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INTERNATIONAL COMPETITIVE STRATEGIES OF THE SEAPORTS BY THE EXAMPLE OF IZMIR PORT

FIRST ADVISOR: PROF. DR. BODO ABEL

SECOND ADVISOR: DR.STEPHAN SCHMUCKER

HÜSEYIN GENCER-5890156

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ABSTRACT

Seaports are the most important economic structures by allowing the occurrence of international trade activities. They have therefore faced huge competition and are in constant need to develop themselves in order not to remain behind in the international marine trade arena. The Izmir Port which is one of the prominent seaports of Turkey has started to lose its competitiveness due to not keeping pace with the latest developments in this market sector and also due to the lack of investments made by the public authorities. Therefore the competitiveness of the Izmir Port has been investigated in this study by considering its conditions and rivals in the region.

The geographical location of Izmir Port, being a natural sheltered port, close to the agricultural and industrial districts, with development potential of the railways and highways up into the port provides possibilities for intermodal transportation. Historical commercial relationships with maritime organizations – lines, freight forwarders and agencies - have been found as important competitive advantages of the Izmir Port against its competitors. Furthermore the official institutions and other private organizations around the Izmir Port like the customs department and insurance have an established professional procedure and great experiences. So they are also pros for the Izmir Port.

The most important problems of the Izmir Port are caused by the status of port authority and infrastructure shortages; bureaucratic obstacles due to being a public service port, being located directly in the city, having a narrow development area and congestion, lack of berth depth for the large vessels, lack of port investments, ageing equipments, neglecting automated systems, as well as the insufficiency of the railway and highway connections are the first noticeable issues of Izmir Port.

In this regard the efficiency of the Izmir Port`s operations and management should be improved and new investments for the development of the port should be considered. Considering also the specialization of many seaports in the world, Izmir Port should position itself according to its resources and capacities and focus on a specific type of cargo service.

Contents

Abbreviations

TCDD: Turkish State Railways

TEU: Twenty-food Equivalent Unit

IZMIR PORT: Izmir Alsancak Port of Turkish State Railways

ITO: Izmir Chamber of Commerce

IDTO: Izmir Maritime Chamber of Commerce

TRACECA: Transport Corridor Europe - Caucasus – Asia

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Introduction

Globalization, which aims to remove all the borders, is actually a game of logistics. Almost every company has reached the power of producing the same quality product. Therefore, reaching the demand on time has become more important for the customers. Logistics is a significant tool in order to meet the needs of the customers. Especially transportation, which is part of the logistics process that has become more important in terms of commercial costs of companies due to the increasing volume of trade. Maritime transportation comes in the prominence between the transportation modes.

The importance of maritime transportation is very great in respect to the development and sustainability of world trade. More than 90% of the international trade occurs by maritime transportation and the volume of this trade is increasing rapidly. Maritime transportation is the most preferred form of transportation in the world because it is providing the transportation opportunity of very large quantities of freight at one time, with minimum casualty of goods, lack of border out and almost no other losses. It is 14 times cheaper than airway, 7 times cheaper than highway and 3 to 5 times cheaper than railway transportation.

Seaports are the gate for foreign trade for the economies since they are the key point for the activities in maritime transportation. Moreover, they have become logistics based with many types of transportation are combined. These developments in functions of seaports lead to growing of ports` operating as an industry. So not only the seaports have evolved but also the territories where the seaports are located also have developed in economic and social standings.

Consequently an intense competition has started between the seaports. The ports which cannot keep pace with innovations have begun to lose their competitiveness. The governments have also started paying attention to the seaports by considering the role of the seaports in the economic development of the individual cities. This study prepared in this context consists of 4 chapters.

In the first chapter, the importance of seaports involved with new dynamics that influence the seaports have been investigated as well as seaports` classifications noting on the competitive nature of the industry. After, seaport competition determinants are

explained, which show the conditions of a seaport, and how they are classified. Moreover, the dimensions of the seaport competition have been represented according to World Bank`s report, which is based on Porter`s Five Forces.

The second chapter covers the practical part of the study. At the beginning of this chapter general information about the Izmir Port was given and some developments in the region were explained. Then the properties of the port were examined in the light of the seaport competition determinants in order to be able to identify the general conditions in terms of competition potential. After that the competition dimensions of the Izmir Port were analyzed according to the World Bank Report which is based on the framework of Porter`s Five Forces. In this way, general potential in the region, competitors of the Izmir Port and its relationship with port users were demonstrated.

In the third chapter, the aspects which the port should develop itself in their light were explained, and new strategies were drafted through the competitive strategies of cost leadership, differentiation, focusing and resource based view in order to increase the competitiveness of the Izmir Port.

In the conclusion part, a general evaluation of the study was made and recommendations presented. Although these recommendations are for the Izmir Port they may be applied also in global considering the intensive competition in the world.

1. The Importance of Seaports and New Dynamics That Influence the Seaports

According to the traditional definition; seaports are localized water or land areas where the vessels can be protected from natural elements such as waves, storm and ice as they approach their docks and pears, and where the vessels can moor and receive the needed service. Seaports also serve as a point of transfer of cargo and passenger; they as well accommodate the necessary facilities essential for the protection of delivery of goods carried on land or sea.[1] As understood from the definition, historically seaports have

[1] Altincubuk, F.: "Port Management and Forward", Publication of Chamber of Marine Commerce, Istanbul, 2000, p. 9.

been considered for sheltering the vessels. Today, seaports have become one of the most important entry and exit points in the network of transportation. The economic impacts of the seaports are also significant for both the region and the country. A seaport is fostering other industries with the economic vitality as being part of the social structure of the region. It improves not only the regional or international trade but also industrial activities. Thus, the increasing activities of a seaport play an important role in the development of the country.

1.1. The Importance of Seaports in the Supply Chain

Supply chain is being considered to some extent as a wider concept of logistics. Because it includes the process from acquiring necessary raw materials for production to reaching final consumers as well as the relations with intermediaries in the distribution channel. Nowadays the supply chain management takes place in the middle of all business processes and contains coordination and corporation of work in logistics activities and their organizations. Namely, it can be said that every unit is drawn into the supply chain. At this point the seaports have become an integral part of the supply chain in the flow and coordination of cargo and information.[2] Especially, in the dimension of international transportation, the seaports play a very important role between the companies, which offer and need logistics services, as the node points where transportation modes intersect.[3]

1.2. Trends in the Maritime Transportation and Seaport Industry

The most important trend in the maritime transportation is the aim of increasing the efficiency and productivity. This leads to vessels becoming larger, faster and more equipped. To illustrate, vessels of Emma Maersk with 15200, MSC Danit and Beatrice with 14000 TEUs are the end points reached today in the industry, however, only a few seaports such as Singapore, Hong Kong, and Rotterdam can serve these vessels in the world. Changes in the structure of vessels and cargo have influenced the seaports` structure design and equipment. The structure of terminals has been developed in the seaports and the cargo has been handled in particular terminals. Port administration is

[2] Carbone, V. and De Martino, M.: "The Changing Role of Ports in Supply Chain Management: An Empirical Analysis", Maritime & Management, Volume 30(4), 2003, p. 305.
[3] Esmer, S.: "Optimization of Logistic Process in the Container Terminals and A Simulation Model", University of Dokuz Eylül, Maritime Faculty, Izmir, 2010, p. 6.

also kept pace with these developments and many seaports have been privatized or the role of the state decreased.[4]

The success of small or large seaports depends on the big operators` (Maersk, MSC, Evergreen, COSCO etc.) route strategies. The most common characteristics of the ports preferred by these big operators are having a suitable geographical location with a large commercial hinterland and being effective in terms of port`s facilities and infrastructure for the services.

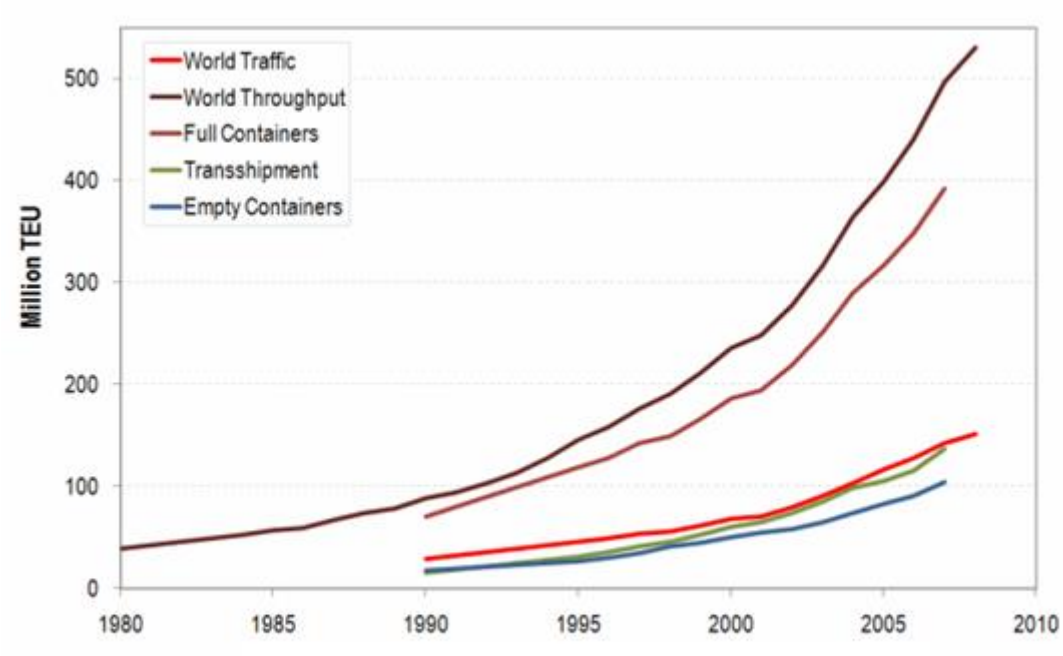
1.3. The Increasing Importance of Container Terminals

Container transportation has shown a rapid development since the 1960`s with the convenience and benefits of using container and its easy integration with other transportation modes. There have been also developments in the types of containers with accomplishing the standardization and increased cargo varieties. Therefore various containers have been produced for all types of cargo and widely used in many areas.

Transportation of containers is carried out by container ships at sea and by trucks and trains on land. Transfer process of containers from a transportation mode to another is done in the terminal. In this sense, container terminals are places where the containers pass from seaway to highway and railway or vice versa, namely where the transportation mode varies.[5]

[4] Cullinane, K. and Song, D.: "Port Privatization Policy and Practice", Transport Reviews, Volume 22, Issue 1, 2002, p. 58.
[5] Esmer, S.: "Optimization of Logistic Process in the Container Terminals and A Simulation Model", University of Dokuz Eylül, Maritime Faculty, Izmir, 2010, p. 23.

Figure 1: World Container Traffic and Throughput, 1998-2010



(Source: adapted from Drewry Shipping Consultants, http://people.hofstra.edu)

As seen in the chart above, container throughput has grown too large as of the last 30 years. World`s container throughput has reached 560 million TEUs by 2010.[6]

Container transportation has globalized with a huge increase in container throughput accompanied with other developments. Consequently, these led to an increase in the number of container ports while improving the existing ones. Furthermore, increasing number of container utilization has involved the tendency to increase volume of container ships as well as container ports in order to reach the economies of scale. All of these mentioned progresses have contributed to the development of container ports, and so container ports have become an important centre for logistics services in the supply chain. The most important seaports of the world have already obtained their achievements through their container port operations.

[6] Huybrechts, M and others: "Port Competitiveness: An Economic and Legal Analysis of the Factors Determining the Competitiveness of Seaports", Editions De Boeck Ltd, Antwerpen, 2002, p. 14.

1.4. Global Port Operators

Globalization of trade and efficient transportation are required to increase the productivity and reduce the costs in the seaports. Therefore the biggest port operators would rather work and contract with the shipping companies which handle cost-effective cargo as well as having the ability to transport large quantities. On the other hand, the biggest shipping companies want to work and contract with the port operators which can provide convenient facilities in the seaports. As a result of these demand and developments, many port operators have created various mergers around the globe leading to an increase in the number of global port operators. Hutchison Port Holdings, Port of Singapore Authority (PSA), AP Moller-Maersk, COSCO and DP World are the world`s leading port operators.[7]

With the privatization of ports and port facilities, new alliances are formed between these biggest port operators. Consequently these world`s leading port operators control more than half capacity of the world`s seaports.

1.5. Classification of Seaports

Seaports can be classified according to various parameters like type of- foundation, traffic, service, activity, owner, administration etc. But the most important and salient classification in the port industry is made according to the type of administration and service.

1.5.1. Ports According to Type of Administration

Ports have begun their activities as public organizations, namely belonging to governments (municipality or separate status of a port authority). Private ports are constructed or operated by any type of industry itself. For example, tanker docks for refineries or bulk cargo terminals for mining companies.[8]

Ports according to their type of administration status in world-wide can be seen as follows:

[7] Esmer, S.: "Optimization of Logistic Process in the Container Terminals and A Simulation Model", University of Dokuz Eylül, Maritime Faculty, Izmir, 2010, p. 14.
[8] Yüksel, Y. and Cevik, E.: "Port Planning and Design", Course Notes, University of Yildiz Teknik, Istanbul, 2004.

Figure 2: International Classification of Port Types[9]

Port Type	Competence of the state as port authority		
	Infrastructure	**Superstructure**	**Additional services**
Public Service Port	Yes	Yes	Yes
Tool Port	Yes	Yes	No
Landlord Port	Yes	No	No
Private Service Port	No	No	No

Public Service Port; all services, including cargo handling and storage are provided by the port authority which is an institution of the state. Port of Singapore is the best example for this category.

Since the superstructure and cargo handling developments are under the responsibility of the same institution, there exists a unity of command in the public service ports. But in this type of ports, limited role of private sector leads to lack of competition and hence inefficiency. Moreover the operations cannot direct the market and users and also lack of innovations appears.[10]

Landlord Port; the port authority owns the land. The cargo handling and storage services are delivered to private sector firms. The port authority is responsible for the infrastructure, cruise safety and maintenance of entry channels. Port of Rotterdam and Hamburg are two important examples of landlord port.

Terminal operators are more dependent on the port and much more willing to invest since they have long-term contracts. Generally, the efficiency is high in the landlord ports because the private terminal handling companies deal better with the needs of market. In the landlord ports exists the risk of over capacity due to pressure of various private operators. There is also risk of wrong decision making during the setting of convenient time of capacity totals.[11]

[9]Jaehrling, K.:"Die gescheiterte Liberalisierung: Ein politisch-ökonomische Studie zum Wandel von Staatlichkeit im europäischen Hafensektor", München und Mering, 2004, p. 54.
[10] Hautau, H.: "Hafenorganisationsmodelle und ihre Bedeutung in internationalen Seehafenwettbewerb", Vorlesungsskript, Institut für Verkehrswissenschaft Universität Hamburg, Hamburg, 2008, p. 23.
[11] Ibid, p. 21

Tool Port; the port authority is responsible for providing the handling equipments between the vessels and docks. However, cargo handling is maintained by private companies as designated by the port authority. Port of Antwerp in Belgium is a good example for this category.

Port authority and private companies share the cargo handling services in this type of ports. This causes conflicts of interest among them and constraints the development of the private companies for the future.[12]

Fully Privatized Port; in a fully privatized port, there is no state authority and the owner of the land is also the operator of the port facilities.

There is maximum flexibility in fully privatized ports depending on the port operations and investments but no direct intervention of government. The owner of the port`s land may lead the market and tariff agreements. Nevertheless local or national government loses its ability to fulfill a long-term development agreement in port business. Thus, this is not good for overall economic development.[13]

1.5.2. Ports According to Type of Service

Ports can be classified into 4 categories based on the majority of the services provided: Hub Port: Serving as a base for the shipment of regional goods in their hinterland as well as acting as a liaison between other ports and feeder ports, hub ports are commonly referred as main ports. Examples of hub ports are Rotterdam, Hamburg, Barcelona, Port Said, Pire and Marseille. [14]

Transshipment Port: Unlike hub ports, they do not serve their own hinterland but only carry out handling processes of goods subject to international shipments. Examples are Malta, Damietta and Algeciras.

Calling Port: Vessels carrying out international shipments frequently stop by these ports, however, handling services are not offered. As they have the capabilities to

[12]Stevens, H.: "The Institutional Position of Seaports: An International Comparison", Kluwer Academic Publishers, the Netherlands, 1999, p. 54.
[13] Hautau, H.:"Hafenorganisationsmodelle und ihre Bedeutung in internationalen Seehafenwettbewerb", Vorlesungsskript, Institut für Verkehrswissenschaft Universität Hamburg, Hamburg, 2008, p. 26-27.
[14] Ibid. p. 34.

conduct handling processes, they can be upgraded to hub ports with sufficient investment. Port Mersin can be given as an example for calling ports.

Feeder Port: These kinds of ports serve only their hinterlands. Vessels that frequently stop at hub ports do not choose feeder ports as a destination.

1.6. Competition of Seaports

Competition of seaports was relatively lower until mid-20.th Century and costs associated with ports was insignificant compared to high costs of inland and maritime transportation. Therefore there were little incentives to improve the port`s efficiency.

Today seaports are much beyond their traditional structures. They are not only having bonds with shipping companies, terminal operators and agencies but also with consignee and shipper, which affects the competition of the seaports. Although intense competition affects the port`s customers positively, it has negative aspects on small ports due to strong positioning of global port operators. [15]

Companies' mergers, regional and global expansion, partnerships between port authorities and shipping operators led to structural changes in the seaport industry. Competition and partnership strategies have developed logistics services especially in the container ports. As a result of all these developments, seaports are obliged to enter the increasing competition in order to maintain their positions.

Therefore, competition of seaports can be examined in two ways as "competition within the port" and "competition between seaports".

1.6.1. Competition within the Port

Competition in a port occurs only if there is enough cargo traffic to occur and high volumes passing through. In other words, the ports must be large enough for the internal competition. Competition within the port can be stated as the competition of two or more terminal operators with each other for the same type of cargo. Namely, a terminal

[15]Esmer, S.: "Optimization of Logistic Process in the Container Terminals and A Simulation Model", University of Dokuz Eylül, Maritime Faculty, Izmir, 2010, p. 14.

operator competes with other operators in the port by undertaking the services of the vessels and cargo related to terminal.[16]

The most effective method to increase the competition inside the port is privatization of terminals and conveying them to different operators. The increase of terminals` competition within the port is significant in terms of efficiency and productivity of the port. Therefore it also has an important role in competition between the ports. In many major ports in the world can be seen that the terminals` operations made by different operators.[17] Internal competition must be under the control and direction of the port authority. Otherwise it can lead to destructive competition and other problems that would have catastrophic effects on port.

1.6.2. Competition between Ports

Competition between the ports (Inter-port competition) occurs among two or more ports, or terminals that operate in different ports. The competition in the Le Havre-Hamburg in the North Europe can be a good example in this case. Especially, Ports of Rotterdam, Hamburg and Antwerp in this range, which are amongst the most important ports of the world and serve almost the same hinterland, compete cruelly with each other. Their terminals compete as well with terminals in other ports. This big competition has been a pioneer in the economic development of the whole region.

There are many factors that determine the level and dimension of seaports` competition which will be explained in the next sections.

1.7. General View of the World`s Seaports and Some Examples

There are approximately 3500-4000 seaports in the world and 10 billion tons of cargo and container are handled in these ports. Although there is no competition, many of these seaports with each other, there is a high level of competition between world`s major ports.[18]

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[16] Huybrechts, M and others: "Port Competitiveness: An Economic and Legal Analysis of the Factors Determining the Competitiveness of Seaports", Editions De Boeck Ltd, Antwerpen, 2002, p. 5.
[17] Tongzon, J. and Heng, W.: "Port Privatization, Efficiency and Competitiveness: Some Empirical Evidence from Container Ports", Transportation Research A, Vol. 39, 2005, p. 406.
[18] Eliiyi, D. T. and others: "Port Management and Dock Assignment Problem", Ege Academic View, 8(1), Izmir, 2008, p. 246.

Seaports have key roles in countries` economies and trades. Therefore they constitute an important place on governments` policies. In that respect governments make legislation in order to insure the contribution of the seaports on local and national economy. Operation structures of seaports differ from country to country. The docks in the ports in many countries are rented and operated by shipping companies or port operators. This have eliminated central decision-making mechanism and in this way facilitated the functioning of the ports, and consequently contributed to increase the ports´ efficiency. Looking at the world`s seaport policy can be seen that seaports specialize in a particular cargo. There are specialized terminals for certain cargo in world`s most important seaports.[19]

Today, it is aimed to serve as possible by maritime and railway for the combined transport. The highway transportation is aimed only in the first and last periods of the transportation as the short haul, door to door transportation. This policy has been adopted in the European Union as well. EU pays great attention to railway infrastructure and in this manner aims to connect to Asian countries. Especially for the implementation of the TRACECA is provided funding by the union in the Asian countries.[20]

1.7.1. Port of Hamburg

Port of Hamburg is situated on the River Elbe and 115 km inside from the North Sea. Despite its long distance from the sea, world`s largest vessels have easy access to the port. It has 48 km length of dock, 310 anchorages, a total of 200 container bridges and multi-functional cranes. The port is a bridge between overseas countries and the European Continent connecting manufacturing facilities to consumer markets. It is situated on the north-south and east-west trade routes and has become a logistical base of Germany by many vital elements for national and local economy.[21]

The Port of Hamburg has advanced level of service quality in the fields of distribution, storage, handling, as well as strong rail-, water-, air- and highway connections.

[19] Huybrechts, M and others: "Port Competitiveness: An Economic and Legal Analysis of the Factors Determining the Competitiveness of Seaports", Editions De Boeck Ltd, Antwerpen, 2002, p. 4.
[20] http://www.traceca-org.org/en/home/, [10.04.2011, 19:00]
[21] http://www.hafen-hamburg.de/content/geographische-lage, [23.04.2011, 16:00]

Figure 3: Hinterland Traffic of the Port of Hamburg

(Source: http://www.meslekiyeterlilik.com/lojistik/23.Hamburg%20Limani.pdf)

All terminals at the Port of Hamburg have features of intermodal handling for the transfer of cargo among the rail-, highway, and river and ocean transportation. Cargo transportation accounts for more than % 80 of all business involved in the port where rest is also important for the conventional cargo like package, box, tile, cardboard, cellulose, scrap, sugar, coffee and cacao. Furthermore million tons of bulk cargo, petroleum derivatives, coal, ore, grain, oil, animal feed and others are handled in the port every year.[22]

Port of Hamburg is not an autonomous legal and economic entity. The port is a public institution that belongs to Municipality of Hamburg City. Hamburg Port Authority operates the port management and is responsible for all issues of water- and land-based infrastructure,

the safety of shipping, port`s railway facilities, property management and economic conditions at the port.[23]

[22] Erdal, M.: "Logistics Base of Germany: Port of Hamburg", http://www.meslekiyeterlilik.com/lojistik/23.Hamburg%20Limani.pdf, [22.04.2011, 16:00]
[23] http://www.hamburg-port-authority.de/en/, [23.04.2011, 17:00]

Port of Hamburg has a serious competitive advantage thanks to effective management operations of the port authority, extent the investments, providing very fast loading and evacuation for large vessels and offering wide range of storage facilities. Furthermore the port is completely integrated with the city, have become an important part of the social life and a world brand.

1.7.2. Port of Singapore

Singapore is a country in total area of only 632,6 square kilometers but an important trade center in the region. The main reason behind Singapore's success is Port of Singapore, world`s busiest transshipment port, which is a major asset for the country. It is very suitable for the transit transportation since it is located on important trade routes in South-east Asia. With this feature the port has become a storage and distribution center in the region.[24]

With a reliable legal system and business-friendly tax structure, development in the field of IT and finance, free trade zones, distribution parks, transportation and logistics services Singapore has become a center of attraction for foreign investors. Singapore is one of the leading countries of world in the implementation of electronic government projects. All of these are reflected also in the services and performance of the port.

Port of Singapore is in the top 3 places in terms of container traffic and transaction volume of bulk cargo. Port`s depth is suitable for any size of vessel and has many container terminals, 20 main docks and 119 cranes. These advanced facilities of the port have succeeded in attracting many industries making Singapore the third largest oil refining center in the world. In numbers, processing capacity of oil refineries is more than 1 million barrels per day.[25]

Port of Singapore is managed by the Maritime and Port Authority of Singapore (MTA) which consists of two institutions-the Marine Port Authority and Port of Singapore Authority- and is an autonomous linked to the government. The Marine Port Authority is responsible for nautical and maritime services. The Port of Singapore Authority is in

[24]Stevens, H.: "The Institutional Position of Seaports: An International Comparison", Kluwer Academic Publishers, Vlissingen, 1999, p. 255 and 256.
[25]http://www.mpa.gov.sg/sites/port_and_shipping/port/port_services_and_infrastructure/terminal.page, [29.04.2012, 17.00]

charge with the terminal for goods handling. It also operates as a private operator in other important seaports and has become one of the biggest global terminal operators in the world. There are private operators in the Port of Singapore as well where exists big competition between these operators.[26] The port is improved in every respect and will continue being the heart of the Singapore`s economy.

1.8. Determinants of Seaports` Competition

In this section, the key competition determinants for a seaport that has been accepted generally in the literature will be briefly stated. Examination of these determinants is important for the seaports in terms of noticing their issues and abilities.

1.8.1. Geographical Location

Geographical location is totally a natural resource of a port and many authors such as Hayuth and Fleming (1994) emphasize that the geographical location of a seaport plays a very important role for its competitive success.

Existence on the important transition and connection ways or having a substantial and developed hinterland determines the crucial locational advantage for a seaport.

Port of Singapore is a very good example representing the location advantages that contribute to a port`s success. Port of Singapore is an output point within the scope of commercial activities. Approximately 80 % of loading and unloading containers in Singapore are transshipment freights. The port is located at the intersection of main transportation routes of the world. With this favorable geographic location Singapore has become a center for transportation activities in Southeast Asia.

1.8.2. Hinterland

Hinterland is the regional distribution area of incoming and outgoing cargo. The socio-economic structure of a hinterland has a significant influence on the trade of the seaport. Hence this must be considered by the shippers, agencies and freight forwarders since the economic activities in a hinterland may change over time and vary according to type of cargo and different transport regimes. When determining the hinterland of a seaport,

[26]Stevens, H.: "The Institutional Position of Seaports: An International Comparison", Kluwer Academic Publishers, Vlissingen, 1999, p. 260 and 273.

transport costs, distances and such analysis between seaports are taken into account. The frequent used data can be sorted like follows; import and export statistics, origin and final destination of goods, transport costs and time, seaport costs, competing seaports, transportation alternatives, changes and dynamics in hinterland, population distribution, income distribution of population, economic growth rate of the region, railway and road connection analysis, capacity and flow of cargo.[27]

A seaport may have many hinterlands. For instance, the whole Turkey can be counted as a hinterland of the Istanbul Port because of the advanced connection and distribution facilities. On the other hand, some seaports may serve the same hinterland such as the many important ports of the Le Havre-Hamburg range (Le Havre, Antwerp, Amsterdam, Rotterdam, Bremen, and Hamburg etc.).

1.8.3. Hinterland Connections

A hinterland of a seaport can be wide or narrow depending on whether the port is on the access roads, regularity and diversity of transportation systems and commercial understanding of the seaport. Comprehensive and regular road, railway and inland waterway connections to the hinterland, existence of major export products or demand for import products are crucial factors in the development and competitiveness of a seaport.

Today almost every seaport can improve itself and provide top class services for its customers. Therefore a competition of being able to use hinterland connections has emerged between the firms. Especially, considering that developed hinterland connections creates value added services for the firms and customers, hinterland connections are becoming more and more important.

1.8.4. Administrative Status of Port Authority

The administrative status of the port authority is very important because the port authority affects directly or indirectly other factors that determine the performance and competitiveness of the seaport. The power and responsibility of port authorities are usually limited by law. Structure and objectives of port authorities change from country

[27] Kocagil, B.: "Mathematical Methods by the Planning of Seaports and a Practice for the Mersin Seaport", Master Thesis, Istanbul Technical University Institute of Science, Istanbul, 2004, p.2-56.

to country, even within a country. However, to some extent seaports are under the central government`s control in many countries. It would not be correct also specifying that the state ports are operated badly at any rate, or vice versa; the privatized ports are better operated absolutely. There are extreme well-functioning seaports in the world that are in the hands of the public sector such as the Port of Singapore, as well as exist private sector seaports that are operated extremely poor such as the Port of Guatemala.

1.8.5. Seaport Facilities

Seaports have lots of activity and service areas and no matter the services in a seaport provided by the state or private sector this determinant influence the competitiveness and attractiveness of the seaport directly. Accordingly, the quality of port facilities plays a decisive role by the followings:

- Modernity and technical-economical capacity of the terminal for bulk and containerized products

- Quality of seaward port access

- Available storage space

- Development quality of the port by road and railway connections

- Quality of hinterland connections in terms of various transport modes

- Promptness of administrative settlement.[28]

Due to the reasons such as competition between firms, innovation in the transport systems, development of technology and increase in the types of ships the seaports and seaport facilities should undergo structural changes in order to become more competitive.

1.8.6. Efficiency of the Seaport

The main aim of the seaport authorities in international arena is mostly to increase the efficiency and trading volume of the seaport. Seaport efficiency is concerned principally

[28]Aberle, G., Transport Economics: Micro- and Microeconomic Fundamentals, München, 2003, p. 269.

in terms of speed and reliability of the services provided. To specify; speed of container handling and vessel`s turnaround indicate the level of efficiency of a seaport since the delay time of a vessel leads to shippers losing money. Moreover the high-speed services provide the competitive advantage to owners of the cargo. The higher efficiency level of seaport services and their reliability make more appealing for the seaport users and so the seaport obtains more market share.[29]

1.8.7. Marine Location and Depth

The marine location is also a natural determinant as geographical location of a seaport and significant to designate its position to the open sea. Easy accessibility and suitable sheltering of the seaport provide natural advantages itself.

In many studies it has been found that larger seaports are more productive than smaller seaports. Nevertheless seaports that are called by the larger vessels are more productive than smaller ones as well. Considering that the seaports also try to reach economies of scale, larger vessels are mostly preferred by the seaports.[30] Many seaports do not have enough depth for the access of the large vessels, are not able to be a transshipment center despite having a convenient geographical location.

1.8.8. Port`s Loyalty

Loyalty of a seaport is also an important determinant that can be affected by many aspects. These arise by economic variables and personal experiences related to the services and activities of a seaport already took place.[31] Seaports try to increase their loyalty through marketing activities with emphasizing their service quality and reliability. The loyalty of a seaport is designated with the followings:

- Subjective, emotional and former assessments of the shipping organizations

- Personal contacts to the seaport`s operators

[29] J. Tongzon, W. Heng; Port privatization, efficiency and competitiveness: Some empirical evidence from container ports (terminals), Department of Economics, National University of Singapore, AS 2, Level 6, 1 Arts Link, Singapore 117568, Singapore , Transportation Research Part A 39 (2005), 405–424

[30] Dresner, Martin: Assessing Productivity and Performance of Seaports: Importance for Gateways, Assessing Productivity and Performance of Seaports: The Importance for Gateways, International Conference on Gateways and Corridors, Vancouver BC, May 2007, p. 6.

[31] Lieb, T-C: Competitive Perspectives of World`s Container Seaport under Maritime- and Land Based Bonditions, Frankfurt am Main, 1990, p. 41.

- Historical relations and affinity for a certain region

- Port`s reputation for cargo damages

- Customer-oriented service offerings.[32]

1.8.9. Port Charges

Port charges depend on the administrative status of the seaport and influence the prices of port`s services. Therefore they influence the choice of the seaport by the shippers. State ports do not cover the total cost over the prices. Since the aim of the state ports is the maximization of the number of the port`s customer, the charges and fees are tried to be kept low. The seaports under private administration have to cover the total cost because of the goal of profit maximization, so that the charges are levied which depends on the loading. [33]

Figure 4: Percentage of Port Charges[34]

Port Charges	Percentage of Total Charges
Charges arising from the use of port infrastructure	5-15
Pier services	2-5
Cargo Handling	70-90
Consignee	3-6

If we look from the point of the port users, as seen above, cargo handling constitutes the most important part of total charges. Therefore delivering the terminals at the port to private operators would be more convenient since being engaged in cargo handling by a lot of operators will increase the competition and lower prices.

1.9. Contents of the Seaports` Competition

Today there are five elements that shape the competitive environment and interact with each other which are analyzed within the framework of Porter`s Five Competitive Forces Model. These are:

[32] W.Maening/M.Sames: Determinants of the Seaport choice, Journal for the Transport science, Düsseldorf, 2000, p. 177
[33] Ibid. p. 178.
[34] Trujillo, L. and Nombela, G.: "Privatization and Regulation of the Seaport Industry", World Bank Policy Research Working Paper No. 2181, Washington, DC, 1999, p. 40.

- Competition between the existing competitors

- Threat of new competitors

- Potential for global substitution

- Bargaining power of port users

- Bargaining power of service providers.[35]

1.9.1. Competition between the existing competitors

The dimensions of competition vary within the context of competition between the seaports and in the port that depend on the determinants which were mentioned in the previous section.

Capacity of other ports and demand structure of the hinterland where the port exists affect the competition between the ports.

If there is more than one seaport in a particular region, the competition increases certainly in order to steal or maintain the market share. It is important in this context that increasing the port`s capacity to serve high-volume cargo vessels and strengthening the hinterland connections to support these operations by the port authorities in order to prevent the competitiveness.[36]

Since the competition between service providers in the port affects the efficiency of the port, it is also important for the success of the port. For example the competition between three different container terminal operators and also other various service providers in the Port of Hong Kong has created more competition. This has been reflected in the success of the Port of Hong Kong.[37]

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[35] World Bank Transport Division, "Port Reform Toolkit: Module 2: The Evolution of ports in a competitive world", 1998, p. 4; http://rru.worldbank.org/Documents/Toolkits/ports_mod2.pdf, [27.03.2011, 17:30]

[36] Langen, P.W. de: "Port Competition and Selection in Contestable Hinterlands; The Case of Austria", European Journal of Transport and Infrastructure Research, 2007, p. 2-3.

[37] Onat, Z. Meltem: "Competition and Regulation of World`s Seaports: An Evaluation of Container Terminals in the Marmara Region", Technical University of Yildiz, Institute of Science, Master of Science of Coastal and Harbour Engineering, Master Thesis, Istanbul, 2005, p. 56.

1.9.2. Threat of new competitors

If there is an excess capacity and large market, new competitors will try to enter into the market. The treat of new competitors contains the criteria of possibility of establishing a port, constitution of new service providers in the port and creation of regional cargo centers that can alter the distribution ways.[38]

Some high-cost investments like field scanning, connecting roads and port superstructure, which are necessary to be able to build a new port, constitute significant entry barriers to the new competitors. However, the changing distribution routes and new created transfer points can attract the cargo, especially in the container trade. So in some cases the high-cost investments can be ventured by the operators or the state. Port of "Pelabuhan Tanjung Pelapas" can be a good example in this regard. The investors have seen the capacity of entering into the large container market where the Ports of Singapore and Klang prevailed this market so far.

Another factor that may prevent new access to the market is high transition costs of vessels. A new entering company will determine a lower price in order to gain the clients of resident companies. This will reduce the profit of the new company that it aims and the income may not be enough for the company to survive. The resident companies are also aware that their current clients may prefer the new company. Thereof the resident companies can apply an aggressive low-price policy. This obstructs the possibility of new entrance of competitors.[39]

1.9.3. The Potential of Global Substitution

The availability of alternative supply sources are in the lead of factors influencing port`s potential of global substitution. Substitution of the import and export goods which are significant to the port`s cargo traffic, can determine the level of port`s activities depending on the services that are provided for these goods. Moreover the costs arising from trending other sources and goods can influence the attitudes of the port users. In

[38] World Bank Transport Division, "Port Reform Toolkit: Module 2: The Evolution of ports in a competitive world", 1998, p. 8-9; http://rru.worldbank.org/Documents/Toolkits/ports_mod2.pdf, [27.03.2011, 20:00]

[39] Onuklu, N. N.: "Affects of the Transition Costs on the Firm`s Behavior and Market", Series of Competition Institution Expert Thesis, No. 74, Ankara, 2007, p. 29.

general, as the transition costs for the substitution increase, the bargaining power of the port increases as well. If the utility proportion of the port users from port`s value added services increase, the competitive position of the port increase also against the competing ports because the re-establishment of these services in another ports will entail higher costs.[40]

Port charges are also important in terms of substitution especially between the ports that serve in the same hinterland and when they have similar facilities and connections. Changes in the port charges influence the preferences of the port users and consequently port`s the cargo traffic.[41]

Some evolutions and changes of transition routes influence the success and future of the seaports especially whose existence based on transshipment cargo. Existing on the important alternative transition routes and accordingly possibility of becoming an important transshipment cargo center provides a competitive advantage for a port. On the other hand, this situation constitutes a threat to competitors.

1.9.4. Bargaining Power of Port Users

Carriers, maritime organizations and tenants in the port have different levels of bargaining power and control on port authority. When an important percentage of the port`s trade is controlled by the port users, the bargaining power of the port users increases against the port authority and service providers. Even some large ports have difficulties in bargaining with the carriers which can shift their activities to other ports.[42]Furthermore the port users make some strategic alliances and agreements in order to protect themselves against the exemption mechanisms and antitrust laws. All these can also provide the bargaining power against the port authorities and service providers.[43]

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[40] Sesli, E.: "Competition During and After the Port Privatization Process", Series of Competition Institution Expert Thesis, No. 89, Ankara, 2008, p. 52.

[41] World Bank Transport Division, "Port Reform Toolkit: Module 2: The Evolution of ports in a competitive world", 1998, p. 10-11; http://rru.worldbank.org/Documents/Toolkits/ports_mod2.pdf, [29.03.2011, 20:00]

[42] Sesli, E.: "Competition During and After the Port Privatization Process", Series of Competition Institution Expert Thesis, No. 89, Ankara, 2008, p. 55.

[43] Kutoglu, L.: "Regulation and Competition in the Liner Shipping", Series of Competition Institution Expert Thesis, No. 76, Ankara, 2008, p. 41-43.

There are important constraints on the port authorities where some firms contribute to the local economy and create employment or make investment in the port. In such cases are the bargaining powers of these firms relative high. On the other hand, these firms can also lose their bargaining power due to high costs of transferring their operations to other ports.

Furthermore, in case of possibility of services to be provided by other ports or centers increase the bargaining power of port users. For example, despite many great negotiations the Grand Alliance[44] has transferred one of their services to the Port of Antwerp due to delays in the Port of Rotterdam. This important decision has led to shifting 125000 TEUs annually to the Port of Antwerp until the Port of Rotterdam amends the delay problem.[45]

1.9.5. Bargaining Power of Service Providers

Operators and various service providers in the port may have control on the port by posing a threat of not failing the services. Today, more than half of the container terminals` capacity is managed by 15 global terminal operators. These operators which possess activities in many parts of the world have enormous bargaining power in the negotiations with the port authorities. In this context, one of the factors that influence the bargaining between the port authorities and service providers is the experimentation of the service providers. The experience of operating for years in the port and other parts of the world, customer portfolio and financial power constitute a significant bargaining power to the service providers.[46]

Another factor that influences the bargaining power of the service providers is the ability to solve the problems in a short time that arises in the port. Especially, providing the services like pilotage and trailer in some important points in the port, where these services can cause blockage or slowdown of port`s operations, enhance the bargaining

[44] The Grand Alliance is the leading integrated consortium in liner shipping was which founded by Hapag-Lloyd, MISC Berhad, Malaysia, Nippon Yusen Kaisha (NYK), Japan, and Orient Overseas Container Line (OOCL), Hong Kong in 1998.

[45] Onat, Z. Meltem: "Competition and Regulation of World`s Seaports: An Evaluation of Container Terminals in the Marmara Region", Technical University of Yildiz, Institute of Science, Master of Science of Coastal and Harbour Engineering, Master Thesis, Istanbul, 2005, p. 62.

[46] Sesli, E.: "Competition During and After the Port Privatization Process", Series of Competition Institution Expert Thesis, No. 89, Ankara, 2008, p. 56.

power of the service providers. Moreover strong relationships between the service providers and port users by creating demand to the port enhance the bargaining power of service providers as well.[47]

1.10. Competitive Advantage Strategies

Successful Management strategies have been subjects of discussion throughout generations, prompting thousand of ideas. Some ideas however stand out from the rest and are commonly accepted by critics worldwide, as in the case of "Generic Strategies" of Harvard Professor Michael Porter.

The reason for the success of Generic Strategies is that no matter the field in which a company operates, these strategies are easily applicable. According to Porter, before deciding on which strategy will be fallowed, the outside environment, market share, profitability and cost structure of the company must be carefully examined to be compared with the industry' averages, to better understand and foresee the strategies. Porter's model consists of three main competitive strategies a large perspective: Cost leadership, Differentiation and Focusing.

Another strategy for the competitive advantage is the Resource Based View, which was developed by Wernerfeld, Morgan and Hunt, related to the resources that are under the control of establishments.

1.10.1. Cost Leadership

Cost Leadership is typically the easiest strategy to understand, as the main aim is simply to exploit various potentials to achieve the major cost leadership position. With the use of this generic strategy, companies have two major advantages over their rivals, which helps them to climb the stairs to success. First, thanks to their low cost strategy, they can offer the same products, commodities or services with the same price, getting a larger profit base than others in the same industry. Pursuing absolute advantage and economies of scale in the production process, in addition to decreasing managerial costs will allow the companies to increase their market share. Secondly, with the cost

[47] World Bank Transport Division, "Port Reform Toolkit: Module 2: The Evolution of ports in a competitive world", 1998, p. 10-11; http://rru.worldbank.org/Documents/Toolkits/ports_mod2.pdf, [29.03.2011, 20:00]

leadership advantage and a large market share, companies will gain ground against third parties such as wholesalers, retailers, and even other companies offering lower cost outsourcing solutions. This can easily set markets barriers to enter at a higher level and force the competition out of the market to some extent.[48]

However, pursuing this strategy will put a company under constant pressure as both existing companies in the market will implement their own strategies to achieve even lower costs levels, and new firms will be in the search for alternative solutions to overcome cost pressure. In addition, even the cost leadership strategy will reveal itself when competitors start moving on the learning curve or duplicate similar strategies to reduce the cost gap.

1.10.2. Differentiation

The key word behind this strategy is uniqueness, because unlike the cost leadership strategy, differentiation is based on creating a perceived image of an outstanding brand name among the target market for which they will be willing to pay a premium. As long as the premium doesn't exceed the perceived value, the brand will likely to be appreciated, while different companies can simultaneously pursue this strategy by emphasizing different characteristics of the product or service.

Companies can carry out differentiation strategy in different dimensions by focusing on high technology, innovation, quality, world class customer service or even offering higher quality products for a lower price. This will determine the company's way of creating its own strategy differentiating it from the rival companies on the same market, even though they apply the differentiation strategy as well. Companies that apply this strategy will hold immunity to their competitors to some extent while reflecting their increasing costs to the price they charge as their target consumers value their brand name. Also, with high technology, innovation and brand awareness being key concepts in today's markets, the differentiation strategy will set even higher entry barriers for the market.[49]

[48]Porter, M.: "Competitive Advantage: Creating and Sustaining Superior Performance", The Free Press, New York, 1998, p. 65.

[49] Porter, M.: "Competitive Advantage: Creating and Sustaining Superior Performance", The Free Press, New York, 1998, p. 122 and 153.

1.10.3. Focusing

Given brief information about two main generic strategies and understanding their use by organizations, it's time to mention the third strategy, which has some unique ways comparing to other two. Totally different than the other generic strategies, focusing strategy is basically involves narrower target markets and by allowing the company to know a single market far better than its rivals, it aims to give a competitive advantage to the company following it. Generally speaking, instead of using two other strategies to attract customers from a variety of segments of a market, companies using focus strategies pick a niche market and make it their primary area of attention. On the other hand, some companies choose to serve a particular geographic region and by creating stronger bounds with their customers comparing to others that serve the whole market, place themselves a step ahead of competition. Local banks, which are really common in United States of America can be used as good example of this type of focusing strategy with their strong ties to local society allowing them to respond to the market needs in a very short time period.[50]

Thinking about cons and pros of focusing strategy, it would not be wrong to say that the biggest gain for a company is its brand image and perception in the markets it's focusing on. Thanks to the strong relationships that have been created within the market, barriers of entry is set high for new entrants as it will take time, big investments and effort to overcome the problem of being the follower in the market. However, especially for the companies following the focusing strategies to target a niche market, cost of acquiring raw material will be higher as they cannot reach economies of scale and this will make them weaker comparing to larger sized companies, that operates on a larger scale of the market.

1.10.4. Resource Based View

Understanding the reasons laying behind the variance in competitiveness of different companies within the same industry has been a major area of interest throughout the years and it is a subject to several models trying to explain why "some" perform better than others. Being one of these models focusing on competitiveness, Resource Based

[50] Porter, M.: "Competitive Advantage: Creating and Sustaining Superior Performance", The Free Press, New York, 1998, p. 15.

View (RBV) claims that internal environment has the major element leading the company to success.[51] Although it had been introduced in the first half of the century, it would be true to say that founding father of the name is "Birger Wernelfelt" who used the name RBV for the first time in an article in 1984. According to Wernerfelt, the key to a company's competitive advantage lies mainly in the application of the various resources available to its use. In order to sustain this advantage in the long term, those resources must carry some certain characteristics that would make them unique for one company. Those characteristics are:

- Valuable: A resource must have transaction costs lower than the possible inflows it is expected to create in the future.
- Rare: Like anything in the nature, rarity brings value and possible above average returns to a company using the resource.
- In-imitable: For a resource to be considered as matter of competitive advantage, it should be under control of a particular firm and has to impossible to duplicate or at least should require greater effort to be duplicated.
- Non-Substitutable : Least but maybe most important, even though the resource carries the characteristics stated above, if substitutes are easy to be generated by the rivals, future possible returns will be diminished or even lost in the long run.

According to RBS, resources might refer to all but not limited to assets, organizational values, information, know-how, capabilities and many more. As internal factors are the base of this model, it is the resources that create the difference and they are expected to allow a company to perform its business operations and achieve organizational goals.[52] Thus, organizations should take steps that would set barriers to stop or at least slow down others to imitate their valuable resources. By focusing on managerial capabilities and allowing the resources to be infused by different levels of their corporate culture making them harder to be copied by rivals as well as using restrictions backed by legislation like copyrights, organizations should be able to maintain their competitive status for longer time periods.

[51] Wernerfelt, B., The Resource-Based View of the Firm: Ten Years After. Strategic Management Journal; 16, (3), 1995, p. 172.
[52] Grant, R. M.: "The Resource-based Theory of Competitive Advantage: Implications for Strategy Formulation, California Management Review, 1991, p. 100.

2. Findings

2.1. The Aim and Significance of the Research

This research evaluates the competitiveness of the Izmir Port, which is one of the most important seaports in Turkey, according to international competition determinants of seaports and World Banks Report prepared on the basis of Porter`s Five Forces. After the assessment of the Izmir Port were also aimed to apply the competitive strategies for the port. In this context, the general situation of the Izmir Port was displayed and the dimension of the competition with its competitors and in itself analyzed, and recommendations were put forward.

2.2. The Research Method

The research is based on primary and secondary data analysis. The secondary data of the research is based on studies made about this subject and the statistical analysis of "Chamber of Maritime Commerce Izmir" and "Ministry of Transport".

For the primary data were made semi structural-face to face-interviews which are based on pre-prepared open questions. During the interviews were made into the details by extending the questions. In the research, "descriptive analysis method" was applied to analyze the data. In this respect, the data obtained from interviews were gathered under specific topics. After this stage, a systematic structure was generated within the framework of topics. In the last stage of the analysis, the findings were interpreted in a consistent manner.

The interviews for the primary data were made with the following persons:

Figure 5: Participants of the Interviews

Person	Position	Foundation	Date of Interview
Metin Özyilmaz	Asisstant Port Manager	Izmir Port Authority	16.03.2011
Muammer Kemiksizoglu	Port Operations Manager	Arkas	16.03.2011
Gökce Ildir/Emre Tasedelen	Foreign Sales/Domestic Sales	CSAV Agency Izmir	17.03.2011
Dino Cauchi	General Manager of Terminals and Operations	CSAV Regional Office Hamburg	19.04.2011

2.3. Restrictions of the Research

Competition of seaports within the scope of the research were handled and analyzed in the light of the determinants of seaports` competition, which are generally accepted in the literature, and dimensions of Porter`s strategies.

In the research were focused on the container trade since the rate of container services is 90% among the type of services in the Izmir Port and also dry, bulk cargo services are desired to be removed from the port.

For the face-to-face interviews were flown from Hamburg to Izmir for one week in the middle of March 2011. So that some constraints of time and cost have been in the research. After the interviews were made and returning to Hamburg, some additional questions were asked by e-mail about the subject of the research, but could not be received sufficient and healthy answers.

2.4. The Izmir Port

Turkey is located on many important trade routes between Europe, Asia and Africa. However it cannot use this wonderful location efficiently. Despite being surrounded by seas on three sides, the maritime transportation and seaport sector are not advanced. Nonetheless, recent political arrangements allowed the privatization has increased in the seaport sector recently and many seaports around Istanbul have shown important

progresses. But such positive developments have not been seen at the Izmir Port which is one of the biggest and most important seaports of Turkey

City of Izmir is the third largest metropolis of Turkey after Istanbul and Ankara. Izmir is a center of important exhibitions and a modern port city with well-integrated trade. Considering the characteristics of culture and level of life quality, it can be said that Izmir is the most developed city of Turkey. In that respect the presence of the port is very important for Izmir.

The construction of the Izmir Port started in 1954 and finished in 1959. The business operations of the port are made by "State Railways (TCDD) Izmir Port Authority" which is a state institution responsible for the railways in Turkey. In that respect, the port is a typical public-service port. The proportion of the transit cargo in the total throughput of the port do not exceed one percent. From this point of view the port is a typical feeder port. Izmir Port is 25 minutes away from Izmir Airport and also very close to industrial areas; 20 minutes to Aegean Free Zone, 10 minutes to Bornova, 35 minutes to Torbali, 35 minutes to Kemalpasa, 20 minutes to Cigli Atatürk Organized Industrial Zone and 50 minutes to Aliaga Industrial Zone.

The port with its strategic position, large agricultural and industrial hinterland is Turkey`s biggest export port. It has also a characteristic of being an important trade port with railway and highway connections among the European, Middle Eastern and Asian countries.

Figure 6: City of Izmir and Izmir Port

Port`s pier length is 2959 meters and 1415 meters of this length is for container mole. The port has 902000 square meter of field and its depth is among -7 and -10 meters. Container storage capacity of the port is 266 000 TEU/year. There are 5 gantry cranes, 7 shore cranes, 19 transtainers, a floating crane witha capacity of 90 tons, and 12 mobile cranes, 23 pieces of container forklifts, 34 tractors and 31 trailers in the port which are belonging to Port Authority. Furthermore, there are 2 gantry cranes owned by the company Arkas.[53]

The services provided at the port are as follows:

Pilotage/Trailer: Since the guide service is compulsory for the vessels that entering and leaving the port, the services of pilotage and trailer are provided by Turkey Maritime Foundation –another foundation of the state- 24 hours a day.

[53] One of the oldest and most important logistics companies in Turkey. Especially, an icon in the international container transportation in Turkey. Seat of the headquarters of Arkas are directly next to the port in Izmir. Consequently the Izmir Port is very important for Arkas.

Bulk cargo facility: There are two beton grannaries with belong to TMS - another foundation of the state- with the capacity of 70000 tons which is linked to the dock with a conveyor system.

Cruise ship services: Izmir Port`s passenger terminal has a significant traffic because of the closeness of Izmir to historical and touristic places. Especially there are lots of regular touristic trips to Istanbul and Mediterranean ports.

As can be seen beside the container services the port provides mixed goods, dry bulk and liquid cargo, Ro-Ro and passenger services with its infrastructure and equipments.

2.5. New Developments in the Region

In this section, some new developments related to the Izmir Port were explained according to the interviews.

2.5.1. Privatization Process of the Izmir Port

The trend of seaports` privatization in Turkey became also true for the Izmir Port. For the privatization of Izmir Port was gone out tender in 04.01.2006 and it resulted in 03.07.2007. Global-Hutchison-EIB Limas Consortium had the highest bid of 1 billion 275 million dollars for the port`s takeover of 49 years. For the approval of this result the agreement were sent to State Council. The approval of the State Council delayed 28 months. The global economic crisis came in this period (2008-2009) and the consortium gave up buying the operating rights of the port due to shortage of cash. Thereupon Privatization Committee asked to Celebi Holding which offered second highest price in the tender. But Celebi Holding discontinued the tender as well.[54] So that the privatization process, which took almost threes and half year, were wasted. There were no investments made for the Izmir Port in this period. To tell the truth, the port was abandoned to its fate in this period. For this reason the port`s capacity and facilities could not meet the needs and big problems such as increased waiting time of vessels, congestion, inefficiency emerged.

[54]Maritime News Turkey, http://www.denizhaber.com/HABER/20796/15/limas-izmir-celebi.html, [14.04.2011, 20:00]

2.5.2. The Start of Container Services in the Aliaga Port

Aliaga is a town 53 km away from Izmir. The Aliaga Port, which has been serving for dry, bulk, liquid cargo vessels, chemical and petrol tankers for long years, started container services in 2009. The container terminals owned by private companies. Thus the Aliaga Port is the first private port that handles container in the Aegean Sea of Turkey. The port has important contribution to Turkey`s economy because Turkey`s biggest refinery and chemical complex are located in the Aliaga Port. Especially, port`s services for this kind of products are unique and very qualified.

Advanced facilities, significant investments made by private companies, competition within the port, and suitability of the marine depth for large vessels have immediately increased the container traffic at the port. Previously was said that the Aliaga Port cannot be a competitor of the Izmir Port, but a contributory. However, future investment plans of the companies which operate the terminals at the Aliaga Port and agreements made with world`s largest maritime companies such as Maersk, MSC and CMA CGM demonstrate that Aliaga Port will be an alternative of the Izmir Port. Obviously this can also be a reason could not be achieved the privatization of the Izmir Port because the companies abandoned to buy the port due to lose of its market share.

2.5.3. New Decisions of the Government

According to the last decisions that were taken in March 2011 by the government, Izmir Port will not be privatized the next 5 years. For this 5 year period new projects have been planned. According to these new projects; making new investments- especially purchasing new 6 gantry cranes in this 5 years period- for the port, enlarging two fold the port`s area and deepening the maritime have been decided by the government.

In March 2011 made the government also the tender for the construction of Candarli Port which has been planned building in the northern Aegean Sea. This port is desired by the government being one of the biggest ports in the world. Candarli Port is planned

to serve especially for the transshipment cargo since there is no transshipment port in the real sense in Turkey though its proper geographical location.[55]

As seen there are indeed efforts by the government to improve the port sector in Turkey, especially in the Aegean region, but no results. Previous governments also took important decisions on the development of seaports but those decisions have not been operated. For example, the deepening the maritime and expansion of the port area of the Izmir Port has been an ongoing project over 20 years, but it is still not taken place. In this respect, some tasks should be transferred to the private sector in order to proceed with the decisions of development projects.

2.6. Competition Determinants of the Izmir Port

In this section, the determinants, which were described in the first chapter, were analyzed for the Izmir Port in order to have a general view of the port`s properties.

2.6.1. Geographical Location

The geographical location arises as the most important advantage of the Izmir Port as the results of the interviews. The Port of Izmir face of the Aegean Sea has a pivot position between Western Europe and Northern Africa. It takes place also on important trade and transportation routes between Asia and Europe. Its unique natural location will be more important with the development of north-south and east-west trade transportation routes. This crucial position of the port is interested by many global shipping operators. All of the participants of the interviews indicated this issue as well. According to Metin Özyilmaz -the Assistant Port Manager of the Izmir Port- many shipping lines have chosen the Izmir Port just because of its relevant geographical location though its infrastructural shortages.

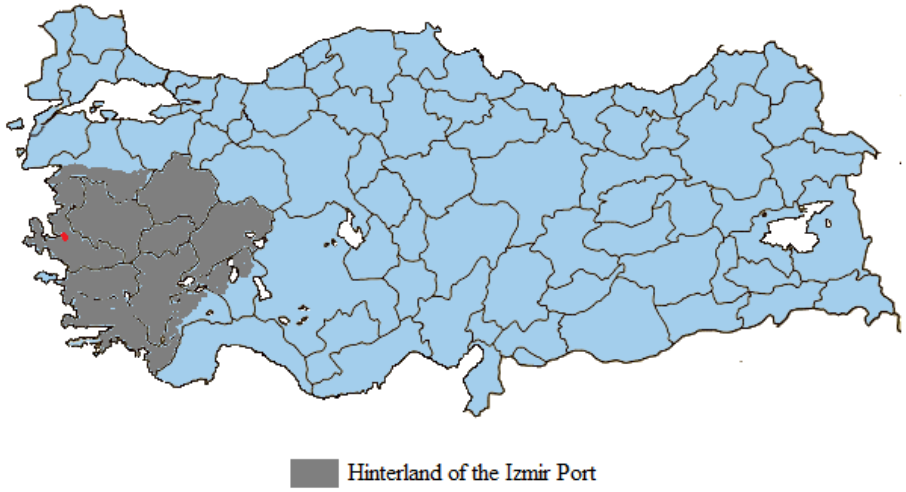
2.6.2. Hinterland

The Izmir Port has a very large agricultural and industrial hinterland. Being Turkey`s the biggest export seaport proves the extent and importance of the port`s hinterland. Turkey`s Aegean region, which is the primary hinterland of the Izmir Port, is in the

[55]Maritime News Turkey: http://www.denizhaber.com.tr/limanlar/35111/izmir-candarli-limani-ak-parti-binali-yildirim-cilgin-proje-liman-gemi-korfez.html, [15.04.2011, 15:00]

second place after the Marmara region in terms of economic indicators. . Fertile soil of the region is very suitable for agricultural products. Therefore many agricultural goods are exported from the region. There are also lots of industrial organizations in the region and it attracts new investments.

Figure 7: Hinterland of the Izmir Port



A hinterland of 10 million people is an important center of attraction for the import goods as well. Although there are many large and small container ports in the Marmara region (hinterland of Istanbul), in the Aegean region exist only two container ports[56]- Izmir and Aliaga Port which started container handling operations only two years ago-. All participants of the interviews have emphasized the importance of the hinterland for Izmir Port. Nevertheless the majority of the participants added that the Izmir Port also serves other hinterlands such as the Marmara region which is normally a hinterland of the seaports in this region, especially in Istanbul. This stands out as an important issue increasing the competitiveness of the Izmir Port.

2.6.3. Hinterland Connections

Highway and railway connections play definitely crucial roles on the performance and competitiveness of the seaports. Izmir Port is linked with highway and railway networks. Nevertheless the highway and railway connections are not effective and

[56] Esmer, Soner: Cargo Analyse of the Izmir Alsancak Port, Journal of Social Science Institute, Volume 10, Number 4, University of Dokuz Eylül, Izmir, 2008, p. 116.

fluent. According to the participants of the interviews, since the Izmir Port is directly in the city jams and delays occurs with the highway traffic. Therefore most of the participants consider building new viaducts and highways connected to the port necessary.

Muammer Kemiksizoglu from Arkas stated: “Izmir is combined with railway networks to almost all directions in Turkey. But most of these railways are not used and developed for the Izmir Port. No government in Turkey has attempted with this problem“. He gives also the example of the importance of the advanced railway networks in the development of the north European seaports such as Rotterdam, Hamburg and Antwerp. Especially, since the Izmir Port is not being fed by the transshipment cargo but by its internal hinterland cargo, the development of the highway and railway connections become more important for the Izmir Port.

2.6.4. Administrative Status of the Seaport

According to the participants of interviews, due to being a public port, Izmir Port cannot follow the technological developments, require more bureaucratic procedures and cannot be effectively respond to the customers` demands. Especially the participants from the maritime agencies complain about the lack of a certain port policy. Metin Özyilmaz -the Assistant Port Manager of the Izmir Port- expressed that the decisions related to the port are taken by the central governments and hence the port cannot keep up with the necessary developments. He also stated that the governments take indeed favorable decisions for the entire region and country. But these decisions cannot be implemented rapidly due to the political and economical uncertainties. Muammer Kemiksizoglu from Arkas confirms him and adds: “There is a good official port policy on paper even more comprehensive and better than some private port policies in Turkey. The problem is that this policy is not being applied”. He also specified that there is not an effective integration, corporation and coordination between the official institutions such as the port authority, chamber of commerce, custom and security organizations. Especially failures arise with the general processes due to disagreements of powers and duties of these official institutions. All these lead to providing slow and delayed port services.

2.6.5. Seaport Facilities

An important issue from the interviews was that the Izmir Port`s facilities are not the world standards. Metin Özyilmaz -the Assistant Port Manager of the Izmir Port- admitted that the necessary investments have not been taken place in Izmir Port due to ambiguity of the ongoing privatization process of the port for a few years. The number of the port equipments like cranes and straddle carriers are insufficient and sometimes go out of order due to working of over capacity. So that along with the narrow port area the speed of port`s productivity and efficiency decrease and causes the port congestion. This leads to more charges to the ships due to extra waiting time. Many shipping companies have left the Izmir Port because of this over waiting times and begun to use the new opened Aliaga Port. Moreover trucks are parking in the inner port area and this causes jam and congestion in the port which has already a narrow area.

Muammer Kemiksizoglu from Arkas says: "There is no need for surgical operation in the port area, dressing would be adequate". According to him it would be better if the port area would be larger. Nevertheless he added that if the operations are managed by a proper planning, congestion problems in the port area can be eliminated.

According to the experts participating in the interview, despite all the negativities with the equipments, Izmir Port is more experienced with some services such as pilotage and tugboat than many private seaports in Turkey.

2.6.6. Efficiency of the Port

All of the participants agreed with the issue that the productivity and efficiency of the Izmir Port is lower than the private ports in Turkey. The port is capable of serving only for 3 container vessels at the same time. Moreover limited equipments are also slowing down the operations. Thus lots of vessels and vendors must wait. Muammer Kemiksizoglu from Arkas specified that these slow operations have irked some large shipping lines such as Maersk and CMA CGM, and they started using the Aliaga Port. He agrees with some better facilities of Aliaga Port but also points that these big shipping lines prefer the Aliaga Port not because of its perfection but inefficiency of the Izmir Port. Because this inefficiency of the port leads to time loss and this causes economic loss.

The inefficiency arising from port`s insufficient capacity is also reflected in bureaucratic processes. Normally, arriving of a cargo to the port means that all bureaucratic processes have been finished. But in Izmir Port all of the bureaucratic procedures begin after the arriving of cargo to the port.

2.6.7. Marine Location and Depth

The Port that locates in the Izmir Bay has a very good natural advantage. Its location is very ideal for anchoring of the ships and sheltering from the storms.

Since vessels are getting larger and these need deeper water, the depth of -10 meter is a big problem for the Izmir Port, especially for its future. Some shipping lines prefer to send only large vessels and so they can send them only to the Aliaga Port due to inaccessibility of large vessels to the Izmir Port. According to a statistic from 2003; 40% of the vessels called the Izmir Port are feeder ships that transported their cargo to other ports for transshipment.[57] The cargo of these feeder ships were loaded to larger ships in the transshipment ports and then distributed. Thus, due to lack of depth of the port and accordingly inaccessibility of the large vessels to the port lead to additional costs to exporters and importers.

2.6.8. Port`s Loyalty

Port of Izmir was the only seaport in the Aegean Sea of Turkey until the last 2 years that can handle container. Therefore all of the companies –lines, freight forwarders- had to use the Izmir Port. With the supremacy of the port that comes from the past as well as the special relationships and familiarities between the organizations like shipping lines, agencies and freight forwarders, this advantage of the port is still going on. But with the starting of the container operations in Aliaga Port and growing problems in Izmir Port, many firms –especially new firms that are entering new to the market in the region-have begun to use the Aliaga Port.

Muammer Kemiksizoglu from Arkas emphasized the insurance problem related to cargo damages in Izmir Port. He tells: “The port authority is responsible for damages

[57] Akincilar, Ece: “A Study on Competition Strategies of the Seaports”, University of Dokuz Eylül, Social Science Institute, Master of Science of Maritime Business Administration, Unpublished Master`s Project, 2010, p. 75.

and losses consist in the port. Since the port is a state-owned port each institution throws the tasks on other official institutions or firms and do not take any initiatives. So the process becomes more bureaucratic and gets even more confused. Just because of this many firms that suffered damages do not want to use the Izmir Port". According to the majority of the participants of interview many firms try to remove these damages on their own in order to avoid losing their customers.

2.6.9. Port Charges

Since the Izmir Port is a public-service port, port charges are fixed and cannot be sold with a profit. According to Metin Özyilmaz (the Assistant Port Manager of the Izmir Port) fees and charges in the port are not so high. In addition to this issue Muammer Kemiksizoglu from Arkas reflected that many firms are willing to pay even more in order to get better and faster service.

The biggest problem with the port charges in the Izmir Port is the extra fees which are received due to vessels` waiting time outside the port. These extra fees are reflected in freight charges. For this reason a lot of exporters do not want to use the Izmir Port anymore. So according to exporters` request the carriers turn to other seaports such as Aliaga Port.

Morever the handling charges are reasonable but could be cheaper by delivering the terminals to private operators since these charges constitute the highest rate of the total port charges.

2.7. Content of the Seaports` Competition

In this section, the competitiveness of the Izmir Port were analyzed in terms in terms of internal and external dimensions.

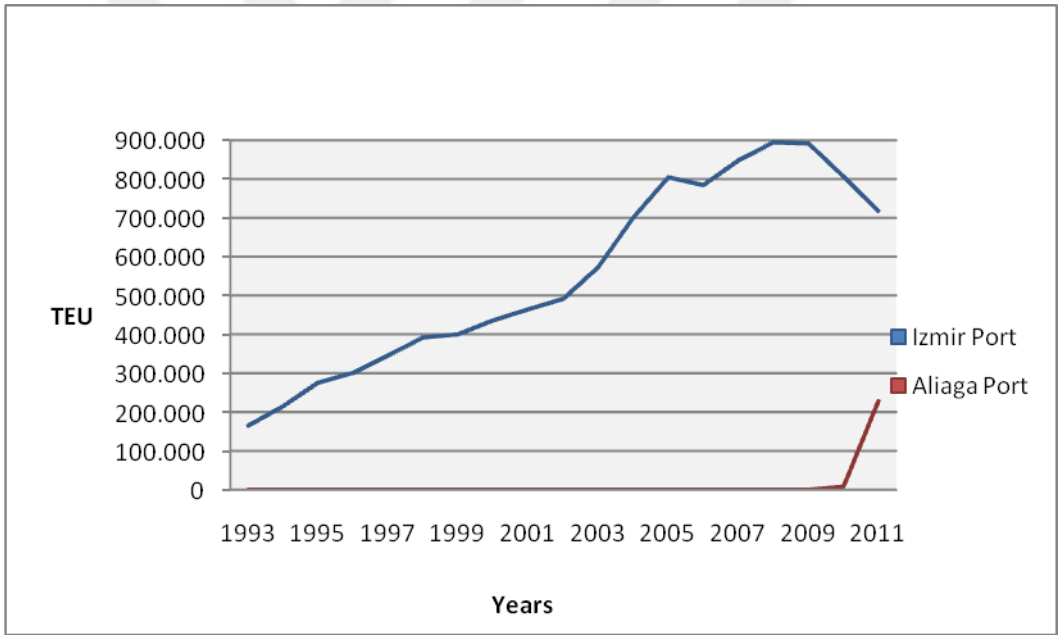
2.7.1. Competition between the existing competitors

Izmir Port, until 2 years ago was the only container handling port in the Aegean serving to a large hinterland alone. Aliaga Port, which started its container handling activities 2 years ago, is one of Izmir Port's largest competitors.

As seen in the chart below, since the early 1990`s container traffic increased continuously until 2010 at Izmir Port. In 2010 however, a large drop in container traffic occurred, due to the drift of the cargo handling to the Aliaga Port.

If we consider that the Aliaga Port is still unknown by many companies, with a larger capacity than current operations with new investments being made every day, the port will be a favorite of many organizations in the near future. There is also competition between the terminals in the Aliaga Port, which is very important for the efficiency of a seaport. Since the Izmir Port is under the state control, there is no competition inside the port. That is to say, although Izmir Port gains advantages with its historical and natural characteristics against the competitors, it is losing the competition depending on the port sources day by day.

Figure 8: A Comparison of Izmir and Aliaga Port



According to Muammer Kemiksizoglu from Arkas, while recognizing the efficiency of the Aliaga Port, the reason of this shift of cargo from Izmir Port to Aliaga Port is not because Aliaga is a good port, but mainly because Izmir Port was having some difficulties. Even so, because of being a newly opened private port, the facilities of Aliaga are much better than Izmir Port. Also the depth of the Aliaga is suitable for the large vessels making it a preferred route for large container ships which could not access the Izmir Port. After starting its operations in 2009, Aliaga Port performed an

enormous increase in the amount of container handling in a very short period of time, as seen in the figure. The port has handled one-third of the Izmir Ports container ship routes in 2010. Many companies which are fed up with the congestion in the Izmir Port specify that the Aliaga Port has reduced the burden of the Izmir Port. They view the Aliaga Port not as a competitor but as an alternative to Izmir Port. But only in two years, Aliaga Port received a significant amount of shares, which will certainly increase even more by next year. The world's three biggest shipping companies Maersk, MSC and CMA CGM have shifted large parts of their operations to the Aliaga Port, showing the success of marketing activities of the Aliaga Port Authority.

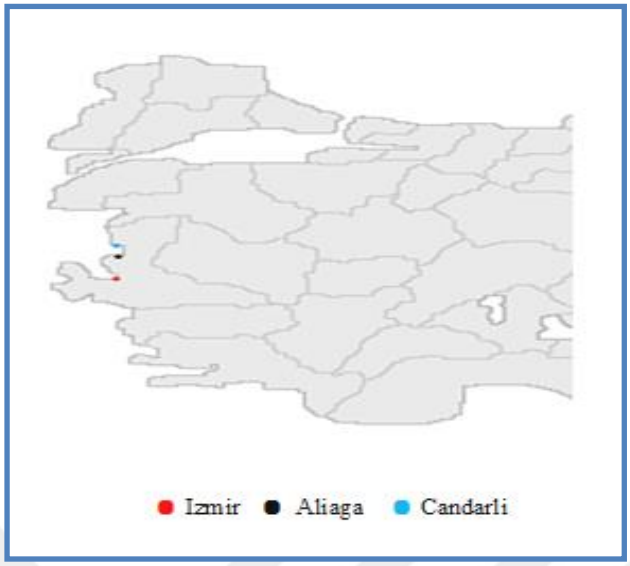
2.7.2. Threat of new competitors

With the insufficiency of the existing capacity of the Izmir Port as well as the large and growing market leads to the searching for new ways for developing seaports. The most concrete examples is seen in the opening of the Aliaga Port, with its new investments, and construction planning of a new seaport called Candarli Port which has been excepted to begin construction by the government.

It is very clear that that the Candarli Port, which has been projected to be complete in a few years, is a major threat for the Izmir Port. The idea was even brought up by the government to shift all the container traffic of the Izmir Port to the Candarli and Aliaga Port and reconfiguring the Izmir Port for the service of cruise tourism.

Candarli Port was planned to be a transshipment hub, in order to meet the future needs in the Mediterranean and Aegean Sea also taking into consideration container traffic in the Black Sea. According to many experts, construction costs for this port to be around 4.5 billion dollars, however it is now apparent that it will cost more than expected with little clarity on how highways and railways will be connected to the port. Furthermore, being that the port is being built in an area known for its seismic activity environmental concerns and pollution during the construction of the port should be taken into consideration.

Figure 9: Locations of the three Seaports



To summarize, continuous development of the Aliaga Port and having established order in the Izmir Port make the investment of Candarli Port Project inert. It does not seem logical with three existing seaports in a distance of 70 km to continue construction, which prevents any immediate new threat with the Izmir Port.

2.7.3. Potantial for Global Substitutes

It must be specified that having large and important industrial, agricultural, natural sources, new investments and growing population in the hinterland have a positive affect on the import and export potential of the Izmir Port. This is important for the substitution of food, agricultural, textile and mineral goods within the hinterland, which is not readily available and quite difficult to obtain in other parts of the world. Thus, it should be considered that at the moment there is no major threat for the global exchange of goods through Izmir Port. However, there is an event that attracts attention in the ports; China- through Cosco, (which is one of the largest shipping companies in the world) hired Port of Piraeus for 35 years. China wants to use this port as a logistical base for its European market. Consequently, distribution of cheap Chinese goods to Europe from Port of Piraeus will eliminate Turkey`s advantage of being geographically accessible by Europe. This will affect many exporters in Turkey and therefore the Izmir Port as well. Many experts understand China’s effort to increase the market share of

Cosco and do not believe it will have any affect on Turkish exporters. However, depending on where China chose's to export, this will most likely have a negative affect on Izmir Port.

Another important threat in global substitution of Izmir Port is the alternative transition routes projects in the Mediterranean Basin. The seaports in the Mediterranean Sea notably Rhodes, Crete, Thessaloniki, Piraeus, Gioia Tauro[58]and Malta are the potential threats of Izmir Port.[59] Izmir again Izmir Port runs into a problematic situation with the depth of their port. According to information of Aegean Exporters` Associations from 2004, the 50 % of the containers from Izmir Port where transported by feeder ships to other eastern Mediterranean ports such as Gioia Tauro or Malta. These feeder ships get 60 dollar per container, creating hundreds of millions of dollars in additional costs for the importers and exporters. Also taking into consideration time loss, the economic loss is grows with each ship.

Figure 10: Important Seaport around the Mediterranean Basin

Seaports around the Mediterranean Basin (Source: http://www.arkasline.com.tr)

Many seaports in the Mediterranean Sea like Gioia Tauro, Malta and Piraeus have created their achievements with transshipment cargo. The proportion of transshipment

[58] An important hub port in Calabria, Italy.
[59] Akincilar, Ece: "A Study on Competition Strategies of the Seaports", University of Dokuz Eylül, Social Science Institute, Master of Science of Maritime Business Administration, Unpublished Master`s Project, 2010, p. 74.

cargo is very low in the Izmir Port. With new decisions being made as well as new investments to deepen the water in part of the European transfer corridor, Izmir Port's potential for transshipment cargo will enhance. Consequently, the competition between the seaports will escalate in the Mediterranean Basin.

2.7.4. Bargaining Power of Port Users

It is not possible to talk about the high bargaining power of the port users since the Izmir Port is unable to meet the current demand. Lack of other options has also prevented bargaining power of the port users. Beginning to use without demur the Aliaga Port by many international companies has already demonstrated this situation.

Improving of infrastructure and service quality of the port is a significant factor for each party and service provider. Therefore, it is important in order to increase their bargaining power by providing modernization and innovation support. As an example, the investments of the company Arkas provide itself bargaining power. Considering that the company started its operations first at the Izmir Port years before, development of the port is crucial for Arkas. Therefore, Arkas has given support in order to facilitate the operations in times of need, which consequently is still being utilized. The company has a preponderant position in the Izmir Port.

Seaports exist with their customers. Thus ports must pay attention to the customers` satisfaction. If the Izmir Port wants to maintain its existence and not to miss its customers, it must develop itself according to customers` requests. Otherwise the competitiveness of the port will decrease as well as the economy of the region suffering serious losses.

2.7.5. Bargaining Power of Service Providers

As being part of a public service port there are not much service providers hosted in the Izmir Port. Namely it can be said that the port itself is the only service provider. According to Metin Özyilmaz, the Assistant Port Manager of the Izmir Port, working with new suppliers for port services was decided by the port authority as a result of new investment decisions that were taken by the government in March 2010.

Recently service suppliers have already been utilized, showing growth and efficiency improvements in the ports. Such improvements will increase the competition inside the port, making it very important for the future success of the Izmir Port.

Moreover, according to the experts some services like pilotage are good in the Izmir Port as seen in previous years of experimentation. When we consider the port as a whole, even this increases the bargaining power of the Izmir Port as a public service port in terms of bargaining power of service providers.

2.8. Application of the Strategies

After the analyzing all challenges and opportunities of the Izmir Port in terms of competitiveness, in this section the competitive strategies were tried to develop according to the conditions of the port.

2.8.1. Cost Leadership Strategy

As mentioned in the previous section of determinants of the seaport competition, large seaports are more productive and efficient than smaller ones. Growing size of the vessels for the decrease of units costs of transportation and being able to serve these large vessels, large seaports provide cost advantage as well as the port users- shipping lines, freight forwarders, exporters and importers.

The Izmir Port must be enlarged in order to provide the cost leadership in the competition. In this way the congestion problem within the port will be solved, so the port can operate more efficiently. Moreover, the depth of the marine must be increased in order for the port to be able to serve the larger vessels, arriving, berthing, unberthing, loading, and unloading of feeder vessels to prevent time loss making the port more efficient. Reducing the additional money and time loss for exporters and importers because of the problematic depth restrictions, vessels which cannot access the Izmir Port must take the cargo transported by feeder vessels to the main ports such as Malta or Piraeus. In this way those transshipment ports will not be used and the cargo loads from the Izmir Port will attend directly to the destination. Consequently Izmir Port will become a more attractive destination for the port users.

Another way to improve the Izmir Port`s efficiency and provide cost advantage is increasing the competition within the port by working with private companies. For instance, separating the port into terminals and making them into private terminals, would make the best in the area.

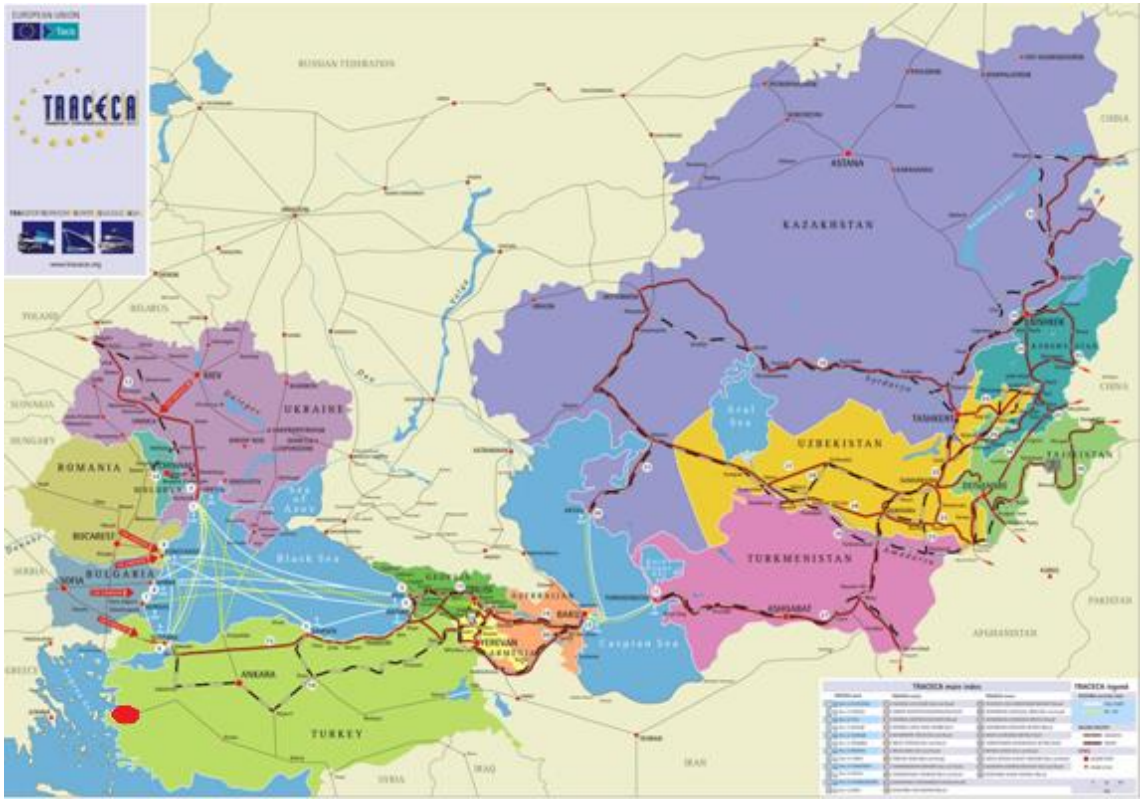
Izmir Port is the oldest port and has the largest market share in the region. Therefore, it has long-term contracts with many international shipping companies. This is a very important advantage for the Izmir Port since opening a new seaport is too costly. New seaports must offer very low prices in order to attract port users. Izmir Port can make small changes according to its customers` expectations and may avoid major costs.

2.8.2. Differentiation Strategy

As a result of port developments over time and increased competition, the prices will decrease in the maritime transportation in the near future. Therefore, the inland transportation will become more important. Rail transportation is more reliable, faster and cheaper than highway transportation. In this regard, Izmir Port should value and improve its connection of rail transportation, which has not really developed in Turkey. As mentioned before, the full name of the Izmir Port Authority is "Izmir Port Authority of Turkish State Railways". As the name implies this institution is responsible for all railway connections in Turkey. This is a unique chance for the Izmir Port. There is a railway connection to the Izmir Port but it cannot be used efficiently because it has not been developed-use another word besides developed, maybe "maintained". For this purpose the railways should be improved, accommodated for other transportation modes and also combined with all other connections in Turkey. This is very important for the Izmir Port since it obtains almost all market shares by hinterland (local cargo) not by transshipment of maritime transportation. Highway transportation is the most used form of transportation in Turkey. Since many important seaports in Turkey are in the center of the cities, significant traffic problems occur with highway transportation. This leads to time and cargo loss and damages. In this context "Turkish State Railways" as the Port Authority of Izmir Port should develop railway connections from the port, and lead out in multiple directions throughout Turkey. Via this differentiation, the port will benefit and gain market shares from both inside and outside of its own hinterland including even eastern parts of Turkey.

Strengthening the railway connections of the Izmir Port is important strategy for international perspectives as well. The port exists on the route of TRACECA project which links Europe and Asia. According to TRACECA a cargo that will depart from China will be able to arrive to Izmir Port by railway. Therefore, the importance of the railways for the Izmir Port should a top priority by the government and the port authority.

Figure 11: Izmir Port on TRACECA



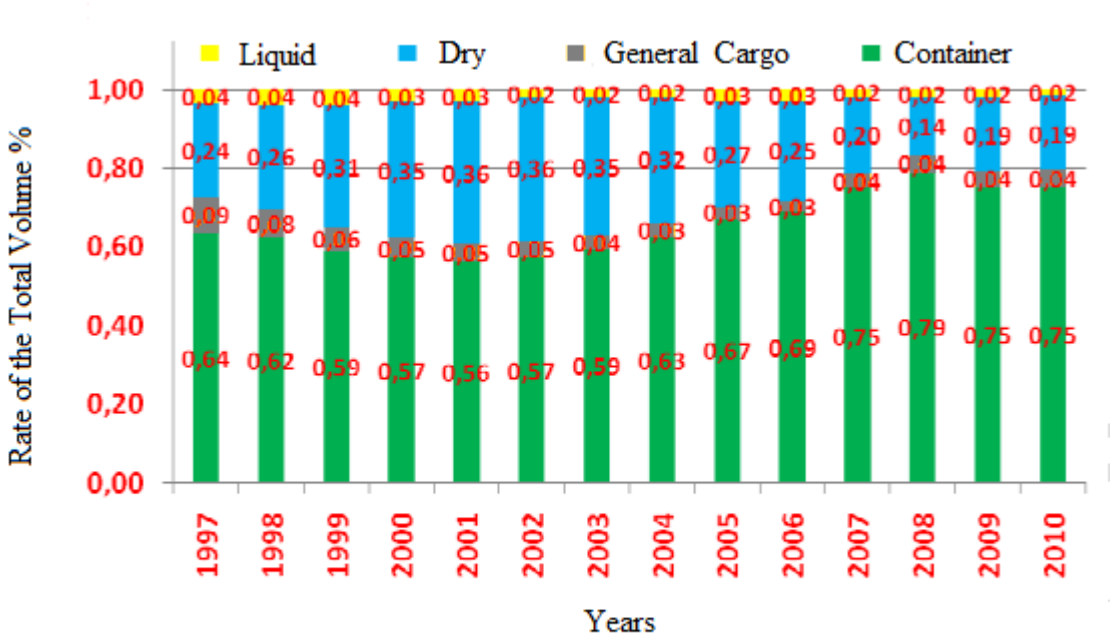
(Source: http://www.traceca-org.org/default.php?l=e)

2.8.3. Focus Strategy

Although many experts indicate that the Izmir Port has the potential for transshipment cargo, it seems quite difficult for the port to take a share from the transshipment cargo by maritime transportation. Ports in Istanbul are in a very good position in terms of transshipment cargo for the Black Sea and ports such as Malta, Port Said and Gioia Tauro for the Mediterranean Sea. Therefore, the Izmir Port should concentrate on local cargo. The only logical potential for transshipment cargo for the Izmir Port can be the

cargos which come from Asian or Middle East countries such as Iran, Iraq, etc., either by rail or highway transportation.

Figure 12: Changes in the Type of Cargo at the Izmir Port since 1997



Changes in the Type of Cargo at the Izmir Port since 1997

(Source: http://www.dtoizmir.org)

As seen in the figure, the percentage of the container traffic has increased at the Izmir Port almost every year since 2000. The loading and unloading of dry cargo takes a long time, causing vessels that have to wait to be unloaded. The services for dry and liquid cargo at Aliaga Port are much better than Izmir Port. And considering the container demand in the future, the Izmir Port should focus only on container transportation.

Another strategic approach could be to focus on markets of certain regions. In this context, the Izmir Port can do a strategic cooperation with the Aliaga Port in terms of market regions. Port of Hamburg and Bremerhaven, which are two of Germany`s most important seaports, can be given as the best example utilizing this strategy. Port of Hamburg`s market share consists of mainly Far East cargo, Port of Bremerhaven`s mainly Transatlantic cargo. The two ports, Izmir and Aliaga Port may avoid destructive competition among them by following a similar strategy.

2.8.4. Resource Based View

Since many physical resources like docks, depots, cranes may be imitated by other seaports, natural and intangible resources are more important for the Izmir Port. The port is located in the Izmir Bay. Thanks to this natural advantage the port is sheltered against all kind of weather conditions making the port safe. This is an important feature that many seaports in Turkey and in the world do not have. As stated many times in the previous sections, the port exists on trade routes among Europe, Asia and Africa, making its geographic location suitable for all modes of transportation.

Although the port is not managed with real business logic, bureaucratic problems arise due to being a public port, which can have its advantages. The port has a great resource for financing. And since the government makes many unnecessary investment projects, the port cannot be allocated from financial resources by the state. The government should realize the importance of the Izmir Port for the region and country. From this perspective, the port has a great financial resource, which the private ports cannot find as well as being operated by the institution of "Turkish State Railways" which is an important advantage.

Another important advantage of the Izmir Port is in terms of human resources. City of Izmir, with its crowded young and well-educated population is one of the most advanced cities in Turkey. Since the port exists directly in the center of the city, it attracts a well educated population. Therefore many high-skilled personnel are available for all kind of industry specific jobs.

Another resource of the Izmir Port is the years of accumulation, experience and customer portfolio, which have not been taken into account but are actually very important for the success of the port. Many of the oldest shipping companies in Turkey are located around the port. Thanks to those firms the port has had many international users. The company Arkas may be the best example of this. The company is located directly near the port and has become the dynamo of the port. Arkas, with its several cooperations, have made the port to be called by many international maritime organizations for years such as Hapag-Loyd, MSC etc. Therefore the Izmir Port should cooperate with these local companies like Arkas and form the future plans of the port according to their requests.

Izmir which is one of Turkey`s most developed cities in all aspects has become the center of trade, tourism and culture with its developed industries and commerce, as well as being surrounded by historical and natural beauties, and advocating the arts. These are all significant in terms of image of the city. Thanks to this good image, the port has become more popular worldwide and provided a great development in the cruise tourism in recent years. All these progresses will influence the future success of the city and the port, while providing them with a well known brand.

3. Conclusion and Recommendations

Increasing competition with globalization forces the companies to prepare better quality products and deliver them faster. Nowadays production costs have almost the same values for every firm. Therefore, logistics is the most important tool that can be used to compete in the international markets. The seaports, which are the most important hub in logistics processes, have been affected in the increasing competition as well as undergone major functional modifications. Today the seaports have become a center for main service providing. Moreover, the role of the seaport has changed in the regions where they are located and they have become the pioneer in the development of their regions. This has forces the seaports to think and behave economically and socially, allowing the local authorities and governments to view seaports with more importance.

In this context, this study has emphasized that the required attention needed by the state authorities for the Izmir Port, which is an important public service port, has been less then impressive. The examination of the competitiveness within seaports has shown that the Izmir Port has strengths in terms of the geographical and natural factors; geographical location, hinterland and maritime accessibility. On the other hand, the port has administrative and infrastructural problems such as inadequate equipment, narrow port area, inefficient operations, poor railway connections and lack of marine depth. The long process of port`s privatization have made all these issues more pronounced since no investments have been made in this period.

Under these conditions the Izmir Port has complications on meeting the demands in the region. This negative aspect of Izmir Port has served well for the newly opened Aliaga

Port. Many shipping lines got tired of the problems at the Izmir Port and have begun to change to the Aliaga Port. The Aliaga Port has already succeeded attracting some big companies like Maersk, CMA CGM and MSC by signing long-term contracts. Even this fact shows that the Izmir Port have started to lose its bargaining power against the port users. The maritime depth of the Aliaga Port is suitable for large vessels and there are private docks and terminal operators at the port making it more efficient. Obviously the competitiveness of the Aliaga Port is increasing significantly.

Many countries in the Mediterranean Basin want to receive more shares from alternative transition routes on the East-West trade ways. Countries like Greece, Egypt, and Syria etc., continue investments to their seaports. Accordingly the threat of new competitors and substitutions for the Izmir Port increase in the global context.

The Izmir Port should be more efficient catching up with cost advantage in order to respond to all of the challenges and competitors. Therefore, the port should be enlarged and its maritime depth increased in order to serve larger vessels. This way the port can reach large scale economies and provide cost leadership.

Although maritime and highway transportation have developed in the region of the Izmir Port as well as in Turkey in recent years, railway transportation still marks time. Thus the port should develop its railway connections to the hinterland. Since the institution, which is responsible for all Turkish railways is also the official operator of the Izmir Port, it should connect the port to all major cities in Turkey. In this way, the port can provide value added services for its users by offering advanced railway connections in Turkey being that it is a fairly large country. Furthermore, authority problems occur at the port between the state institutions like directorship of customs, social security etc., which are disrupting the operations at the port. The Izmir Port Authority would be more successful to be achieved autonomy in order to operate more flexible and efficient.

As repeated many times by authorities, potential of the Izmir Port to become a logistics center especially for transshipment cargo seems not ideal for this port. The port already exists on some trade routes and this will interfere with other transportation projects like TRACECA. *Namely the port is naturally open to transition of the cargos. The most important direction for the Izmir Port to focus on is local cargo because there is a large,

crowded and economically advanced hinterland with significant demand and the port currently cannot meet the demand.

Because of its suitable location, the Izmir Port has been the gate of foreign trade in its region hosting many older logistics companies. The port has been the life source of these companies for years and the growing operations of these companies have increased the number of port users. Therefore Izmir Port should re-configure itself concerning the requests of the companies, especially those who know the port users and region well. Furthermore, since the logistics and corresponding seaport industry is a very dynamic industry, the future role of the port is sensible to many other developments not only local but also global. The Izmir Port should also be willing to cooperate with other seaports accordingly.

Consequently, despite all complications the Izmir Port is still an important value for the region and Turkey. However, the Izmir Port cannot keep up with increasing competition and technological developments. The government has been a big factor in the outdated port by not paying enough attention, as well as making no investments towards the ports future. The government can allocate big financial spending by using all possibilities of the state so the port can be developed. The government not allowing financial sources is no excuse. They are elected for the development of the country. Improving the seaports is the one of the best ways to develop the region. Ports of Hamburg, Rotterdam and Singapore are the most important examples of this developmental economy as well as social development. The government should accommodate the Izmir Port for international competition. This onset will not only enhance the image of the city but of the country as well.

Finally, this study analyzed the Izmir Port in general being that the port is still dealing with the basic challenges its accumulated over time. The study may be constituted as an example for the future studies related to port`s operations management and marketing channels or financial strategies that can be examined in more detail.

Appendix

Interview Questions:

1- Considering the problems faced by port users, what are the main issues that reduce the competitiveness of the Izmir Port?

2- Since the shipping companies, agencies, freight forwarders decide calling a seaport, which determinants are most important for the Izmir Port to be called by the vessels.

3- Which seaports are the current competitors of the Izmir Port and can be in the future?

4- Are there any value added services that are provided by the Izmir Port? If not, what kind of services can the port provide?

5- In view of its sources and large local hinterland, should the Izmir Port focus on a special cargo? How can the port position and differentiate itself?

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