infrastructure, but the port could be run by a single operator providing the infrastructure and cargo handling services (stevedoring, storage, etc) to port users. For the rest of the complementary services (berthing, etc.) can also be provided by the port operator, or if demand is sufficiently large, they may be opened to competition among different firms.¹²⁸ In the case of larger ports (landlord type), however, introducing private participation in more sophisticated forms. It is in these ports where infrastructure can be divided into separate terminals and generate competition within the own port. In general, in these ports some services could be provided by private firms operating under *licenses*, especially, for those services that are easy to specify in a contract and do not involve the use of substantial elements of infrastructure. On the contrary, those private operators providing services that require the exclusive use of infra- or superstructure, must be subject to *concession* contracts, in which it is stipulated under which conditions a private operator can use assets, and what are its obligations.

¹²⁸ L. Trujillo and G.Nombela, 'Privatization and Regulation of Seaport Industry', World Bank Publications, 1999, pg:134, Accessed on February 3, 2006
<http://www.worldbank.org/html/dec/Publications/Workpapers/wps2000series/wps2181/wps2181.pdf>

Private operators providing services that require the exclusive use of infra- or superstructure, must be subject to *concession* contracts, in which it is stipulated under which conditions a private operator can use assets, and what are its obligations.¹²⁹

A concession contract is more complex than a license because it involves not only questions about provision of services but also about adequate maintenance of assets, investments to be made and risk allocation between the regulator and concessionaire. Concession contracts can be regarded as an intermediate solution between public ownership and full privatization of a port.

The process of privatization and liberalization of the main seaports around the world has been characterized primarily by the use of concession contracts introducing private sector participation, rather than by selling port assets to the private sector. Through this process of concessioning, port authorities reduce their functions and are transformed into landlords responsible for coordinating all activities performed at the port, receiving rents through assets.¹³⁰

When designing a concession contract, there are several aspects that must be carefully elaborated; object of concession, exclusivity in the use of assets, concessionaire's obligations and payments, term of concession, penalties and fines.

¹²⁹ L. Trujillo and G.Nombela, 'Privatization and Regulation of Seaport Industry', World Bank Publications, 1999, pg:135, Accessed on February 3, 2006
<http://www.worldbank.org/html/dec/Publications/Workpapers/wps2000series/wps2181/wps2181.pdf>

¹³⁰ Ibid pg:135

The problem of excess of labor, common to almost all ports around the world, is also an element that must be considered when writing concession contracts. Another relevant feature is to carefully design the system to select the winner of the concession.

At this point, it is discussed the abovementioned aspects of a concession contract in detail as follows:¹³¹

Object of Concession : In a concession contract, the issues such as which assets will be transferred to the concessionaire, which services will be provided by the private operator, which services will be left to the public sector and which services will be subject to open competition with other firms, must be clearly specified.

For example; in the case of the concession contract for a terminal, the contract must describe in detail the limits between the infrastructure that is concessioned (berths, surfaces, inner access roads, etc) and what is not (e.g. general roads for intraport connections), in order to clearly establish what the concessionaire's responsibilities are in terms of maintenance, safety, etc.¹³²

Any ambiguity in the contract in this respect, might lead a concessionaire to interpret what has or has not been included, and thus to claim for itself the exclusive provision of some service which, in principle, the port authority did not plan to concede. This type of

¹³¹ L. Trujillo and G.Nombela, 'Privatization and Regulation of Seaport Industry', World Bank Publications, 1999, pg:135, Accessed on February 3, 2006
<http://www.worldbank.org/html/dec/Publications/Workpapers/wps2000series/wps2181/wps2181.pdf>

¹³² Ibid pg :135

ambiguity should be carefully avoided in concession contracts, in order to avoid litigation problems with private operators.

Obligations and Payments: A concession contract must explicitly mention what the obligations of the concessionaire are, in terms of the level and quality of service. It also should clearly specify how charges to users are to be determined, who owns the revenue obtained from those charges and what are the payments to be made between the parties.

The usual norm is that the concessionaire is obliged to pay a fixed annual fee to the port authority or the institution responsible for the concession. Concession contracts in the seaport industry usually involve building or rehabilitation of facilities (BOT or ROT type of contracts). In those cases, the completion and starting dates of the operation, the moment in which the ownership of the assets will be transferred to the port authority should all be clearly specified. There are also technical issues about infrastructure building (materials employed, methods, etc) that should not be left to the discretion of the concessionaire, but specified in detail in the concession documents.¹³³

Term: There are no universal rules about how long the life of a concession should be. Economic theory on regulation indicates that the longer the life-span, the more incentives the private concessionaire has to make adequate investments to enhance the assets, since profitability will be dependent on the state of the facilities.

¹³³ Ibid pg:137

The average term of concession contracts is for more than 15 years, and those with large projects can be around 25 years.¹³⁴

Penalties and Fines: In order to guarantee adequate compliance with the terms of a concession agreement, the contract must specify certain penalties and fines that the concessionaire must pay to the port authority in case of faults. For example, if a private operator does not fulfil its obligations in terms of investment requirements or quality of service, the port authority might have the possibility of rising the fixed annual fees to the concessionaire. For this mechanism to be valid, the port authority must regularly perform some inspection tasks, in order to verify if the concessionaire is providing the required services and keeping assets in the stipulated conditions.¹³⁵

Selection Process: One of the more important elements for a concession contract is the careful design of the selection process deciding which firm or consortium will be granted the concession.

The usual practice is to design a selection process based on two consecutive phases: Pre-qualification (those firms satisfying several criteria such as experience in the seaport industry and some minimum financial capacity are selected to be evaluated on their proposals) and Concession award (choosing the proposal that is closest to the

¹³⁴ Ibid pg:137

¹³⁵ L. Trujillo and G.Nombela, 'Privatization and Regulation of Seaport Industry', World Bank Publications, 1999, pg:139, Accessed on February 3, 2006
<http://www.worldbank.org/html/dec/Publications/Workpapers/wps2000series/wps2181/wps2181.pdf>

objectives pursued by the port authority such as a company offering a higher fee payment to the port authority or the one that offers lower charges to port users).¹³⁶

5.9. Port Labor Reform

Port privatization is emerging as an international trend. A number of countries are planning to privatize their ports and they usually face certain protests by unionized port workers.

One of the common problems shared by many ports across the world is an excessive number of port workers, partly as a result of unionization and partly as a result of the technological changes introduced in cargo handling procedures. Recently, ports' activity has been transformed from being labor-intensive to being capitalintensive and that process has made a large number of employees redundant.

The process behind a port's transformation has to deal with this problem, otherwise resistance from workers can blockade any reform. Port workers constitute in some countries strong pressure groups, which can have significant political influence. Solutions include the provision of funds to offer redundancy compensations and anticipated retirement schemes for workers. These funds are generally partly financed through public budgets, but private operators are also required to share the financial burden resulting from the labor problem.¹³⁷

¹³⁶ Ibid pg:140

¹³⁷ Ibid pg:139

For an appropriate solution to this problem, following methods are suggested:¹³⁸

- ***Voluntary Retirement***: Financing the wages gap, including social contributions, between the actual and the legal retirement age, when regular social benefits would take over.
- ***Indemnity Payment for Voluntary Departure***: A one-time payment providing the employees concerned with a starting capital to open their own private businesses.
- ***Retraining***: Enabling people to find an alternative job in another economic branch by giving them a new qualification. It could also be combined with the indemnity payment.
- ***Workers Pool***: Establishment of an enterprise established for a determined period of time (e.g. two years), which has to employ all workers who otherwise would become unemployed as a consequence of the privatization process, and which manages to find new permanent or part-time jobs for its employees in other sectors of the economy.

In particular, bringing the trade unions to the negotiation table from the start, when the reform program starts being designed, is highly recommended. As the following example from UK will indicate, properly structured, port privatization can benefit workers and encourage them to become privatization advocates.

¹³⁸ Marc H. Juhel 'Annual Australasian Summit. Ports, Shipping and Waterfront Reform. Globalisation, Privatisation. and. Restructuring of Ports.' 1999, pg:30, Accessed on February 4, 2006 www.worldbank.org/transport/ports/ps_docs/austral.pdf

An Example of Successful Labor Reform; Privatization of ABP (Associated British Ports) in UK:

The United Kingdom government's strategy in selling the 23 government-owned ports as a group was to ensure investor interest and hence, greater likelihood of the sale's success. In February 1983, 21 million ordinary shares (about 51.5 percent of the total shares of the company) were offered at a price of 112p (about \$2.25 at 1983 exchange rates). The offer was heavily oversubscribed, with 45,300 successful applicants. The government retained the remaining 48 percent of the total shares. In addition to the public offer on the stock market, 1 million shares were offered free to port workers. All of these were taken up despite instructions by the port workers union not to do so. After the sale, port workers owned 2.5 percent of their own business.

In April 1984, the government sold its remaining 48.5 percent share (19.4 million shares of common stock) in ABP. This second offer also contained further incentives for employees to invest. In total, the privatization of the ports raised about £80 million (\$150 million at 1984 exchange rates) for the Treasury.¹³⁹

Employee share ownership played a vital role in securing employee cooperation in privatizing the ports and increasing the incentive to raise worker productivity. This was achieved by strengthening the link between employee performance and reward. By aligning the interest of employees with that of the company, employee ownership gives

¹³⁹ David Haarmeyer, Peter Yorke, 'Port Privatization: An International Perspective.' April, 1993, pg:13, Accessed on February 4, 2006 www.rppi.org/privatization/ps156.PDF

workers a direct stake in a company's performance and encourages employees to work more productively.

Today, two-thirds of ABP employees own shares, with an average holding of nearly 1,000 shares each. For employees owning shares of the new port company, the benefits were significant. For example, the market value of 2,436 shares, the maximum amount of shareholding per person, is around £10,000 (September 1991 prices). This is based on an initial outlay of just £1,456. Effectively, employees who participated in all aspects of the sell-off will have increased their initial outlay sixfold.¹⁴⁰

¹⁴⁰ Ibid pg:14

VI. PORT PRIVATIZATION PRACTICES IN EUROPEAN UNION AND TURKEY

As mentioned that in fifth chapter, changes in the maritime transport sector and its requirements. Ports now face more competitive situation than in the past. Therefore the conclusion derived from this analysis is that the introduction of private participation in port industry is more attractive option for ports for develop and adapt to the new conditions of the maritime transport market. In all countries it is difficult to finance ports, according to the developments in international transport market and demands of shipping companies. The optimal solution is to attract private capital for investment in ports and so increase the efficiency and competitiveness of the ports.

6.1. Historical Developments in Private Enterprising of Ports

In middle age, private associations in Europe operated ports. Ports were inspected by the state or regional authorities. Later, rules of England began to be applied.

Ownership of ports belonged to state since 1566 in France. State was responsible for operating, building and hiring of ports was given to the regional Chambers of commerce. In 1902, the competence of collecting port incomes was given to local Chambers of Commerce, which pays for the infrastructure of ports.

At the end of 17th century private ports began to appear in England. In that age infrastructure investments were done by the state, and superstructures were done by private enterprise and Chamber of Commerce.¹⁴¹

In the beginning of 18th century in England number of private ports was decreased because of competing and not working effective. As a result of this, a new type of port called “Trust Port” appeared. The specialties of this type were Trust Port had the land and administration of port and they were independent about operating and employment.

Changing conditions and rivalry of neighbor country ports expose the negativism of dual management done by state and Chamber of Commerce. In 1965, a law increased autonomous ports independence of administration and financial aids were produced.

In Europe license, tolerance and lease contracts become legal tools for private enterprise that want to work on public ports. In the first half of the 20th century, Port Management System was formed and England got the system. Other countries that use this system are: in France Le Havre, in Morocco Tonco and Safi, in Lebanon Beirut ports.

By the second half of 20th century both operation and construction of ports were developed to private enterprise. In the beginning of 1960’s by gaining independence of many countries especially in Africa, instead of private enterprise national harbor

¹⁴¹ Jale Nur Ece, “Privatization of Ports”, Prime Ministry Department of Privatization, **Turkish Shipping World**, June, 2001,pg:31

institutes, autonomous authorities and loading firms are preferred. Between the years 1960-1970 public institutes in USA had increased 10%.

1980's were the years in which private enterprise was back. Countries like Malaysia and Jamaica restarted themselves to operate container terminals. In 1983-1984 Associated British Port, which has 19 main ports with capacity over a quarter of whole, was sold to private enterprise. Privatization of ports by different methods expanded to Latin America, West- East Europe, Asia, Australia and New Zealand. Private enterprising is not widespread in Africa.¹⁴²

6.2. European Port Policy

Port privatization is one of the most important subjects for the EU. The main subjects about the services in EU ports are competition and antitrust rules. Besides this according to EU law, “free transportation of merchandises”, foreign relations and competition rules are important at least as market access to port services rule. The reasons for these rules are; inefficiencies of port services, price policies, state aids and mostly “competition and antitrust” rules. We can also state some rules about environment, freedom of institutionization, service freedom, discriminate and employment, public profit, security in sea and general rules about transporting.¹⁴³

The Green Paper was the first attempt by the Commission to move towards a coherent policy on ports and maritime infrastructure.

¹⁴² Ibid, pg:32

¹⁴³ Chamber of Shipping, **Maritime Sector Report 2002**, Istanbul, 2003, pg:11

'Ports are vital to the European Union both in terms of trade and transport. The Community's port sector handles more than 90% of the Union's trade with third countries and approximately 30% of intra-EU traffic' ¹⁴⁴

Europe's competitiveness in the global economy increasingly depends on an efficient and cost effective transport and port system.

EU Commission has performed a proposal for a Directive on Market Access to Port Services in February 2001. EU port law is mostly focused on recognizing of liberalization services and ports. EU is concerned about improving the relation of customers with ports and concerned about inefficiencies, security, and discrimination of nations. The main aim of the Commission is to increase the efficiency.

European Parliament and European Council had agreed on a Directive of port regulation on February 2001. The principles of the draft are:¹⁴⁵

- To decrease the dominance of the state, and to encourage private enterprise
- Services should be objective, transparent and fair
- Open to competition but also taking care of security and environment.

Some main points in the Directive are; reaching to satisfactory quality for ports. If the conditions are not satisfied decreasing the number of the firms that provide services, especially with "from road to sea" insight integrating highway to shipping lines it is emphasized that custom progresses should be done by lower prices in EU Ports.

¹⁴⁴ Commission of the European Communities, 'Green Paper on Seaports and Maritime Infrastructure', Brussels, 1997, pg:2 Accessed on November 12 2004 <http://europa.eu.int/scadplus/leg/en/lvb/l24163.htm>

¹⁴⁵ Commission of the European Communities, 'Reinforcing Quality Service in Seaports: A key for European Transport', Brussels, Feb 13, 2001, pg: 2 Accessed on 13 November 2004 http://www.worldbank.org/transport/ports/ps_docs/comm_en.pdf

In the “White Paper” it is declared that for the European transport sector, three main aims are to be done up to 2010.¹⁴⁶ These aims are states as ;

- Making some changes in “combined transporting model”
- Overcoming bottle-necks
- Emphasizing the idea of safety and quality

“Change in transporting model” means encouraging short-sea shipping. There has been an increase of 30 % in short distance maritime transport since 1990 but the increase in highway transport is more than this rate. To increase maritime transport it is necessary that ports present more effective and simplified services and have closer connections with its hinterland.

The Commission points out to the importance of the ports for the future transport policies of the EU.

*‘White Paper on the Common Transport Policy focused on the increasing role of ports that will have to play in order to lessen current land transport problems and to ensure better functioning of the Community’s transport market’.*¹⁴⁷

In this context, debate can be categorized as below:

- The inclusion of ports in Trans-European Transport Network
- The systematic approach to regulate access to the market of port services;
- Public financing of ports infrastructures.

¹⁴⁶ Chamber of Shipping , **Maritime Sector Report 2002**, Istanbul, 2003, pg:12

¹⁴⁷ Commission of the European Communities, ‘Reinforcing Quality Service in Seaports: A key for European Transport’, Brussels, 13 Feb 2001, pg: 2 Accessed on November 24, 2004
http://www.worldbank.org/transport/ports/ps_docs/comm_en.pdf

The trade association representing the shipping industry from the European Union and Norway is called 'European Community Ship owners' Association' (ECSA). ECSA has noted its comments about the promotion of short-sea shipping. It has stated that promotion practices of short-sea shipping clearly demonstrate the importance of efficient and modern ports.

According to the EU Institutions efficient ports and maritime transport policies are essential for the EU general interests. ECSA and ECS (European Shippers' Councils) submitted a set of principles in 1998 as a basis of European port policy. The key elements of these principles are:¹⁴⁸

- Free market access
- Free and fair competition within and between ports
- Monopoly positions not to be abused and eliminated
- Fair and transparent pricing
- Labor practices to be adopted.

If these practices are applied fairly, ports will have benefits such as; increasing trade exchange, improving logistic networks, developing unimodal transport, increasing volumes moving cargoes from road to sea.

¹⁴⁸ Emanuele Grimaldi, President of ESCA, 'European Seaport Policy; Challenges and Solutions', Antwerp, 11 Oct, 2001 Accessed on September 25, 2004, <http://www.ecsa.be/newsletters/031.asp>

Since 1990 huge container port serves to the world behalf Europe. Anvers, Rotterdam, Hamburg and Le Havre ports are still serving to lots of international container lines. The preferences of these ports are due to their qualities and prices. In addition, it is required to build more secure, more qualified and serving more competitive ports. European Commission is working on the project to achieve of higher standards of ports.

6.3. Port Privatization Practices in Europe

Within Member States more ports are seeking to develop more active commercial role, in cooperation with private partners inside and outside the port. Indeed some ports are operating entirely on a commercial basis.

‘Despite the varying levels of market openness in Member States and between different ports within a same country all member states have opted gradually opening this sector to competition.’¹⁴⁹

Management models of ports in European Countries are mentioned below:

BELGIUM: The ports in Belgium are managed by the port authority of municipality. The possession of port’s infrastructure and some of the port equipments belong to the municipality. Antwerp City authority executes the management of the ports. The 95% of the Antwerp Port’s quays and terminals are being rented to the private sector by the concession acts.

¹⁴⁹ Commission of the European Communities, “Directive of the European Parliament and of The Council On Market Access to Port Services”, Brussels, 2001, pg: 3 Accessed on November 10, 2004
http://europa.eu.int/smartapi/cgi/sga_doc?smartapi!celexapi!prod!CELEXnumdoc&lg=EN&numdoc=52001PC0035&model=guichett

THE NETHERLANDS: The ports in Holland are characterized as the port authority. The municipality's ports' lands like Rotterdam, Amsterdam is being rented to the private sector. The private operators manage the loading-unloading operations.

SWEDEN: The Sweden Port Authority, Gotebourg, is the biggest port in Scandinavia. The management of the Gotebourg Port was given to a private company in 1985. And it is being audited by the Municipality Council. This company is executing all the port activities in the port area. The income of the port increased after the privatization.

FINLAND: Most of the shares of Loviisa, Oulu, Kemi and Torino ports were given as long-term shares to private sector. A small amount of the shares were given to a port company that belongs to the City Council. The biggest privatization in Finland took place in the Kotha and Handa ports which are the second and third largest ports of Finland and they constitute nearly 40 % of Finland's export.

PORTUGAL: The country privatized 18 maritime companies, which were State run establishments. The privatization model is formed by transferring the management rights of the operations to the private sector.¹⁵⁰

UNITED KINGDOM:

"In my view, the argument about state versus private industry in the U.K. is over. Private ownership has won. . . . The reason that political contest over privatization came to an end is simply that implementation succeeded. Facts overtook the debate." [John Moore, former Financial Secretary to the Treasury]¹⁵¹

¹⁵⁰ Jale Nur Ece, "Privatization of Ports", Prime Ministry Department of Privatization, **Turkish Shipping World**, June, 2001,pg:32

¹⁵¹ David Haarmeyer, Peter Yorke, 'Port Privatization: An International Perspective.' April, 1993, pg:10 Accessed on February 4, 2006 www.rppi.org/privatization/ps156.PDF

In 1980 UK decided to create a new company called ‘Associated British Ports’ (ABP), which would obtain the assets of the old British Transport Docks Board including the Ports of Southampton, Hull, Cardiff and Port Talbot. ABP with its 23 ports was privatized in April 1983.¹⁵²

As D. Haarmeyer and P. Yorke points out;

*‘The sale was part of the country's program of denationalization, which began in the early 1980s. The sale of the 23 ports which formed the Associated British Ports, yielded the government £80 million in gross proceeds and was an economic success. Over 10 percent of the shares were acquired by over 90 percent of the work force and the offer of shares to the general public was oversubscribed on a scale that rivaled that of the larger privatizations. More important, the transfer of a large group of ports from the public sector to the private sector exposed the ports to commercial incentives, increasing accountability and improving performance’.*¹⁵³

When the first block of shares of ABP was sold in 1983, the estimated cumulative value of the assets of the ports was over £148 million (\$296 million at 1983 exchange rates).

Privatization transformed Britain's ports, improving industrial relations. Before privatization, for example, ABP lost an average of 20,000 man-shifts per year in strikes, leaving aside other forms of industrial action such as work to rule (where employees follow the union rulebook to the letter and use it to create opportunities to slow down the work) and overtime bans. But since 1989 there have been no industrial stoppages at ABP ports.¹⁵⁴

¹⁵² Adam Smith Institute, Around the World in 80 Ideas, “Passing Sentence on Poor Port Performance”, Accessed on January 24, 2005, <http://www.adamsmith.org/>

¹⁵³ David Haarmeyer, Peter Yorke, ‘Port Privatization: An International Perspective.’ April, 1993, pg:10 Accessed on February 4, 2006 www.rppi.org/privatization/ps156.PDF

¹⁵⁴ Adam Smith Institute, Around the World in 80 Ideas, “Passing Sentence on Poor Port Performance”, Accessed on February 4, 2006, <http://www.adamsmith.org/>

Under ABP, Britain's loss-making ports have been made consistently profitable (apart from an exceptional dip in the early 1990s, due to general economic recession). Thus in 2000, the group's underlying operating profit was nearly £170 million, of which the specifically ports and transport operations generated over £135 million. Privatization increased motivation and employee satisfaction. Employees were offered innovative new types of motivational packages: pay was based on individual performance; collective bargaining was replaced by personal contracts; and all staff were offered the opportunity to acquire shares in the company - all measures that have proved highly popular.

New capital investment has led to vast improvements in facilities. Prior to privatization, it took three days and around one hundred men to unload a general cargo vessel of 30,000 tonnes. The same work can now be done by thirty people in less than 24 hours, using new equipment and systems.¹⁵⁵

But ABP was not only privatization of UK ports. More than 70 public ports are conjoined under the name of "Trust Port". Some of them (London, Dover, Midway, Aberdeen, Bristol, Portsmouth) were privatized in 1991. Trust ports too have performed far more successfully in the private sector: so much so that the Labour Government elected in 1997 has encouraged the remaining trust ports to involve the private sector.¹⁵⁶

¹⁵⁵ Adam Smith Institute, Around the World in 80 Ideas, "Passing Sentence on Poor Port Performance", Accessed on February 4, 2006, <http://www.adamsmith.org/>

¹⁵⁶ Ibid

FRANCE: The ports were allowed only a limited private sector involvement. The autonomous ports like Bordo, Dunkirk, Le Havre, Marseilles, Nates, St. Nazarie and Roven require to be rented to increase the operations' effectiveness that is why privatization is in France's agenda.

GERMANY: The situation in Germany as in France. According to legislation the city is responsible for development, planning, construction and maintenance of infrastructure. The HHLA Container Terminal constitutes an example of privatization in Germany.

ITALY: In Trieste, 18 of the 20 terminals have been privatized. La Spezia Container Terminal is one of the port which are privatized. Genoa Port Authority rented most of the port's estate to private operators.¹⁵⁷

GREECE: In Europe, the dominance of the northern sea ports is clear. They handle 50% of EU port trade. In comparison the ports in Mediterranean constitute 27%, Atlantic 15%, and Baltic 9%. Greece is through Piraeus try to establish itself as a major Mediterranean port and has begun a limited port privatization programme to create more profit.¹⁵⁸

¹⁵⁷ Asian Development Bank, 'Port Sector Report', Part Two, pg:217 Accessed on June 18 2004
http://www.adb.org/Documents/Books/Developing_Best_Practices/Ports/appendixes.pdf

¹⁵⁸ David Whitehead, 'Coping with External Pressures, Modern Port Facing the Future', February 2002 University of London Conference Report Accessed on June 12, 2005,
http://www.dft.gov.uk/stellent/groups/dft_shipping/documents/page/dft_shipping_505278.pdf

The legal regime of the main Greek ports Piraeus and Thessaloniki from 1950 has been modified by Law 2688/1999. Comprehensive port model were one legal entity and were charged with the construction, maintenance and management of the port infrastructure and superstructure, as well as with the provision of cargo handling services. Such integrated functions were seen in Piraeus Port Organism (OLP). It was accomplishing its regulatory mission and also it was acting as a provider of port services.

Antapassis demonstrates the privatization process of the ports in the EU and Greece by stating;

'This public-service approach has been revised under the pressure of European Court of Justice jurisprudence applying the principles of freedom to provide services and the competition rules into the port sector. The result was a generalized legislative reform in all South European member states. The first new element is the transformation of the previous public organs into commercial legal entities, the share capital of which is retained by the Greek state' ¹⁵⁹

According to the article 1 of 2688/1999 the Piraeus Port Authority is a commercial legal entity of public utility, functioning on the basis of market economy principles and benefits from an administrative and financial independence. All the assets of the old entity are automatically transferred to the new company called OLP SA. Greek state retains 74% holding in the port, 26% held by private investors. OLP SA exercises both regulatory and commercial functions of the port.¹⁶⁰

Piraeus is the major port and also it is the maritime gateway of Greece. The PPA Piraeus Port Authority's main container terminal is equipped with 14 cranes, 54

¹⁵⁹ Anthony Antapassis, 'The Evolution of Greek Maritime Law', University of Athens 18 April 2002, Accessed on June 20, 2005, http://www.maritimeadvocate.com/i18_gree.php

¹⁶⁰ Ibid

carriers, 20 forklifts and 25 tractors. Total container traffic in 2003 came to just over 1.6 million TEU's an increase of 14% over the previous year.¹⁶¹

But more important than traffic figures is the transformation of the PPA, by the method of corporatisation became into a modern and flexible port with the help of reorganization and reconstruction. Chief of executive officer of the Port of Piraeus says the goal of Greek government is to increase the port's transparency and efficiency and to increase the percentage of private shareholding by a further 10%.¹⁶² The port of Thessaloniki handles 15 million tones of cargo annually, of which approximately 7 million tones are general cargo and 8 million are liquid fuel. More than 250.000 TEU's container units are transferred.

The Second World War seriously destroyed 80% of the infrastructure of Port of Thessaloniki. In 1953, two organizations responsible for running the port became into one new body (to be known as the Free Zone and Port of Thessaloniki – F.Z.P.T.). In 1970 the Free Zone and Port of Thessaloniki was renamed to Thessaloniki Port Authority. The new Authority had full responsibility for all the work of loading, unloading and warehousing in the port area. In 1999 the Thessaloniki Port Authority was incorporated in the form of S.A. starting a new era in the port's long history.¹⁶³ The port of Thessaloniki was the first Greek port to be privatized even though a 25% shareholding of the port is now in private hands, strong public sector culture persist.

¹⁶¹ Port of Piraeus, Accessed on June 15, 2005, http://www.olp.gr/main_eng.htm

¹⁶² John Carr, 'Gateway Starts a Revolution', Asia Pasific News, Accessed on June 15,2005 <http://www.news-asiapacific.com/gateway3.html>

¹⁶³ Port of Thessaloniki, Accessed on June 24,2005 <http://www.thpa.gr/en/plirofories/istoriko/istoriko.htm>

6.4. Developments of Turkish Ports

The maritime sector is one of the most important sectors that enables the countries to open to the world and get integrated with them.

From 1990 to date the container shipping has increased approximately 2,5 times. The number of containers is expected to reach 491 millions in 2012.¹⁶⁴ If this expectation is materialized the international container shipping will have to be reconstructed and eventually, new ports having sufficient equipment both infra and super structures giving effective and productive services will also be needed.

When we look at public ports, especially in Istanbul and its surrounding and when we consider the equipment used within the port and in similar services, due to their being old and not maintained it results in the reduction of capacity and capability. The number of personnel and the working hours are limited. There are significant inefficiencies in computer infrastructure, which is either non-existent or doesn't meet the demand. As for private ports with the help of resources and investment. It can be said that they have more dynamic and modern structure respect to skilled human workforce equipment, logistics and planning.

What is necessary in order to develop the services: A number of measures can be considered under the headings of choice of appropriate equipment, improving of

¹⁶⁴ Jale Nur Ece, "Privatization of Ports", Prime Ministry Department of Privatization, **Turkish Shipping World**, June, 2001,pg:29

existing equipment, establish a computer network that can meet the requirements of the clients.

Currently the state ports demonstrate serious market losses. That is why the policies of the state port should be revised. At the same time short, medium and longterm investment plans and policies should be made and followed patiently. It might be an appropriate approach for the Turkish State to transfer these operations in a planned and gradual method to the private sector.

Major ports in Turkey are owned by two state institutions, Turkish State Railways and the Turkish Maritime Organization they regularly suffer from heavy financial losses. As a consequence, the idea of privatization within the maritime sector in Turkey has been widely adopted in the last decade.

6.4.1. A General View of Turkish Ports

Turkey has several groups of ports; The ports are classified into three groups: governmental, municipal and private ports.¹⁶⁵

The first group, general-purpose governmental ports, is operated by State Economic Enterprises. The Turkish State Railways (TCDD) ports, all of, which are connected with the railway network. The Turkish Maritime Organization (TDI) ports. These two State Economic Enterprises are under the control of the Ministry of Transport, but they

¹⁶⁵ Cerrahoğulları TAŞ., Accessed on November 16, 2004, <http://www.cerrahogullari.com.tr/ports.htm>

are activating as independent enterprises. In the headquarters of both organizations, there is a separate Department of Ports, which is responsible for planning and their coordination. Each individual port is managed by a Port Manager appointed by the related State Enterprise. These ports are "full-service" ports. All the services to ship and cargo are given by the port own labor and equipment.

The second group is municipal ports, which are managed by the Municipalities. These ports are comparatively small and are general limited to a small volume of coastal traffic serving the local needs of provincial towns.

The third group is made up of special private ports. These ports are mostly confined in purpose to the particular needs of industrial plant but allowed to use by third parties too.

Table 6.1
Total Trade Undertaken at Ports in Turkey

TYPE of TRANSPORT		1999	2000	2001	2002	2003
EXPORT	T.C. VESSEL	7.501.788	8.516.593	10.022.452	10.081.667	9.798.081
	FRG VESSEL	25.421.479	23.774.508	30.611.304	28.983.345	31.678.720
	TOTAL	32.923.267	32.291.101	40.633.756	39.065.012	41.476.801
IMPORT	T.C. VESSEL	24.290.639	27.565.778	25.174.302	31.096.923	29.946.962
	FRG VESSEL	53.687.514	58.391.177	47.606.300	55.082.917	68.726.675
	TOTAL	77.978.153	85.956.955	72.780.602	86.179.840	98.673.637
TOTAL	LOADING	32.923.267	32.291.101	40.633.756	39.065.012	41.476.801
	UNLOADING	77.978.153	85.956.955	72.780.602	86.179.840	98.673.637
	TOTAL	110.901.420	118.248.056	113.414.358	125.244.852	140.150.438

Source: Chamber of Shipping, Maritime Sector Report 2003, Istanbul, 2004, pg:97

In 2003 approximately 29,6% (41.467.801 ton) of total trades was handled as export cargo, 70,4% (98.673.637 ton) as import cargo. The majority of these cargoes were handled at major ports, which are grouped under state controlled ports.

6.4.2. Major State Run Ports in Turkey

The major ports under the control of the government are both owned and operated by Turkish State Railways or by the Turkish Maritime Organization (TMO). Approximately 90% of the total cargo handled at the Ports of the Turkish State Railways. All of these ports have links with land and railway transportation routes.

The port of **Derince** is situated on the north of the Gulf of Izmit. The port handles export and import cargoes. It is an important port as an alternative to the port of Haydarpaşa because of its proximity. The port is also connected with state railway and highway network.

The port of **Izmir** has a large agricultural and industrial hinterland. It is the port for the Aegean Region's industry and agriculture and it plays vital function in country's exports. The port is also connected with state railway and highway network.

The port of **Bandırma** is situated on the south side of the Marmara Sea. The port has modern infrastructure and also connected with state railway and highway network.

The port of **Samsun** is the major port of the central Black Sea coast. The port provides service to export import and transit traffic to Iran and also Ro-Ro lines between Ukraine and Russia. It has an ideal location both for the trade with the countries having a coast on the Black Sea and for the cargoes which will arise from the activities of Black Sea Economic Cooperation Region (BSECR) project.

The port of **Haydarpasa** serves a hinterland which is the most industrialized area of the Turkey. It has great importance being a gateway to the world as the biggest container port in the Marmara Region.

The port of **Mersin** is also has a great importance from being the main port for the Eastern Mediterranean Regions industry and agriculture. With its developed infrastructure modern equipment for cargo handling port of Mersin is an ideal transit for trade to the Middle East. The facilities at the port handle general cargo, containers, dry and liquid bulk and ro-ro.

Iskenderun port is situated on the North-East of the Mediterranean Sea. It serves the Southeast, East Anatolian regions as well as transit traffic to the Middle East countries. It also plays an important role as a transit port and also connected with state railway and highway network.¹⁶⁶

¹⁶⁶ TCDD, Türkiye Cumhuriyeti Devlet Demiryolları, Accessed on January 16, 2005
<http://www.tcdd.gov.tr/liman.htm>

Table 6.2

General Specifications and Capacities of the Ports of Turkish State Railways

PORTS	Berth Lenght	Draft	Handling Capacity	Ship Call Capacity	Storage Capacity (tho ton/year)		Container Capacity
	(m)	(m)	(thousand ton/year)	(Ship/Year)	Open	Closed	(TEU/Year)
Haydarpaşa	2,765	(-6,-12)	6.488.300	2,651	471,360	362.384	264.000
Derince	1,132	(-4,5-15)	1.910.900	567	2,951,760	200.000	-
Samsun	1,756	(-6,-12)	2.284.100	1,130	8,556,720	192.304	-
Mersin	3,180	(-6,-14,5)	5.510.800	3,052	8,109,024	562.992	203.376
İskenderun	1,427	(-10,-12)	3.223.600	640	8,991,120	294.320	-
Bandırma	2,788	(-10,12)	2.636.100	4,277	1,868,280	144.000	-
İzmir	2,959	(-4,-12)	4.931.600	3,635	565,920	377.648	265.728
TOTAL	16,007		29.985.400	15,952	31,514,184	2.133.648	733.104

Source: TCDD, Accessed on January 17, 2005, <http://www.tcdd.gov.tr/liman>

Ports of Turkish State Railways have a 300 million ton capacity for cargo handling with a 34 million ton annual capacity of general cargo storage and a container storage capacity of 1,080,000 teu's/year. Around 16,000 ships can be accommodated annually at these ports. Approximately 28 million tons of cargo is handled annually at these ports. The majority of cargo types being dry bulk, general cargo and containers.

Table 6.3**Distribution of Cargoes Due to Their Regimes Handled at TCDD Ports (tonnes)****(As of 2004 and Jan 2005)**

PORT	LOADING	UNLOADING	TOTAL
HAYDARPASA	2.972.395	3.937.739	6.910.134
IZMIR	9.537.606	3.792.955	13.330.561
MERSIN	6.001.801	11.596.346	17.598.147
SAMSUN	777.374	2.538.292	3.325.666
BANDIRMA	1.671.690	1.919.226	3.590.916
ISKENDERUN	392.232	1.932.016	2.324.248
DERINCE	524.456	1.559.506	2.083.962
TOTAL	21.877.554	27.276.080	49.153.634

Source: TCDD, Accessed on Feb 17, 2005, <http://www.tcdd.gov.tr.liman>

Besides the Turkish State Railways, the remaining eight government ports, which were actually owned, managed, operated by the Turkish Maritime Organization are : Ports of Tekirdag, Sinop, Ordu, Giresun, Trabzon, Rize, Hopa, Antalya. In addition there were also six other ports within this organization these are: Ports of Dikili, Cesme, Kusadası, Gulluk, Marmaris and Alanya.

Ports of Tekirdag, Rize, Ordu, Sinop, Giresun, Hopa privatized in 1997

Port of Antalya privatized in 1998

Ports of Marmaris, Alanya privatized in 2000

Ports of Cesme, Kusadası and Dikili privatized in 2000¹⁶⁷

¹⁶⁷ Chamber of Shipping, **Maritime Sector Report 2003**, Istanbul, 2004, pg:99

The new operators of the, which were belong to Turkish Maritime Organization before are illustrated in table.

Table 6.4
New Operators of Recently Privatized Ports

Port	Operator	Date of Privatiation	Period of lease for operation (years)
Hopa	Park Shipping and Hopa Port Organization	17.06.1997	30
Giresun	Cakiroglu-Giresun Port Organization	30.06.1997	30
Ordu	Cakiroglu –Ordu Port Organization	30.06.1997	30
Sinop	Cakiroglu-Sinop Organization	30.06.1997	30
Rize	Riport-Rize Port Organization and Investment	07.04.1997	30
Tekirdag	Akport-Tekirdag Port Organization	17.06.1997	30
Antalya	Middle East –Antalya Port Organization	31.08.1998	30
Kusadasi	Limas Port Company	12.07.2000	30
Cesme	Cesme Port and Tourism Operations	12.07.2000	30
Marmaris	Marmaris Common Entrepreneurship Group	12.07.2000	30
Dikili	Dikili Port and Tourism Organization	12.07.2000	30

Source: Mahmut Celal Barla, Developments in Maritime Transport and Logistics in Turkey, Burlington, Vt: Ashgate, 2001, Funda Yercan, Kazim Yeni, Comperative Analyses of Recently Privatized Major Ports in Turkey, Dokuz Eylul University, Izmir, 2001, pg:212

6.5. Legislation on Privatization of Ports

The procedures of port privatization have been handled under the control of the Directorate of Privatization Administration. These privatization action is based on law no. 4046 dated 24.11.1994 and law 4105 dated 02.05.1995

Turkey's policy for the port privatization programme is leasing the assets of a port to a private company under a long-term agreement where land and basic infrastructure are owned by State. The privatization action covers the leasing of the operation for 30 years and fully transferring the operation to a private company after the completion of this period; however, this does not involve transferring the ownership of land. In addition, cargo handling and other types of equipment and vehicles are also covered by the privatization action. In the meantime, the private company is responsible for the management of the port including cargo handling, personnel and all additional investments in cargo handling equipment and warehousing.¹⁶⁸

According to the law 4046 a) clause of the article 37 ; privatization can not be done by transferring the possession of the ports and Turkish nationed real and Judicial entities can exploit from the privatization that is done by the procedures except transferring of possessions and foreign capital share cannot be over 49%.¹⁶⁹

The Antalya, Tekirdag, Hopa, Rize, Giresun, Ordu and Sinop, Dikili, Cesme, Kusadasi, Marmaris, Alanya Ports which are managed by TMO General Directorate are privatized in the way of transferring the management rights by the Privatization Management Chairmanship for 30 years.

¹⁶⁸ Funda Yercan, Kazim Yeni, **Comperative Analyses of Recently Privatized Major Ports in Turkey**, Dokuz Eylul University, Izmir, 2001, pg:214

¹⁶⁹ Jale Nur Ece, "Privatization of Ports", Prime Ministry Department of Privatization, Published on **Turkish Shipping World**, June, 2001, pg:39

6.6. THE SWOT ANALYSES OF TURKISH PORTS¹⁷⁰

Strengths:

- Our country's having almost 8.333 km. of coast length.
- Our country's being a bridge between Asia and Europe.
- Our country's being on the international arrival ways because of her geopolitical position.
- The 90% of the export and import transportation of our country's being done by the sea transportation.
- Having enough main road and railway connections

Weaknesses:

- Not having long termed and stable national and international port policy.
- The regulations' being insufficient in satisfying the needs and not being actual.
- Port State Control and mechanisms' being insufficient.
- Having mutual authorities in management of ports
- The investment needs.
- The needs in sector financing.
- Insufficiency of substructure and superstructure.
- Insufficiency of personnel trainings.
- The ports' not having international standards.

¹⁷⁰ Jale Nur Ece, 'Privatization of Maritime Industry', Prime Ministry Department of Privatization, Ankara Accessed on February 21,2004, ekutup.dpt.gov.tr/ulastirm/oik595pdf.

- The port services' not being effective and efficient.
- Not having effective marketing and promotion activities.
- Not having Electronical Data Information (EDI) System in which the data flows can be done regularly.
- Not having Specialization Customs.
- Not having a flexible tariff structure.
- Port back connection roads' being insufficient.
- Door to door transportation system's being insufficient.
- The deepness and number of the ports being insufficient considering the improvements in the ship sizes in eastern Mediterranean.

Opportunities:

- Making the goods belonging to the new republics that do not have coasts near the Black Sea and Middle East countries that do not have coasts near the Mediterranean Sea, Red Sea and Persian Gulf to be transported over the Turkish Ports would increase the demand to our ports.
- The economical cooperate agreements which could be done with Middle Asian Republics would increase the potential of ports in Black Sea.
- Our ports' being in a convenient strategical location to improve the hinterland.
- The port's having the property of being transit ports by the realization of the Baku – Ceyhan Pipe Line and increase in load traffic to Iraq.
- The increase in the cruise passenger transportation.

- The increase in the competition force with the regional ports by our ports' becoming hub ports and distribution centers.
- Cyprus / Egypt line and Aegean / Adriatic coasts having a big potential for our yachting and by the opening of the Danube / Rhine Canal to the yachting, foreign yatches would be coming to our country.
- The industrialization in port areas and hinterlands.
- The improvement of the sector's employment potential and improvement of sub industries.
- The modernization of railways.
- Forming the tariff structure more flexible, bringing up incitement system.
- Free zone and cheap workmanship

Threats:

- Contractor / Buyer's bringing their loads over the ports which are giving better services.
- Our ports' being insufficient as far as the improvements in container ships concerned.
- Our ports' losing the chance of competition and being insufficient as far as the service variations and qualities that will be a necessity in the future container transportation concerned.
- Not being able to supply the financial sources for the renewing and enlargement of the existing establishments and the reality of ports will face serious problems because of organizational and bureaucratic operations in making the

accommodation regulations for the container traffic which will increase in 10-15 years time.

- Environmental effects.
- The other regional ports' being chosen because of the efficient container services, fast and reliable loading / unloading to / from ships, minimum damage, fast bureaucratical operations and rapidly transferring of loads to other transportation vehicles, by the ship management firms.

6.7. Analyses of New Privatized Ports in Turkey

In this section, we will analyze the ports, which have recently been privatized and consider their change of efficiency before and after privatization. We will do so by focusing on their handling practices and increases of their capacity after the privatization period and then we will mention the problems of TCDD ports and raise our suggestion of their privatization, which is the main aim of our thesis. Statistical data of the ports of TMO before the privatization are taken from Departments of Ports of the General Directorate of Turkish Maritime Organization Inc. Statistical information after privatization of ports are taken from official web site's of Prime Ministry Maritime Secreteriat. The Statistics data of Port of Hopa, between the period of 1998-2004 was taken from the Park Denizcilik ve Hopa Liman İşletmeleri.

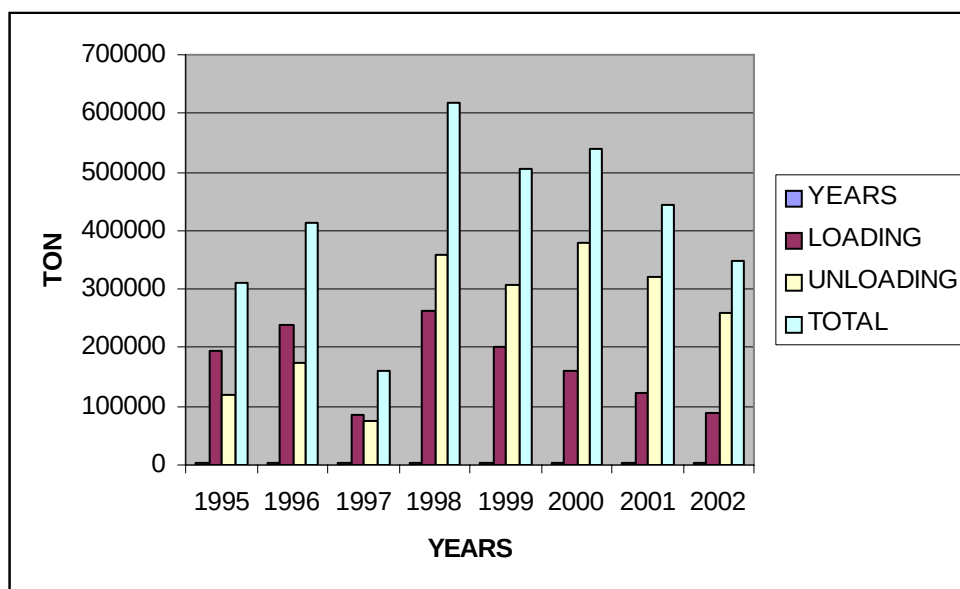
6.7.1. Port of Hopa

Turkish Maritime Organization records great developments with the privatization activities realized by transferring the operating of the Port of Hopa to the Park Shipping and Hopa Port Organization for 30 years on 17.06.1997.¹⁷¹ The ship acceptance capacity is reached totally 1440 that is 550 ship/year for bulk fleets, 290 ship/year for liquid bulk fleets and 600 ship/year for mixed freight ships. This number was 1425 in 1999.

The handling capacity of the Port of Hopa was 1.394.000 tons in 1999, but in 2004 this capacity is reached totally 3.020.000 tons which is 1.200.000 tons for solid bulk freights, 900.000 tons for liquid bulk freights, 320.000 tons for container handling and 600.000 tons for mixed freights. The capacity of the port is increased approximately at the ratio of 117 % with the investments.

Freight handling on Port of Hopa between the years 1995-2002 is realized as described below.

¹⁷¹ Basbakanlik Denizcilik Müstesarligi, Accessed on December 14, 2004, www.denizcilik.gov.tr/limanlar/index1.htm.

Figure 6.1**Loading and Unloading Practices of Port of Hopa (1995-2002)**

Source: Data before privatization has been taken from TMO Folder of Port of Hopa and after privatization Maritime Secretariat, Accessed on Dec14, 2004

www.denizcilik.gov.tr/limanlar/index1.htm. . The period of 1998-2004 was taken from the Park Denizcilik ve Hopa Liman İşletmeleri.

6.7.2. Port of Rize

The operation of the Port of Rize was transferred to the Rize Port Organization and Investment for 30 years on 07.04.1997.¹⁷² In 1999 the ship acceptance capacity of the

Port of Rize was 140, but now in 2004 this capacity is reached 1000 ships per year.

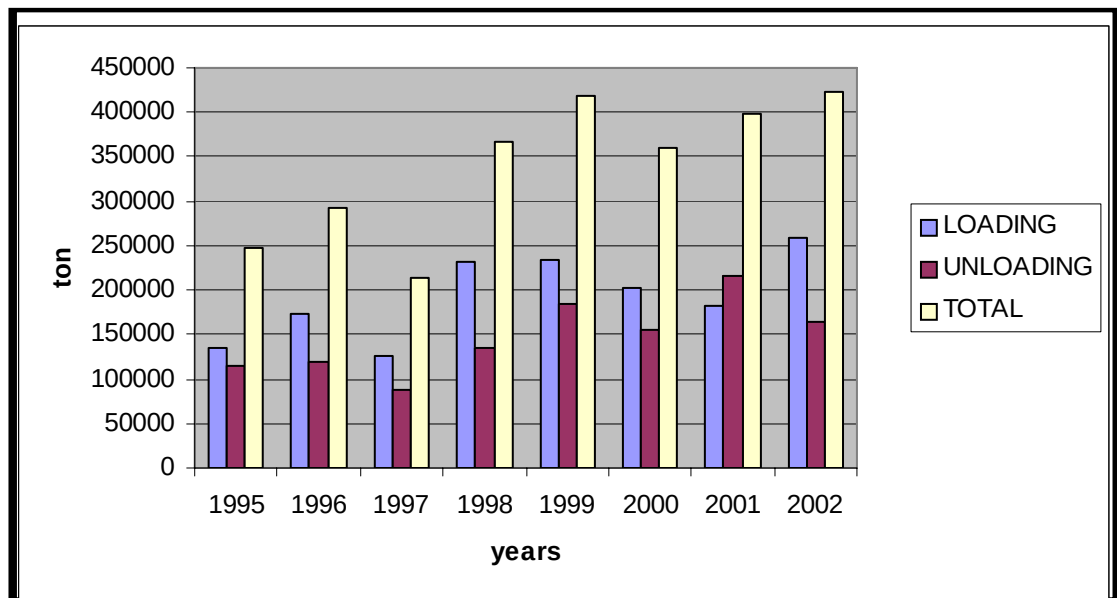
¹⁷² Ibid

As the same manner, the cargo handling capacity of the port is reached 2.500.000 tons per year.

The developments seen in Port of Rize between the years 1995-2002 are as described.

Figure 6.2

Loading and Unloading Practices of Port of Rize (1995-2002)



Source: Data before privatization has been taken from TMO Folder of Port of Rize and after privatization Maritime Secretariat, Accessed on Dec14, 2004

www.denizcilik.gov.tr/limanlar/index1.htm.

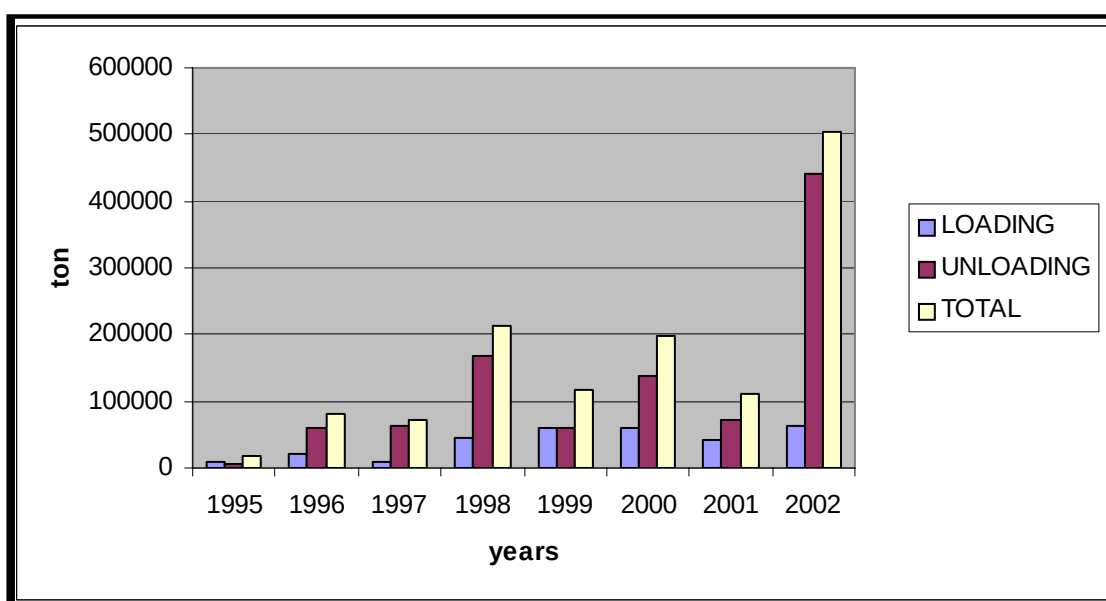
In 1997, the date of privatization, the total handling was 213.153 tons and this number is reached to 423.000 tons at the end of the year 2002. The increase is approximately at the ratio of 100 %.

6.7.3. Port of Ordu

The operation right of the Port of Ordu was transferred to the Çakıroğlu Port Management for 30 years on 30.06.1997.¹⁷³ Charging and discharging activities in Port of Ordu between the years 1995-2000 is as seen on the table.

Figure 6.3

Loading and Unloading Practices of Port of Ordu (1995-2002)



Source: Data before privatization has been taken from TMO Folder of Port of Ordu and after privatization Maritime Secretariat, Accessed on Dec14, 2004

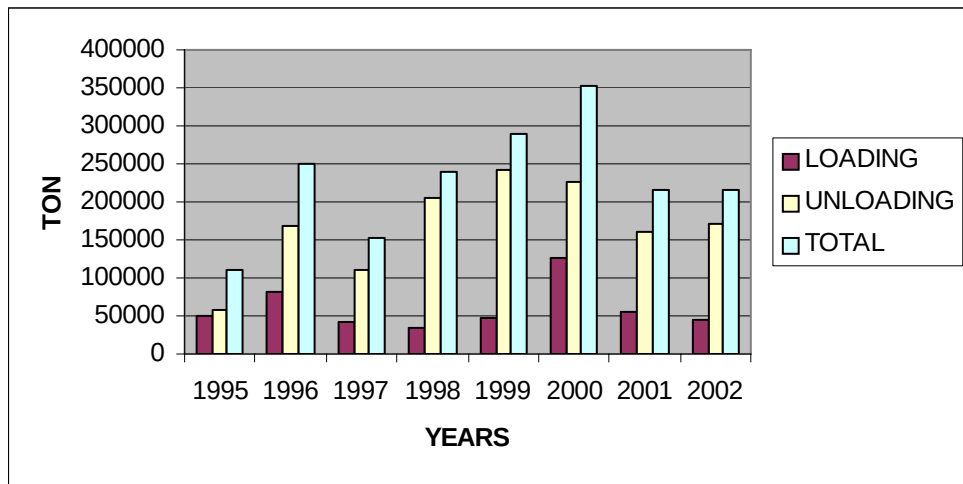
www.denizcilik.gov.tr/limanlar/index1.htm.

¹⁷³ Ibid

6.7.4. Port of Giresun

The Port of Giresun was transferred to the Çakıroğlu Port Management like the Port of Ordu on the same date.¹⁷⁴ The handling capacity of the port between the years 1995-2002 is given below.

Figure 6.4
Loading and Unloading Practices of Port of Giresun (1995-2002)



Source: Data before privatization has been taken from TMO Folder of Port of Giresun and after privatization Maritime Secretariat, Accessed on Dec14, 2004
www.denizcilik.gov.tr/limanlar/index1.htm.

6.7.5. Port of Sinop

The operating rights of the Port of Sinop were transferred to the Çakıroğlu Port Management same as Port of Ordu and the Port of Giresun on the same date. The ship

¹⁷⁴ Ibid

acceptance capacity of the port was nearly 250 in 1999 and this number is reached to 360 ships per year in 2004.

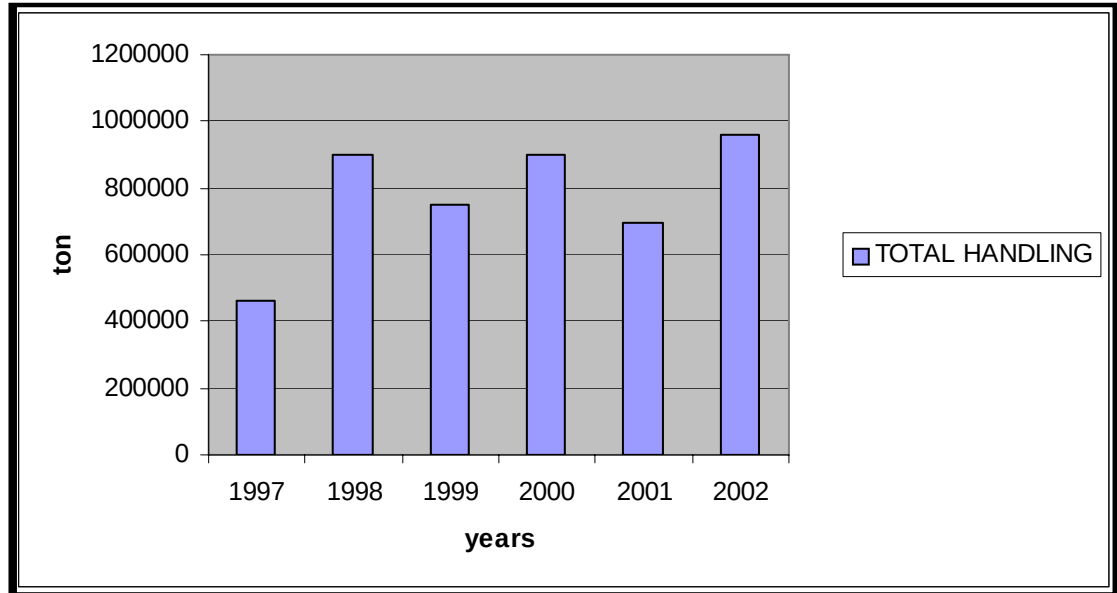
The present Port of Sinop is lengthened 80 meters and reached 12.50 m water depth with the project, which is completed in 2000. Because of having a short distance to the ports of Ukraine, creating a ro-ro or ferryboat line is planning between these ports and the Port of Sinop.¹⁷⁵

6.7.6. Port of Tekirdag

The operating rights of the Port of Tekirdağ were transferred to the Akport Port Management on 17.06.1997.¹⁷⁶ The ship acceptance capacity of the Port of Tekirdağ was 1050 ships in 1999 but today this capacity is 1900 ship/year in the Port of Tekirdağ with the help of the growing investments. The cargo handling capacity of the Port of Tekirdağ between the years 1997-2002 is as seen on the figure.

¹⁷⁵ Ibid

¹⁷⁶ Ibid

Figure 6.5**Loading and Unloading Practices of Port of Tekirdag (1997-2002)**

Source: Data before privatization has been taken from TMO Folder of Tekirdag and after privatization Maritime Secretariat, Accessed on Dec14, 2004

www.denizcilik.gov.tr/limanlar/index1.htm.

The cargo volume, area and equipments are developing in the Port of Tekirdağ and 152.000-ton/year container and 3.000.000 ton/year cargo handling is aiming in the Port of Tekirdağ. The increase between the years 1997-2002 is nearly 107 % as seen.

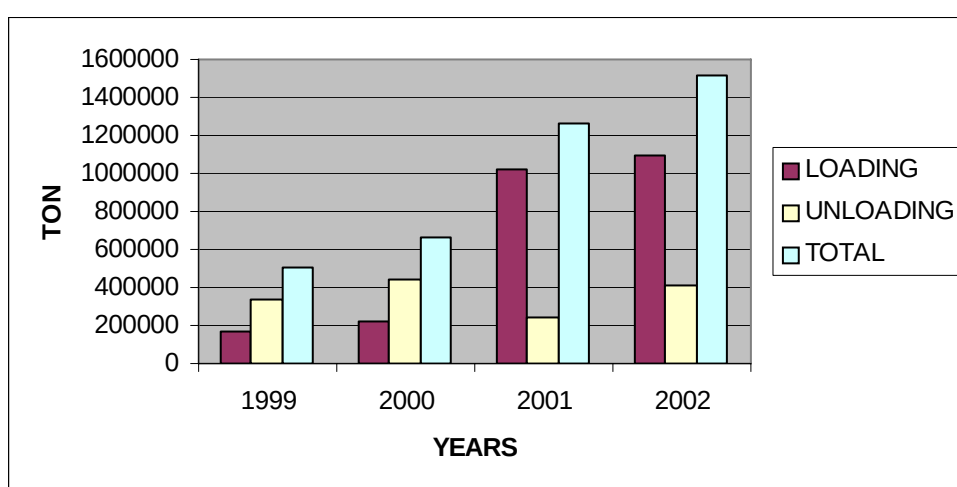
6.7.7. Port of Antalya

The operating right of the Port of Antalya was transferred to the Middle-East Port Organization for 30 years on 31.08.1998.¹⁷⁷

The activities conducted in the Port of Antalya after the privatization is as below.

Figure 6.6

Loading and Unloading Practices of Port of Antalya (1999-2002)



Source: The information used in tables has been taken from Maritime Secretariat, Accessed on Dec14, 2004 www.denizcilik.gov.tr/limanlar/index1.htm.

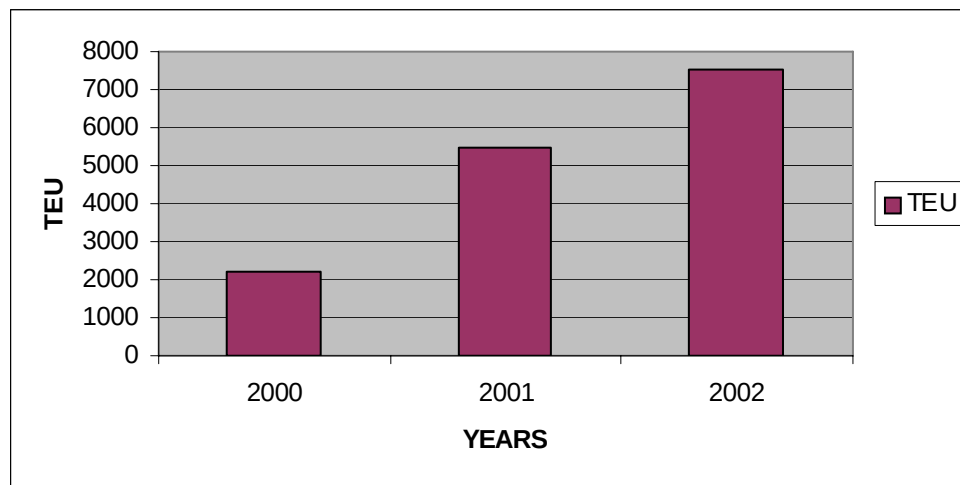
The Port of Antalya had totally 1.515.000 tons cargo handling which contains 1.100.000 tons charging and 415.00 tons discharging in 2002, but in 1999, the year of privatization, the cargo handling capacity was totally 503.000 tons which contains 333.000 tons discharging and 170.000 tons charging, in 2000 this capacity was totally 661.000 tons with 438.000 tons discharging and 223.000 tons charging capacity, and this total number in 2001 was 1.260.000 tons with 238.000 tons discharging and

¹⁷⁷ Ibid

1.022.000 tons charging capacity. A great increase was recorded in 2002 when it is compared with the capacity of the year 1999.

Figure 6.7

Total Handling of Container at Port of Antalya (2000-2002)



Source: The information used in tables has been taken from Maritime Secretariat,

Accessed on Dec14, 2004 www.denizcilik.gov.tr/limanlar/index1.htm

The container service that is launched in May 2000 was 2.192 teu in the first year, and then this capacity was reached 5.478 teu in 2001 and it was 7.520 teu in 2002. A great increase like 240 % with meeting the needed investments for the container handling capacity by the enterprise.

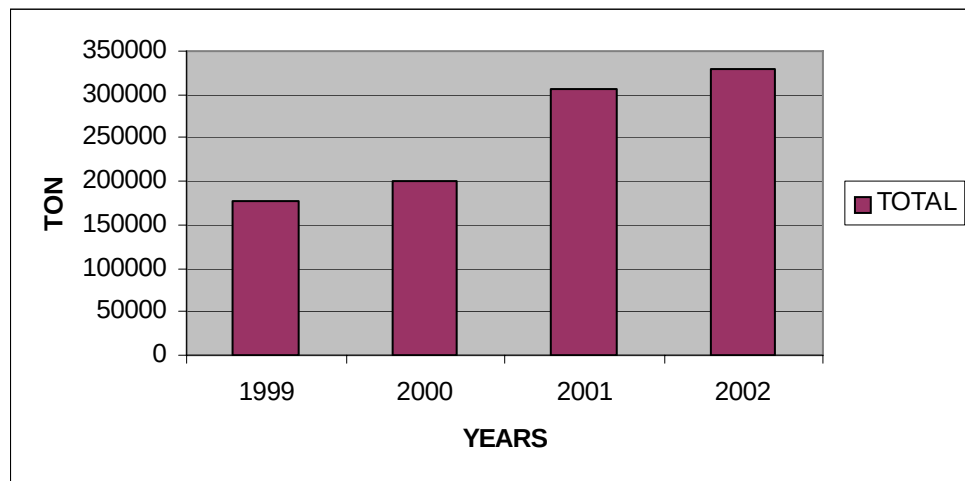
6.7.8. Port of Dikili

Turkish Maritime Organization transferred the operating rights of the Port of Dikili to the Dikili Port and Tourism Operations on 12.07.2000.¹⁷⁸ The information about the

handled cargo quantity of the port between the years 1999-2002 is as described on the figure.

Figure 6.8

Total Handling Cargo at Port of Dikili (1999-2002)



Source: Data before privatization has been taken from TMO Folder of Dikili and after privatization Maritime Secretariat, Accessed on Dec14, 2004 www.denizcilik.gov.tr/limanlar/index1.htm.

In 1999, the year of privatization, the cargo handling capacity of the Port of Dikili was totally 178.093 tons which contains 176.893 tons discharging and 1200 tons charging,

¹⁷⁸ Ibid

in 2000 this capacity was totally 199.875 tons and this total number in 2001 was 306.131 tons with 303.421 tons discharging and 2.710 tons charging capacity and finally in 2002 the total handling capacity was 329.583 tons. As it seen that an increase with the ratio of 85 % is recorded between the years 1999 and 2002.

6.7.9. Port of Trabzon

The privatization process of the Port of Trabzon was completed on March 2004. Turkish maritime Organization gave the operating right of the Port of Trabzon to the Albayrak Tourism. In the Port of Trabzon the total handling was 439.009 tons in 2003, that consist of 9.409 tons cabotage; 3.584 tons transit; 125.990 tons export; 300.026 tons import. There is no doubt that the Port of Trabzon which has a great importance because of its situation, will be the continuous port which is opening to the world with the increasing capacity and with the help of the increasing investments and the privatization activities made on this port.

6.8. Major Private Ports in Turkey

The Major private ports in Turkey can be listad as; Ports of Gemport, Armaport, Akport, Kumport, Arkas, Mardas.

6.8.1. Port of Ambarlı

Ambarlı port is located on north of the sea of Marmara. The port is divided into two regions:

Region 1: Ambarli New Port: located to the west of the oil terminals consisting of privately owned dry bulk and container terminals. Port of Ambarli Complex consist of: Kumport, Marport, Akcansa Cement Port, Soyak Port and Armaport

Region 2: consist of oil platforms.

6.8.2. Kumport

The cargo handling capacity of the port is 1.000.000 tons per year. The last five year activities of port can be summarized as below;

The total handling capacity was totally 528.089 tons with 440.884 tons discharging and 47.205 tons charging in 2000. Totally 377.723 tons handling that consist of 330.177 tons discharging and 47.546 tons charging was made on this port in 2001. In 2002 this total number was 392.844 tons with 346.139 tons discharging and 46.705 tons charging. In the first five months of 2003 the total handling capacity was 161.117 tons that consist of 143.688 tons discharging and 17.429 tons charging.

6.8.3. Marport

The largest iron-steel raw material, iron ore products handled. Loading and discharging capacity 10.000 tons/day. Cargo handling capacity of port 200.000 TEU/Y. Port handled 61.983 TEU; 2000`de 103.847 TEU ,2001`de 116.596 TEU in 1999.

6.8.4. Soyak Port

Soyak Port operated by Soyak Port Liman Isletmeleri A.S. Soyak Port is a general

cargo, Ro-Ro and container port. Soyak Port whose all sub-structural works and surface plants were constructed by Soyak Group. All kinds of goods from container to automobile are being loaded and unloaded with appropriate equipment.

6.8.5. Sedef Port

Sedef Port operated by Sedef Gemi Endustrisi A.S. Sedefport is strategically located in the industrial hinterland of Istanbul and Kocaeli along the North Coast of Sea of Marmara.

Sedef Port is committed to providing fast and efficient container and general cargo handling, inland transportation and Ro-Ro services. Container handling capacity is 75.000 TEU. 800.000 tons of general cargo can be handled a year.

6.8.6. Gempport

Gempport is strategically located at the South East Coast of Marmars Sea which has large hinterland. The terminal, is the natural gateway to the most wealthiest and most populated areas of North West of Turkey and it is strategically positioned on motorway networks that supplies the best links to and from the Marmara and Anatolia and North Aegean Regions.¹⁷⁹

¹⁷⁹ Ibid

6.9. Problems of the Private Port Enterprises

If an enterpriser is willing to operate a port, he should get over the permission process to get the needed port investment permission. This permission process has a complex relationship, which contains the related municipality, governorship, Ministry of Public Works, Ministry of Transportation, General Directorate of Railways, Harbors, and Airports Construction and Maritime Secretariat, General Staff and Ministry of Environment. After getting the needed permissions before launching the investment process it is needed that the construction permission should be taken from the related municipalities and starting the rental payment by signing a right of easement contract with the National Estate General Directorate.¹⁸⁰

When the investment is completed, firstly the business permission should be taken from the Maritime Secretariat and then business license should be taken in turn from the related municipality and governorship. This obligatory permission process cause a retard on completing process of the investments and sometimes it can cause their absence. Therefore, this process should become easier as soon as possible and some facilities should be given to the investors.

Another problem of private port is in spite of they are serving as needed, they are being exposed to unfair competitions. Because of the proportional rental payments (15%) taken from the private ports, the competition could not be prevented and the tariffs and

¹⁸⁰ Haluk Senyil, Liman Isletmecileri Dernegi Genel Koordinatörü, “Ozel Liman Yatirimlarindaki Sorunlar” **Dunya Gazetesi Persembe Rotasi**, sayi:7332, 2004, pg:6

the service costs of the private ports are coming expensive according to the standards. Working conditions with full competition environments should be assured on private ports. Besides, once in three year high increases in prices are being applied on the renewed hire payments by valuating on the state ports, which are hired for long terms.¹⁸¹ This situation creates difficult circumstances for Private Port Enterprises and increased the costs, because of this reason the services could not cheapen. These applications should be removed as soon as possible and the working opportunity in competition market should be given to the private enterprises.

6.10. Handicaps in Turkish State Railways' Ports

General Directorate of Turkish State Railways (TCDD) has some difficulties against rapid developments because of having a great structure. It is inevitable that the negative effects are seen on the foreign trade in our country unless the services in our ports are harmonized with the rapid developments. With its present structure the ports of TCDD could not show the needed rapidness against the developments. It is inevitable that the ports should have an autonomous structure for producing continuous and efficient service.

General Directorate of TCDD is a loss making institution which has an autonomous budget, so this losses are paid by the Treasury. Despite the compensation ratio of the income and the expenditures was 199% in 2003, the 0.01% of the incomes are used for the port investments. The more portions should be transferred to the ports from the

¹⁸¹ Ibid

earned money with the aim of making investments to the ports for their developments.¹⁸²

Another problem is the employment problem in TCDD. Turkish State Railways is a loss making institution and because of this reason a

new qualified personnel is not nominated instead of the retired personnel. So the need for the qualified employees is increasing day by day. Besides, TCDD is surrounded strictly by the trade unions, so these unqualified personnel could not be replaced or hired.

However the ports which are private and privatized in last years are using the modern operating techniques and increase their capacities with high ratios, the handlings realized on the ports of TCDD are more than on these ports. If we think that the same privatization activities are applied on the ports of TCDD, we will get a great number on the ports of TCDD. If we consider the margin of profit which will rise from all kinds of mediation activities and the handling activities and the employment opportunities, the privatization on the ports of TCDD will cause an unbelievable development in Turkish economy.

It is obviously seen that the ports of TCDD are at the head of the private ports according to the cargo handling capacities in our country. However, because of their big and clumsy structures the state ports could not be harmonized with the changing port

¹⁸² Chamber of Shipping, **Maritime Sector Report 2003**, Istanbul, 2004 pg:106

operating applications. The private or formerly privatized ports are developing day by day and they are serving in our ports to the charging and discharging ships in world standards with their qualified work forces. As we mentioned before, maritime trade is realized with containers and container-handling activities need specific equipments and an efficient staff who can use these equipments effectively. Private ports meet the needs effectively by minimizing the waiting times on the ports with the help of their electronic data systems and modern infrastructure and equipments.

When looked at the privatized ports, their capacities are increased after the privatization processes. All the information like tariffs and hours of the private ports can be reached in 24 hours on Internet and this opportunity creates the easiest way to the port customers and users.

The contribution of the private ports to the economy has a very important place and this is increasing. The acceleration of the development will be incredibly greater than the estimated speed with the help of applying the privatization activities on the ports of the TCDD.

The latest developments in the Turkish economy clearly show us that a period of privatization has started. With the current Turkish government started to run the economy, the privatization process of the TCDD ports has greatly accelerated.

The process of the privatization of the TCDD ports has started and the Mersin port will be privatized soon. The ports which will be privatized attracted many foreign and Turkish investors namely Sealion Huazhong Pte, Dubai Ports Authority, International

Contrainer Terminal Services, Antwerpen Port as foreigners and Merit Gemicilik , Mersin Limanı Ortak Girişim A.Ş. As a result of the bid, Akfen-PSA (Port of Singapore Authority) became the new owner of the Port of Mersin. The Akfen-PSA joint venture attained the right to manage the port for a period of 36 years.

During the privatization period, a large group of people in Turkey opposed the idea of the privatization of the Port of Mersin due to the national security reasons. At this point, we have to mention that, Turkish Army will have some special rights for all the contract period of 36 years. By some special rights, we mean that the Turkish Army will have the right of some army training, practices and the schedule will be determined by the Army. All of these , took place in the contract as an act.¹⁸³

The labour unions for the Mersin port are strictly against the privatization due to the risk of being sacked by the new management of the port. After the Port of Mersin, the other TCDD ports, the Port of İskenderun and port of İzmir will be privatized. Turkey is well behind in maritime transportation in the Mediterranean region and the three ports, which will be privatized, will greatly contribute to catch up with them.

The next privatization will take place with the Port of İskenderun. The company will be managing the port for a period of 36 years. The privatization process will be run by the Prime Ministry Department of Privatization.¹⁸⁴

¹⁸³ Hurriyet Gazetesi , “Singapopur’a Mersin’I Kazandırın Formül” 15.08.2005

¹⁸⁴ Referans Gazetesi, “İskenderun Limanı İhaleye Cikiyor”, 08.08.2005

Serving our seaways and ports to the world trade services with full capacity to overcome the economic problems will be the best way for Turkey. If the needed operating systems in world standards, the needed technological infrastructure and effective workforce are assured on our ports, which are advantageous because of their strategical situations, Turkey's portion on the world maritime trade will be increased. We mentioned before that the economy of our neighbor Greece is dependent to the maritime trade. But Turkey could not use its more effective situation and benefit from this great potential. This is a great loss for Turkey. Especially the unemployment of the young who are educated on technical schools is an important issue because if they are employed on ship building duties or on ports, this could be an important development both for our country and the unemployed young people in our country.

The Turkish ports that have a main importance in the improvement of sea transportation are logistic platforms for the international trade. With the privatization of this ports the efficiency and productivity of operations will increase, the infra and superstructure needs will be satisfied, the ports will be managed according to the advanced management methods and trade basis, flexible trade tariff will be formed, qualified employment will be done and as a result the ports will come to a competitive level against the regional harbours and will contribute the national and international economy.

VII. CONCLUSION AND COMMENTS

In twenty-first century, the world is coming into a rapid transformation and development process. Even the worldwide trade concept shown a dramatic change in last twenty years. The production places, have shifted to certain areas of the world. The most outstanding model of this issue is China. In this conjuncture, the distance between production places and consumption markets, is getting longer which puts the transportation sector on the heart of the trade matter.

According to the nature of the earth, the land pieces are connected to each other by seas. The history of maritime transportation, is observed to be perfectly parallel with the change and the variation of the civilizations living on the continents.

Sea has its own law and original character which makes it different than other types of transportation ways like air or land. This character caused countries or international organizations to define different policies on this fragile issue.

In spite of this, countries which have a good standing in the international platforms like OECD, United Nations, IMO can have far more benefits of the sea than the other natural belongings.

Maritime transportation sector, has a strategic importance in realizing the economical development, increasing the productivity and developing the foreign trade. Both the countries developed and less developed are trying hard to increase the contribution of the sector to the national economy. Because the maritime trade has an international characteristic besides being a system that affects the national economy and also it is

affected by the national economy. The world maritime trade volume is approximately 300 billion dollar, but Turkey is getting a very small share from this potential. In spite of this there are some countries like Greece, is aware of the benefits of the maritime trade before Turkey. Greece has not got an advantageous geographical situation better than Turkey, but it is ruling the world maritime trade with making the needed legal arrangements on time, its constant policies and rational investments and with their fleets and ports.

It has been insistently that although the three sides of Turkey are surrounded by seas, it is undeniable that Turkey is not aware of the importance of its situation for its economy. The countries, which have better understanding the importance of the maritime trade, are getting benefits from their own sea sources and on the other hand, they are developing their maritime policies and applying these policies to get the bigger share from the international trade. Besides, these countries are bringing up a qualified staff and they are ruling this great potential in favour of themselves.

The most important reason for Turkey's failure in maritime transportation is that Turkey could not make the needed investments by using its own sources and could not make a policy. The reason for this bad state of affairs is lack of interest, negligence and the clumsiness of the state institutions, which are ruling the maritime infrastructure. Maritime should be a state policy in Turkey. However this does not mean that the needed investments should be realized by the government. Turkey, on the way of being a member of the European Union, should give a way to the private sector with arranging the legislation and making necessary regulations of the maritime sector according to the European Union. Maritime sector has a big potential like tourism sector for Turkey and this sector can provide a huge income for Turkey.

The most important initiative done by the government of Turkey, with the aim of increasing the maritime carriage capacities is giving fuel to the ships without Special Consumption Tax. Besides, one of the which is hard to tackle with, is that the Turkish flag is on Black List of IMO. This list refers to reputation of flags, crossing on seas.

Since Turkey is on the Black List, the commercial prominence of our ships and the volume of the business realized by Turkish ship owners will increase. The needed cautions should be taken immediately and Turkey should pass to the White List.

Maritime sector could be the solution of unemployment, which is a part of Turkey's main problems, if young people are informed and educated about the maritime sector, lots of people will have a job and the sector will reach the needed qualified personnel.

The importance given to the transportation issue in European Union has been mentioned in the third chapter. European Union is providing its support to the member and candidate countries on the transportation issue. In spite of this, financial support can not be obtained by Turkey, due to the lack of project to make use of this support. If this financial support can lead to useful projects, the finance issue, which is always a problem will be eliminated.

Nowadays the most important condition of being successful in economy is to compete with rivals, for a country. Facilities and the service given on the ports are characteristic factors of competition. Ports are the doors of a country, which are opening abroad. The governments can take a share from the world maritime trade with their supplied services on the ports besides the geographical situations of the countries. When the investment policies and the service concept of the ports of the Turkish State Railways, which has the biggest share in cargo handling in our country, are compared with the operating systems of the other ports of the world, a miserable situation is seen. Turkish State Railways' ports has surplus employment and also they could not serve as expected because of the technologic absences.

The modernization of our ports should be realized with following contemporary business policies, and a competitive environment should be created with developing the infrastructure of the ports. All of these arrangements and policies, which are not considered up to now should be revised according to the European Union maritime carriage policies and legislations; all arrangements should be applied immediately as if Turkey is a member of the EU.

If there is a delay in application process, Turkey will lose its small market share and the leader countries of the maritime sector will get Turkey's share.

The participation of private operators to public ports should be achieved for the reason of withdrawing of the state from port management. The situation of all of the ports could not be suitable for a complete privatization. However ports of Turkey should compete with world ports according to the trade volumes they handle after the completion of the modernization process with the help of the private sector. None of the ports of Turkey should stay in an inactive position.

There are some factors that should be taken into consideration in port privatization. The first factor is transferring the rights of operations of the ports, to the firms which are not capable of fulfilling their engagement, in the name of saving the ports from the state. Wrong applications can be usually seen to transfer to the firms that offers the highest price. The price shouldn't be the main criteria in bid process. Transparency should be the only condition during all steps of bid procedures. Privatization of the ports is a sensitive issue that should be researched well. If the responsible firm will not show the needed capacity, the credits and the supports will be ineffective. The responsible authorities should play a stabilizer and an arranger role and they should be fair during the bidding processes.

From the prior experiences of the privatisation processes of ports of Turkish Maritime Organization, it has been observed that, the transfer of port management period can take so much time therefore, employees of the port can not be productive in an ambiguity.

When we look at the world history, it is clearly seen that the port cities are always more developed than the other cities. As we always repeat that the ports are the doors of a country, which are opening abroad and these are the exchange places both for trade and culture. The port areas are more developed than the inner areas all over the world. Today, the Port of Rotterdam and the Port of Hamburg are pushing the economies of their regions. Also they are creating employment in these areas. If the Ports of

Haydarpaşa, Iskenderun or Izmir, are operated with modern techniques, today Turkey's position in world maritime trade will be on the top of the list.

In Turkey, by the privatisation of the state ports using the right means like leasing of port assets, concessions , management contracts, the competitive power of Turkey will increase. With the help of these privatisation applications, the potential of Turkish ports and the inputs of Turkey will increase, Turkey will become a good position in world maritime trade with the help of the effectiveness on its ports.

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