DIGITALES ARCHIV

ZBW – Leibniz-Informationszentrum Wirtschaft
*ZBW – Leibniz Information Centre for Economics*

Avci, S. Burcu

**Book**

# Major public enterprises in Turkey: 2005-2013

**Provided in Cooperation with:**
International Centre of Research and Information on the Public, Social and Cooperative Economy (CIRIEC), Liège

*Reference:* Avci, S. Burcu (2015). Major public enterprises in Turkey: 2005-2013. Liège (Belgium) : CIRIEC, Université de Liège.

This Version is available at:
http://hdl.handle.net/11159/89

**Kontakt/Contact**
ZBW – Leibniz-Informationszentrum Wirtschaft/Leibniz Information Centre for Economics
Düsternbrooker Weg 120
24105 Kiel (Germany)
E-Mail: *rights[at]zbw.eu*
https://www.zbw.eu/

**Standard-Nutzungsbedingungen:**
Dieses Dokument darf zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden. Sie dürfen dieses Dokument nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, aufführen, vertreiben oder anderweitig nutzen. Sofern für das Dokument eine Open-Content-Lizenz verwendet wurde, so gelten abweichend von diesen Nutzungsbedingungen die in der Lizenz gewährten Nutzungsrechte. Alle auf diesem Vorblatt angegebenen Informationen einschließlich der Rechteinformationen (z.B. Nennung einer Creative Commons Lizenz) wurden automatisch generiert und müssen durch Nutzer:innen vor einer Nachnutzung sorgfältig überprüft werden. Die Lizenzangaben stammen aus Publikationsmetadaten und können Fehler oder Ungenauigkeiten enthalten.

https://savearchive.zbw.eu/termsofuse

**Terms of use:**
*This document may be saved and copied for your personal and scholarly purposes. You are not to copy it for public or commercial purposes, to exhibit the document in public, to perform, distribute or otherwise use the document in public. If the document is made available under a Creative Commons Licence you may exercise further usage rights as specified in the licence. All information provided on this publication cover sheet, including copyright details (e.g. indication of a Creative Commons license), was automatically generated and must be carefully reviewed by users prior to reuse. The license information is derived from publication metadata and may contain errors or inaccuracies.*

ZBW Leibniz-Informationszentrum Wirtschaft
Leibniz Information Centre for Economics

Mitglied der Leibniz-Gemeinschaft

WORKING PAPER

*Major Public Enterprises in Turkey: 2005-2013*

S. Burcu AVCI

CIRIEC N° 2015/17

CIRIEC activities, publications and researches are realized with the support
of the Belgian Federal Government - Scientific Policy and with the support
of the Belgian French Speaking Community - Scientific Research and the Walloon Region.

Les activités, publications et recherches du CIRIEC sont réalisées avec le soutien
du Gouvernement fédéral belge - Politique scientifique et avec celui de
la Communauté française de Belgique - Recherche scientifique et la Région wallonne.

This working paper is indexed and available
in SSRN and RePEC

Ce working paper est indexé et disponible
dans SSRN et RePEC

ISSN 2070-8289

© CIRIEC
No part of this publication may be reproduced.
Toute reproduction même partielle de cette publication est strictement interdite.

*Major Public Enterprises in Turkey: 2005-2013*[*]

S. Burcu Avci[**]

July 21, 2015

**Working paper CIRIEC N° 2015/17**

[*] This case study was presented at the XIV Milan European Economy Workshop "Major Public Enterprises in a global perspective", University of Milan, June 25-26, 2015, Research Project of CIRIEC's International Scientific Commission on Public Services/Public Enterprises.
[**] Ozyegin University School of Business Administration, Ozyegin University Cekmekoy Kampusu, Nısantepe M. Orman S. 34794 Istanbul, Turkey(Email: Burcu.avci@ozyegin.edu.tr – Tel.: +90 216 564 9819)

## Abstract

*This paper presents an analysis of the roles and performances of the major public enterprises (MPEs) from the energy, transportation, communication and construction sectors in Turkey between 2005 and 2013.*

*The recent governmental policy towards the PEs presents differences based on sectors. The state is intentionally quitting agriculture, service and non-strategic manufacturing businesses, passing production to private sector. On the other hand, energy, transportation, communication and construction sectors are of great importance to the state: MPEs in these sectors are growing and among the biggest corporations in Turkey. This paper analyzes all PEs in these critical sectors, especially pays more attention to energy sector PEs due to sector's rising importance over the economic development. The sectors to be quitted by the state are kept out of this study.*

*There are common reasons assigning importance to energy, transportation, telecommunication, and energy sector MPEs.*

*First, volatility in energy prices makes energy and transportation MPEs highly risky. Since energy sector is highly strategic and MPEs are exposed to exchange rate risk, there are problems in privatizing activities.*

*Transportation and communication sectors are other important ones for the government, mostly because of strategic reasons: railways, airlines, coastal security services, broadcasting, governmental news agency, posting, satellite communications and cable TV systems, state TV and radio are operated by MPEs. The fraction of these MPEs contribution in GDP is increasing in the last years.*

*Lastly, construction is a very special sector for Turkey: high growth rates are caught up by the growth in construction sector. Therefore, it is a strategic sector and government supports PEs in order to both expand the sector and also to provide low-budget housing for lower income groups.*

**Keywords:** Public enterprises, energy, transportation, telecommunication, construction, financial performance.

**JEL-codes:** L32, L33, L38

# 1. Introduction

This paper presents an analysis of the role and performances of Turkish PEs from four sectors: Energy, transportation, communication, and construction. Seven MPEs from the energy sector, four MPEs from the transportation, four MPEs from the communication and one MPE from the construction sectors constitute the backbone of this study. Analyzed MPEs have crucial importance not only for their sectors, but also for the whole economy.

The four sectors selected for this study are important in their contribution to the whole economy. Historically, Turkish PEs are known as inefficient and hierarchical institutions. They are not profitable due to low pricing and loose personnel policies to increase social welfare. They were increasing welfare on one hand, but creating a financial burden on the other. Reforms and privatizations were facilitated after 1980, and accelerated after 2000s. Privatization activities are successful but they are moving very slowly. Many low-performing PEs are still active in some industries, i.e. agriculture, non-strategic manufacturing, and services. These companies reduce the results of overall performance analysis of PEs. However, many PEs are performing well, such as energy, transportation, communication and construction sector companies. PEs in these sectors are among the biggest corporations in Turkey. This paper analyzes PEs in these sectors, but pays more attention to energy sector MPEs, due to their importance in Turkish economy.

Section 2 provides historical information about past trends in PEs in Turkey. History of the country is divided into three periods; the main policies of each period are emphasized. Furthermore, corporate governance, incorporation and appointment of boards, legislation and auditing, and future policies for MPEs are explained. Since almost all enterprises are subject to the same core legislation, they are not repeated under each Company’s headings again; only exceptions will be declared.

Section 3 identifies major players in PEs. Firstly, a brief overview on sectors is provided; and then detailed analysis of each company is delivered. Detailed analysis contains company facts, governance, public mission, public discourse, evaluation and forecast. Company facts contain information about company’s business, history, financial situation, personnel, affiliates, and specific characteristics if there are any. Governance section provides information about appointment of boards, legislation, accountability, and share of the state in the company. Public mission explains the mission, vision, and objectives of PEs, such as pricing, security of supply, sensitivity to environment, and international agreements. Public discourse section contains reform and privatization, connections between the company and the fiscal situation of Turkey, and company specific elements related to efficiency and management. Evaluation and forecast contain future plans and author’s personal belief about company’s future.

Section 4 summarizes and concludes the study.

## 2. Evolution and Trends

### 2.1. Public Enterprises Between 1923-2000

Till 2000, we can classify the Turkish public sector production in three periods. The first one takes place between 1923, the date of foundation of the country, and 1950. The second phase takes time from 1950 to 1980. And the last phase is ongoing since 1980.

Turkey was in economical in trouble when it was founded not only because the foundation took place between the two world wars, but also because the country had to have a freedom war against the central powers and the old government. In the first years of the establishment of Turkey, the country suffered from a high burden of debt inherited from its predecessor, the Ottoman Empire, and from several injuries left from the World War I. Turkey had not only to pay back the debt but also to encourage private sector production and social development in the country. However it was a tough duty: There was neither enough private capital nor private entrepreneurship. Domestic production to domestic consumption rate was 10% in fabrics, 20% in soaps, 60% in wheat flour; and 0% in many consumer goods, such as glass, porcelain, and sugar. Table 1 shows the number of companies and workers in manufacturing industry in 1921 census. Production concentrated on textile; then come leather and mining production. No technological production, such as automobiles or machinery, was available. Production facilities were established as atelier format. The average number of employees is 2 per company on average (Tezel, 1982, pp. 97-108).

**Table 1: Summary of 1921 Census in Ottoman Empire**

| | Entity | | Employment | | |
|---|---|---|---|---|---|
| **Manufacturing Subindustries** | **Number** | **Percentage** | **Number (Thousand)** | **Percentage** | **Average Number of People per Entity** |
| **Textile - Clothing** | 20,057 | 61% | 35.3 | 46% | 2 |
| **Leather and Leather Products** | 5,347 | 16% | 18.0 | 24% | 3 |
| **Hardware** | 3,273 | 10% | 8.0 | 10% | 2 |
| **Woodwork and Wood Products** | 2,067 | 6% | 6.0 | 8% | 3 |
| **Food - Tobacco** | 1,273 | 4% | 4.5 | 6% | 4 |
| **Brick - Soil Products** | 704 | 2% | 3.6 | 5% | 5 |
| **Chemistry** | 337 | 1% | 0.8 | 1% | 2 |
| **Total** | 33,058 | 100% | 76.2 | 100% | 2 |

Source: Tezel (1982) p. 106.

Table 1 is a good summary of the production facilities in 1920s. The general character of the production can be described as SMEs with very low capital and minimal number of employees; production is based on labor and domestic raw materials. Foreign capital did not invest in real economy at notable amounts.

Almost 80% of foreign capital was allocated in railway industry and banking at the time. This picture indicates lack of financial and human capital in production.

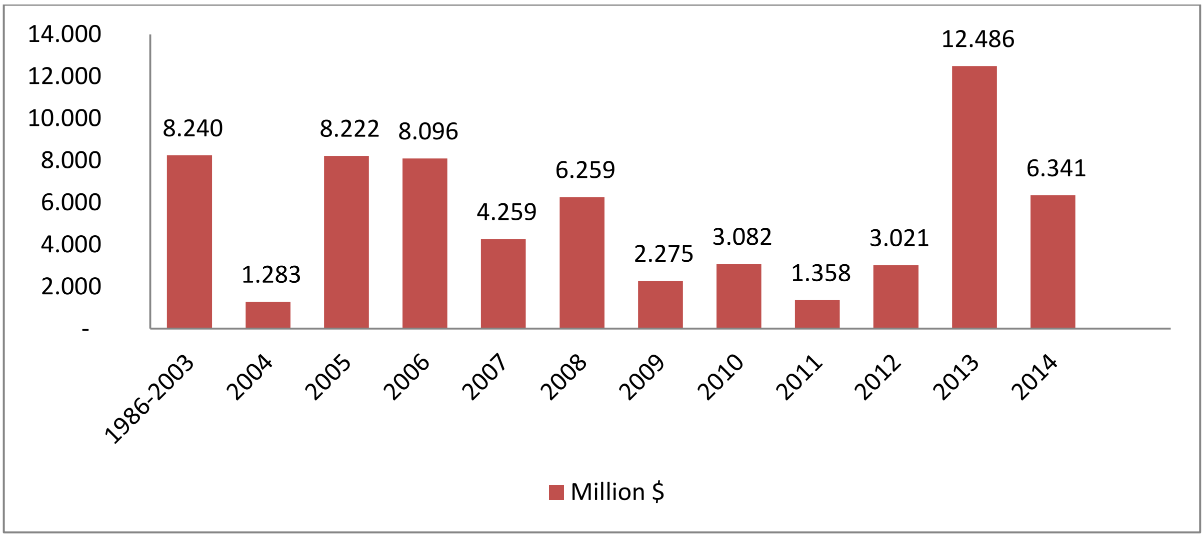
Having lack of private capital, the country adopted statism in order to pursue a state-controlled production in agriculture and industry. It was not a political choice; it was rather a necessity for the time being. The system that combines capitalism with statism is called “eclectic model” (Ulken, 1984, pp. 8-12). According to this model, governors believe in the power of market economy, but they had to deploy statist production facilities to promote production. It was stated that private enterprises will take on all the production activities sometime in the future, but until then public enterprises will perform in the economic area. In the meantime, new public enterprises will be inaugurated in order to support private sector by means of credit lines or raw and interim materials production (Ulken, 1984, pp. 225-227). However, firstly Great Depression, and then WWII hampered the empowerment of private sector in the country until 1950s (Akkoyunlu, 2011, pp. 54-57).

The cold war era moved Turkish politics to the USA in 1950s. Turkey joined the IBRD, the IMF, and the OECD. The new memberships called for liberalization in the economy. The country adopted an open foreign trade policy and inaugurated new PEs to accelerate private sector production. For example, Turkish Petrol was inaugurated to explore of petroleum in Turkey. It was hoped that this would encourage more private production. But the overall production in the economy could not be increased rapidly in a short time. As a result, level of imports increased so much that the country could not match the balance of payments and had to declare moratorium in 1958. The budget was taken under discipline with an IMF plan, and Turkey had to pay its bill until 1977. The country adopted an import-substitution production policy by totally forbidding importation and incentivizing domestic production without paying attention to quality issues (Gold, 1989). The best takeaway of this time phase is that private sector initiated in many manufacturing subindustries. But not only the private companies, public enterprises were also growing and new ones were inaugurated in this period (Akkoyunlu, 2011, pp. 59-60).

After the country became an inward-focused and import-substitution based closed economy by the time of 1960s and 1970s, a policy plan was legislated in 1980: “The January 24 Decisions”. This plan is the starting lag of the third phase in Turkish public sector policy. The plan has included financial liberalization: both modernization and privatizations of PEs in order to reduce government control and encourage private sector development in the economy (Gold, 1989). The January 24 Decisions were important in so far as the state decided to stop investing in production and adopted a liberal economy policy. One of the initial conditions of the liberalization is privatization. The coup in 1980 delayed liberalization plans but it could not stop them.

Decree Law 232 was legislated in 1982, which clarifies the issues about PEs: definitions, their affiliations, foundation, organization, operational bases, auditing rules and so on were explained in the decree law. Additionally, their investment requirements and pricing policies were also clarified in the law.

**Figure 1: Privatization through years in Turkey**




Source: Turkish Privatization Administration.

The pioneer law for privatization was legislated in 1984. By this means, the first privatization took place in 1986 and privatizations accelerated afterwards. Since then, privatization has been still on the agenda of the governments. Figure 1 presents the total privatizations through years in Turkey. Table 2 displays the list of PEs in Turkey as of December 31, 2013.

**Table 2: Public Enterprises in Turkey (2013)**

| **State- Owned Enterprises** | | **Share of Public** |
|---|---|---|
| **Manufacturing** | | |
| | Mechanical and Chemical Industry Corporation | 100% |
| | Directorate General of State Supply Office | 100% |
| **Mining** | | |
| | Turkish Hard Coal Enterprise Institution | 100% |
| | Turkish Coal Enterprises Institution | 100% |
| | Directorate General of Eti Mine Enterprises | 100% |
| **Energy** | | |
| | Electricity Generation Company | 100% |
| | Electricity Transmission Company | 100% |
| | Electricity Contracting and Trading Company | 100% |
| | Electromechanical Industry General Management | 100% |
| **Oil & Natural Gas** | | |
| | Petroleum Pipeline Corporation | 100% |
| | Turkish Petroleum | 100% |

| | | |
|---|---|---|
| **Agriculture & Livestock** | | |
| | Directorate general of Turkish Grain Board | 100% |
| | Directorate General of Tea Enterprises | 100% |
| | Directorate General of Agricultural Enterprises | 100% |
| | Directorate General of Meat and Milk Institution | 100% |
| | Atatürk Forest Farm Directorate | 100% |
| **Transportation** | | |
| | Directorate General of State Railways | 100% |
| | Directorate General of State Airports Authority | 100% |
| | Directorate General of Coastal Safety | 100% |
| **Communications** | | |
| | Turksat Satellite Communications and Cable TV Operations Company | 100% |
| | Turkish Radio and Television Corporation | 100% |
| | Post and Telegraph Corporation | 100% |
| **Banks** | | |
| | Ziraat Bank | 100% |
| | Halkbank | 51,11% |
| | Eximbank | 100% |
| | Development Bank of Turkey | 99,08% |
| | Emlakbank (in liquidation) | 99,99% |
| | Central Bank of the Republic of Turkey | 55,12% |
| **Companies under Privatization Administration** | | |
| **Manufacturing** | | |
| | Sumer Holding A.S. | 100% |
| | Dogusan Pipe Production Corporation | 56,09% |
| **Mining** | | |
| | General Directorate of Black Sea Copper Enterprises (in liquidation) | 99,99% |
| **Energy** | | |
| | Turkish Electricity Distribution Company | 100% |
| | Ankara Natural Electricity Generation Corporation | 100% |
| **Agriculture** | | |
| | TTA Real Estate Corporation | 100% |
| | Turkish Sugarworks Corporation | 100% |
| **Transportation** | | |
| | Directorate General of Turkish Maritime Business | 100% |

Source: Undersecretariat of Treasury Public Enterprises Reports 2013.

## 2.2. Public Enterprises in 2000s

The eighth "Five-Year Development Plan for 2001-2005" summarizes the government policies towards PEs: direct state intervention in the economy will be reduced by means of privatization. In the meanwhile, productivity and efficiency will also be increased in the public sector. Enterprises that will not be privatized will be restructured so that they can carry out their activities autonomously. In that scope, transportation, communication and energy sectors will not be privatized; rather liberalized and private sector participation will be ensured. Private sector participation will be built on "build-operate-transfer", "build-operate", and "operating right of transfer". All structural arrangements to protect the rights and interests of consumers will be provided by autonomous regulatory bodies. Privatization will be based on public support, reconciliation, and transparency. Spreading of capital ownership will be provided through capital markets (State Planning Organization, 2001).

Improvement has been recognized in PE budget a result of mitigation and privatization policies. The PE system displayed a primary financial deficit of

1,62% of GDP in 2000; it displayed a 0,47% surplus of GDP in 2005. $14,3 billion of revenue was realized in 2001-2005 period. To further the policies, the share of PEs will be even more reduced by means of privatization. The ratio of overall gross sales revenues of PEs to GDP was 9%. It is expected to be 3,3% in 2013. Value added of the PE system to GDP was 2% in 2006 and is expected to 0,6% in 2013 (State Planning Organization, 2006).

In the foreseeable future, as a result of privatization, the state will completely withdraw from activities such as airline and maritime transportation, locomotive and railway car production; sugar, tobacco, and tea products processing; petrochemical industry; material procurement; distribution and wholesale trading of electricity. However, the PEs in the areas of grain purchasing, seed production, railway transportation infrastructure, electricity transmission, oil exploration, airport operation, postal services and coastal security provision are not expected to be privatized during the plan period. In tandem with the liberalization policy, the share of the public sector in energy investments will be gradually decreased. Even though the transportation sector will receive the largest share from public investments during the plan period, since major projects will be completed over the years and financing models that involve the participation of the private sector will be utilized to the maximum extent during the same period, the share of the sector in the public investments will be reduced. Following the withdrawal of the public sector from the production of commercial goods and services and the privatization of important PEs, the share of public investments in mining and manufacturing industries will decrease (State Planning Organization, 2006).

Financial position of current PEs is getting better in many ways. As Table 3 shows, the state has withdrawn from producing metallic mines, cigarette and tobacco products, all intermediate goods and airline passenger transportation. The share of the state in production in lignite, meat, sugar, and electricity production has reduced between 2005-2013. Tables 4 and 5 present summary income statement and balance sheet of all PEs; Table 6 presents capital structure of PEs; Table 7 presents personnel information in PEs; Table 8 presents financial ratios of all PEs. An improvement in financial performance can be observed from these tables. Liquidity and profitability ratios improved in time; equity increased and leverage decreased. There is also improvement in turnover ratios: They indicate that PEs increased sales and liquidity during 2005-2013 period. Table 9 presents PE-budget relationship. There was a net transfer from the PEs to the budget in 2005 and 2006; but it turned reverse in the crisis years. It can be interpreted in a way that does not favor PEs. The state is supporting PEs, they are a burden on the public finance and mitigation policy can be useful for public welfare. Table 10 presents value added by PEs in the statistical annex. The total value added by PEs are decreasing and reaches 1,06% of the GDP at the end of 2013. The majority of costs to PEs are personnel costs.

## Table 3: Goods and Services Production of Turkish Enterprises in 2005 and 2013

| | | 2005 | | | 2013 | | |
|---|---|---|---|---|---|---|---|
| **Goods and Services** | **Measure** | **Turkey** | **PEs** | **%** | **Turkey** | **PEs** | **%** |
| **1- Mining** | | | | | | | |
| **a) Primary Energy Sources** | | | | | | | |
| **Hard Coal** | Thousand Tones | 3.066 | 1.666 | 54,3 | 2.789 | 2.191 | 78,6 |
| **Lignite** | Thousand Tones | 61.2 | 30.55 | 49,9 | 60.741 | 22.231 | 36,6 |
| **Crude Oil** | Thousand Tones | 2.326 | 1.571 | 67,5 | 2.476 | 1.809 | 73,1 |
| **b) Metallic Mines** | | | | | | | |
| **Copper Minerals** | Thousand Tones | 2.5 | 836 | 33,4 | - | - | - |
| **Bauxite Minerals** | Thousand Tones | - | - | - | - | - | - |
| **c) Non-Metallic Mines** | | | | | | | |
| **Boron minerals (concentrated)** | Thousand Tones | 2.697 | 2.697 | 100 | 1.78 | 1.78 | 100,0 |
| **2- Manufacturing** | | | | | | | |
| **a) Consumer Goods** | | | | | | | |
| **Meat** | Thousand Tones | 325 | 8,5 | 2,6 | 996 | 22 | 2,2 |
| **Tea** | Thousand Tones | 218 | 112 | 51,4 | 213 | 130 | 61,0 |
| **Sugar** | Thousand Tones | 1.85 | 1.309 | 70,8 | 2.285 | 1.295 | 56,7 |
| **Cigarette and Tobacco Products** | Million Unit | 114.57 | 35.29 | 30,8 | - | - | - |
| **b) Intermediate Goods** | | | | | | | |
| **LPG** | Thousand Tones | 764 | 764 | 100 | - | - | - |
| **Gasoline** | Thousand Tones | 3.548 | 3.548 | 100 | - | - | - |
| **Paper - Cardboard** | Thousand Tones | - | - | - | - | - | - |
| **Blister Copper** | Thousand Tones | - | - | - | - | - | - |
| **c) Investment Goods** | | | | | | | |
| **Wagon** | Unit | 561 | 561 | 100 | 929 | 929 | 100,0 |
| **Locomotive** | Unit | - | - | - | 3 | 3 | 100,0 |
| **3- Energy** | | | | | | | |
| **Electricity (gross)** | GWh | 162.5 | 66.93 | 41,2 | 240.15 | 77.352 | 32,2 |
| **4- Transportation** | | | | | | | |
| **a) Passenger Transportation** | | | | | | | |
| **Railway** | Million passengers Km | 5.036 | 5.036 | 100 | 3.775 | 3.775 | 100,0 |
| **Airline** | Thousand Passengers | 23.5 | 14.13 | 60,1 | - | - | - |
| **b) Freight** | | | | | | | |
| **Railway** | Million passengers Km | 9.078 | 9.078 | 100 | 11.177 | 11.177 | 100,0 |
| **c) Oil and Gas Transportation** | | | | | | | |
| **Natural Gas** | Million $Sm^2$ | NA | NA | NA | 46.534 | 46.534 | 100,0 |
| **Crude Oil (Pipeline)** | Million Tones/ Year | NA | NA | NA | 25 | 25 | 100,0 |
| **5- Telecommunications** | | | | | | | |
| **Cable TV subscribers** | Thousand Unit | NA | NA | NA | 1.182 | 1.182 | 100,0 |

Source: Turkish Court of Accounts Audit Reports 2013-2005.

## Table 4: Summary Income Statement of Turkish Public Enterprises (2005-2013)

| Nominal Prices (Million TL) | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|---|
| **Gross Sales** | 33,084.00 | 42,099.00 | 45,211.00 | 60,812.00 | 62,993.50 | 69,970.60 | 77,586.00 | 96,391.00 | 103,487.00 |
| **Domestic** | 30,095.00 | 38,030.00 | 38,746.00 | 48,992.30 | 57,381.70 | 54,249.10 | 60,844.00 | 75,526.00 | 81,282.00 |
| **International** | 1,382.00 | 1,552.00 | 1,453.00 | 1,756.80 | 1,994.80 | 2,813.10 | 3,708.00 | 3,594.00 | 4,214.00 |
| **Other Income (Duty Losses)** | 1,364.00 | 1,403.00 | 699.00 | 1,245.20 | 1,913.80 | 3,216.20 | 1,963.00 | 1,577.00 | 1,756.00 |
| **Sales Discounts** | 218.00 | 529.00 | 1,083.00 | 1,410.60 | 1,996.10 | 975.50 | 930.00 | 1,054.00 | 1,259.00 |
| **Cost of Goods Sold** | 29,362.00 | 38,126.00 | 38,602.00 | 54,567.70 | 49,555.40 | 56,447.70 | 70,684.00 | 88,053.00 | 92,153.00 |
| **Operating Expenses** | 1,755.00 | 2,037.00 | 2,862.00 | 2,253.90 | 2,700.50 | 2,735.60 | 3,228.00 | 3,333.00 | 3,556.00 |
| **Operating Margin** | 1,749.00 | 1,407.00 | 2,665.00 | 2,579.90 | 8,741.40 | 9,611.80 | 2,744.00 | 3,950.00 | 6,520.00 |
| **Ordinary Revenues from Operations** | 1,108.00 | 3,735.00 | 4,401.00 | 5,723.40 | 4,625.60 | 4,916.80 | 6,109.00 | 5,882.00 | 8,078.00 |
| **Ordinary Expenses from Operations** | 522.00 | 2,235.00 | 2,997.00 | 3,845.90 | 4,060.60 | 2,835.20 | 3,967.00 | 3,735.00 | 5,170.00 |
| **Provisions** | 264.00 | 217.00 | 83.00 | 137.30 | 245.00 | 363.00 | 304.00 | 123.00 | 241.00 |
| **Financing Expense** | 421.00 | 991.00 | 909.00 | 2,823.40 | 1,190.90 | 651.70 | 1,363.00 | 316.00 | 931.00 |
| **Interest Expense** | 272.00 | 437.00 | 734.00 | 925.30 | 553.10 | 266.20 | 249.00 | 104.00 | 121.00 |
| **Foreign Currency Expense** | 146.00 | 552.00 | 171.00 | 1,896.80 | 632.10 | 378.00 | 1,104.00 | 149.00 | 801.00 |
| **Extraordinary Revenues from Operations** | 1,151.00 | 631.00 | 906.00 | 1,010.50 | 2,540.80 | 2,174.40 | 1,609.00 | 1,349.00 | 3,557.00 |
| **Extraordinary Expenses from Operations** | 1,601.00 | 1,314.00 | 2,236.00 | 1,980.30 | 2,899.00 | 3,830.40 | 1,947.00 | 2,534.00 | 3,906.00 |
| **Gross Income** | 1,463.00 | 1,233.00 | 1,829.00 | 664.20 | 7,757.30 | 9,385.80 | 3,185.00 | 2,534.00 | 8,147.00 |
| **Tax and Other Legal Provisions** | 473.00 | 367.00 | 592.00 | 679.40 | 1,558.20 | 1,913.50 | 1,104.00 | 4,595.00 | 1,842.00 |
| **Net Income** | 990.00 | 866.00 | 1,237.00 | - 15.20 | 6,199.10 | 7,472.30 | 2,081.00 | 1,146.00 | 6,305.00 |
| **Net Income/ GDP** | 0.15% | 0.11% | 0.14% | -0.002% | 0.65% | 0.68% | 0.2% | 0.2% | 0.4% |

Source: Turkish Court of Accounts Audit Reports 2013-2015.

## Table 5: Summary Balance Sheet of Turkish Public Enterprises (2005-2013)

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|---|
| **Total Assets** | 58,547.00 | 69,875.00 | 82,764.00 | 103,992.90 | 109,040.10 | 114,392.40 | 96,203.00 | 107,824.00 | 119,566.00 |
| **Current Assets** | 27,577.00 | 36,686.00 | 4,418.00 | 64,045.10 | 68,222.40 | 70,611.40 | 50,088.00 | 58,065.00 | 62,946.00 |
| **Liquid Assets and Securities** | 2,619.00 | 2,882.00 | 4,211.00 | 5,760.10 | 7,015.50 | 8,539.40 | 7,714.00 | 8,926.00 | 1,015.00 |
| **Accounts Receivable** | 1,839.00 | 26,285.00 | 31,921.00 | 46,844.40 | 47,585.70 | 49,557.90 | 27,751.00 | 34,122.00 | 35,786.00 |
| **Inventories** | 3,505.00 | 3,771.00 | 4,088.00 | 6,721.80 | 9,321.60 | 7,889.10 | 9,602.00 | 11,788.00 | 13,093.00 |
| **Long-Term Assets** | 30,971.00 | 33,188.00 | 38,584.00 | 39,947.80 | 40,817.80 | 43,781.00 | 46,115.00 | 49,758.00 | 5,662.00 |
| **Accounts Receivable** | 1,912.00 | 1,737.00 | 1,472.00 | 1,827.70 | 1,570.90 | 1,552.10 | 1,521.00 | 1,506.00 | 2,339.00 |
| **Intangible Assets** | 1,186.00 | 1,219.00 | 1,125.00 | 1,314.40 | 1,338.20 | 1,410.70 | 1,447.00 | 1,514.00 | 2,473.00 |
| **Tangible Assets** | 26,978.00 | 2,878.00 | 3,387.00 | 34,315.80 | 35,925.50 | 38,682.30 | 40,751.00 | 43,834.00 | 47,769.00 |
| **Short-Term Liabilities** | 19,115.00 | 25,397.00 | 30,549.00 | 49,714.30 | 46,462.90 | 42,055.50 | 20,563.00 | 25,960.00 | 30,295.00 |
| **Notes Payable** | 2,242.00 | 3,835.00 | 4,633.00 | 5,570.70 | 3,624.60 | 2,205.50 | 1,561.00 | 1,488.00 | 2,323.00 |
| **Accounts Payable** | 1,167.00 | 15,739.00 | 18,055.00 | 34,593.80 | 34,762.50 | 31,323.70 | 11,134.00 | 18,552.00 | 20,975.00 |
| **Taxes Payable** | 990.00 | 1,191.00 | 2,768.00 | 4,424.90 | 3,043.60 | 3,013.60 | 1,217.00 | 2,002.00 | 1,287.00 |
| **Long-Term Liabilities** | 7,052.00 | 8,471.00 | 9,389.00 | 10,444.10 | 10,701.80 | 9,720.30 | 9,006.00 | 8,221.00 | 8,666.00 |
| **Notes Payable** | 5,548.00 | 6,175.00 | 6,303.00 | 6,951.40 | 7,935.50 | 6,594.50 | 5,463.00 | 4,144.00 | 4,322.00 |
| **Accounts Payable** | 48.00 | 554.00 | 763.00 | 770.00 | 43.90 | 51.40 | 67.00 | 225.00 | 208.00 |
| **Equity** | 32,381.00 | 36,006.00 | 42,825.00 | 43,818.20 | 51,644.90 | 62,611.50 | 66,634.00 | 73,642.00 | 80,605.00 |
| **Nominal Capital** | 17,091.00 | 21,302.00 | 31,611.00 | 32,299.50 | 38,570.10 | 49,315.10 | 54,661.00 | 62,046.00 | 63,366.00 |
| **Paid Capital** | 14,847.00 | 17,254.00 | 2,458.00 | 28,101.60 | 33,027.80 | 41,184.00 | 47,339.00 | 52,861.00 | 59,321.00 |
| **Total Assets/ GDP** | 9.02% | 9.21% | 9.66% | 10.94% | 11.45% | 10.36% | 7.40% | 7.60% | 7.70% |

Source: Turkish Court of Accounts Audit Reports 2013-2015.

## Table 6: Capital Information of Public Enterprises in Turkey (31.12.2013, million TL)

| PEs | Nominal Capital | Paid Capital | Percentage of Capital Paid | Share of Treasury |
|---|---|---|---|---|
| **BOTAŞ** | 1.830 | 1.830 | 100 | 100 |
| **ÇAYKUR** | 1.060 | 1.056 | 100 | 100 |
| **DHMİ** | 1.700 | 1.472 | 87 | 100 |
| **DMO** | 130 | 83 | 64 | 100 |
| **ESK** | 725 | 725 | 100 | 100 |
| **ETİ MADEN** | 600 | 200 | 33 | 100 |
| **EÜAŞ** | 5.600 | 5.600 | 100 | 100 |
| **KEGM** | 51 | 51 | 100 | 100 |
| **MKEK** | 600 | 420 | 70 | 100 |
| **TCDD8** | 31.100 | 28.956 | 93 | 100 |
| **TEİAŞ** | 5.000 | 5.000 | 100 | 100 |
| **TEMSAN** | 160 | 160 | 100 | 100 |
| **TETAŞ** | 179 | 112 | 62 | 100 |
| **TİGEM** | 1.300 | 1.283 | 99 | 100 |
| **TKİ** | 1.000 | 800 | 80 | 100 |
| **TMO** | 2.050 | 2.050 | 100 | 100 |
| **TPAO** | 3.000 | 1.411 | 47 | 100 |
| **TTK** | 6.870 | 6.220 | 91 | 100 |
| **ZİRAATBANK** | 2.500 | 2.500 | 100 | 100 |
| **EMLAKBANK (IN LIQUIDATION)** | 750 | 749 | 100 | 100 |
| **KALKINMA BANKASI** | 160 | 160 | 100 | 99 |
| **TÜRK EXIMBANK** | 2.200 | 2.200 | 100 | 100 |
| **CENTRAL BANK** | - | - | 100 | 55 |
| **TÜRKSAT** | 965 | 965 | 100 | 100 |
| **TURK TELEKOM** | 3.500 | 3.500 | 100 | 32 |
| **TRT** | 182 | 182 | 100 | 100 |
| **AOÇ** | - | - | 100 | 100 |
| **ANADOLU AJANSI** | - | - | 100 | 48 |
| **PTT** | 1.100 | 981 | 89 | 100 |
| **BİAŞ** | 423 | 423 | 100 | 49 |
| **TOTAL** | 74.736 | 69.090 | 93 | |

Source: Turkish Court of Accounts Audit Reports 2013-2005.

## Table 7: PE Personnel Information of Public Enterprises in Turkey (2005-2013)

| Number of Personnel | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|---|
| Employees | 76.313 | 75.755 | 76.195 | 75.071 | 75.599 | 75.777 | 47.128 | 47.869 | 47.824 |
| Workers | 83.201 | 81.285 | 79.880 | 75.846 | 77.127 | 74.415 | 70.848 | 67.978 | 65.009 |
| Total | 159.514 | 157.040 | 156.075 | 150.917 | 152.726 | 150.192 | 117.976 | 115.847 | 112.833 |
| **PE Employment Expenses** | | | | | | | | | |
| Employees | 1.673 | 1.832 | 2.055 | 2.272 | 2.395 | 2.621 | 2.029 | 2.448 | 2.546 |
| Workers | 2.795 | 2.872 | 3.272 | 3.246 | 3.568 | 3.674 | 3.940 | 4.240 | 4.365 |
| Total | 4.469 | 4.705 | 5.327 | 5.518 | 5.963 | 6.296 | 5.969 | 6.688 | 6.911 |
| **PE Average Personnel Cost** | | | | | | | | | |
| Employees | 1.830 | 2.043 | 2.268 | 2.522 | 2.625 | 2.883 | 3.588 | 4.262 | 4.436 |
| Workers | 2.906 | 3.041 | 3.444 | 3.567 | 3.965 | 4.115 | 4.635 | 5.198 | 5.595 |
| Total | 2.453 | 2.619 | 2.940 | 3.046 | 3.290 | 3.493 | 4.217 | 4.811 | 5.104 |

Source: Turkish Court of Accounts Audit Reports 2013-2005.

**Table 8: Average Financial Ratios of Turkish Public Enterprises (2005-2013)**

| Liquidity Ratios | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|---|
| Current Ratio | 1,44 | 1,44 | 1,45 | 1,29 | 1,47 | 1,68 | 2,44 | 2,24 | 2,08 |
| Acid Test Ratio | 0,95 | 0,99 | 1,05 | 0,96 | 1,06 | 1,20 | 1,36 | 1,34 | 1,16 |
| Cash Ratio | 0,13 | 0,10 | 0,13 | 0,10 | 0,12 | 0,17 | 0,27 | 0,28 | 0,29 |
| **Turnover Ratios** | | | | | | | | | |
| Inventory Turnover Ratio | 2,32 | 2,62 | 2,46 | 10,10 | 6,18 | 6,56 | 8,09 | 8,23 | 7,41 |
| Days Sales Outstanding (Receivables) | 170,70 | 193,80 | 226,70 | 254,00 | 248,00 | 220,00 | 94,98 | 97,26 | 87,80 |
| Days Cash on Hand | 87,00 | 88,00 | 103,00 | 98,00 | 103,00 | 112,00 | 111,00 | 99,00 | 100,00 |
| **Leverage Ratios** | | | | | | | | | |
| Financial Leverage | 0,45 | 0,48 | 0,48 | 0,58 | 0,52 | 0,45 | 0,31 | 0,32 | 0,33 |
| Long-Term Liabilities/ Equity | 0,22 | 0,24 | 0,22 | 0,24 | 0,21 | 0,16 | 0,14 | 0,11 | 0,11 |
| Equity/ Total Assets | 0,55 | 0,52 | 0,52 | 0,42 | 0,48 | 0,55 | 0,69 | 0,68 | 0,67 |
| Interest Coverage Ratio | 4,47 | 2,24 | 3,01 | 1,24 | 7,51 | 15,40 | 3,34 | 15,53 | 9,75 |
| **Profitability Ratios** | | | | | | | | | |
| ROA | 2,31 | 2,43 | 2,46 | 2,40 | 6,71 | 7,16 | 3,04 | 3,63 | 6,23 |
| ROE | 3,16 | 2,53 | 3,14 | -0,04 | 12,95 | 13,05 | 3,25 | 4,92 | 8,22 |
| Gross Sales Ratio | 0,11 | 0,08 | 0,13 | 0,08 | 0,19 | 0,18 | 7,79 | 7,64 | 9,86 |
| Operational Margin/ Sales | 0,05 | 0,03 | 0,06 | 0,04 | 0,14 | 0,14 | 3,58 | 4,14 | 6,38 |
| EBT/Sales | 0,04 | 0,03 | 0,04 | 0,01 | 0,13 | 0,14 | 4,15 | 4,82 | 7,97 |
| Net Income/Sales | 0,03 | 0,02 | 0,03 | 0,00 | 0,10 | 0,11 | 2,71 | 3,62 | 6,20 |
| **Asset Ratios** | | | | | | | | | |
| Sales/ Liquid Assets | 13,07 | 16,00 | 11,51 | 11,79 | 11,38 | 9,63 | 13,64 | 13,03 | 11,74 |
| Sales/ Accounts Receivable | 2,11 | 1,86 | 1,59 | 1,42 | 1,45 | 1,64 | 3,79 | 3,70 | 4,10 |
| Sales/ Assets | 0,56 | 0,59 | 0,53 | 0,57 | 0,56 | 0,60 | 0,80 | 0,88 | 0,86 |

Source: Turkish Court of Accounts Audit Reports 2013-2005.

## Table 9: Public Enterprise- Budget Relationship in Turkey (2005-2013)

| Transfers from the Budget to PEs (Million TL) | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|---|
| **Capital Injections** | 921 | 1.917 | 1.759 | 2.042 | 2.560 | 4.204 | 4.284 | 4.728 | 5.692 |
| **Duty Losses Injections** | 502 | 710 | 710 | 1.234 | 2.162 | 1.586 | 2.724 | 1.893 | 1.632 |
| **Total** | 1.423 | 2.627 | 2.459 | 3.276 | 4.723 | 5.790 | 6.621 | 7.324 | 7.324 |
| **Transfers from PEs to the Budget (Million TL)** | | | | | | | | | |
| **Dividends** | 2.128 | 3.428 | 1.597 | 1.927 | 1.666 | 1.080 | 1.367 | 1.498 | 4.489 |
| **Share of proceeds** | 166 | 191 | 230 | 279 | 281 | 333 | 459 | 500 | 555 |
| **Tax** | | | | | | | 1.753 | 1.104 | 1.164 |
| **Total** | 2.294 | 3.619 | 1.827 | 2.206 | 1.948 | 1.413 | 3.578 | 3.103 | 6.207 |

Source: Turkish Court of Accounts Audit Reports 2013-2015.

## Table 10: Value Added by Turkish Public Enterprises (Current Prices) (2005-2013)

| (Thousand TL) | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013* |
|---|---|---|---|---|---|---|---|---|---|
| **Total Value Added** | 13.065.413 | 14.370.896 | 13.646.309 | 13.285.655 | 19.768.257 | 20.001.630 | 16.861.989 | 18.393.865 | 16.650.516 |
| **Profit - Loss** | 1.900.248 | 2.615.372 | 1.033.862 | -1.544.695 | 6.314.123 | 6.810.873 | 2.595.231 | 4.343.668 | 3.391.912 |
| **Current Year Depreciation** | 2.641.302 | 3.149.624 | 3.399.486 | 3.429.375 | 3.361.554 | 3.282.361 | 3.775.781 | 3.842.475 | 3.801.293 |
| **Employment Cost** | 7.623.630 | 7.118.530 | 7.817.774 | 7.942.603 | 8.080.881 | 7.907.478 | 8.509.299 | 9.365.344 | 8.022.117 |
| **Interest Payments** | 377.602 | 431.822 | 767.904 | 950.786 | 553.588 | 280.371 | 300.766 | 154.833 | 146.205 |
| **Provisions (Inc. FX changes)** | 522.632 | 1.055.548 | 627.283 | 2.507.587 | 1.458.110 | 1.720.547 | 1.680.912 | 687.545 | 1.288.989 |
| **Total Value Added % of GDP** | 2,01 | 1,89 | 1,62 | 1,40 | 2,08 | 1,82 | 1,30 | 1,30 | 1,07 |
| **Profit - Loss** | 0,29 | 0,34 | 0,12 | -0,16 | 0,66 | 0,62 | 0,20 | 0,31 | 0,22 |
| **Current Year Depreciation** | 0,41 | 0,42 | 0,40 | 0,36 | 0,35 | 0,30 | 0,29 | 0,27 | 0,24 |
| **Employment Cost** | 1,17 | 0,94 | 0,93 | 0,84 | 0,85 | 0,72 | 0,66 | 0,66 | 0,51 |
| **Interest Payments** | 0,06 | 0,06 | 0,09 | 0,10 | 0,06 | 0,03 | 0,02 | 0,01 | 0,01 |
| **Provisions** | 0,08 | 0,14 | 0,07 | 0,26 | 0,15 | 0,16 | 0,13 | 0,05 | 0,08 |
| **GDP** | **648.931.712** | **758.390.785** | **843.178.421** | **950.534.251** | **952.558.579** | **1.098.799.348** | **1.297.713.210** | **1.416.798.490** | **1.561.510.015** |
| **Value Added/GDP** | 0,020 | 0,019 | 0,016 | 0,014 | 0,021 | 0,018 | 0,013 | 0,013 | 0,011 |

Source: Republic of Turkey Ministry of Development.

## 2.3. Corporate Governance in Public Enterprises

Private national and international companies are expected to comply with the corporate governance codex prepared by the Turkish Capital Board in compliance with the OECD codex. However there is no compliance requirement for PEs. Turkish PEs are not subject to corporate governance rules. There are attempts and projects to start corporate governance practices in PEs, but they are still at initial stages. Enactment of internal control systems and appliance of international accounting principles are priorities among other topics. These issues are planned to be initiated by the end of 2016 (Canakci, 2014). Having lack of corporate governance enforcements, low productivity and irregularity in company activities are widespread in Turkish PEs.

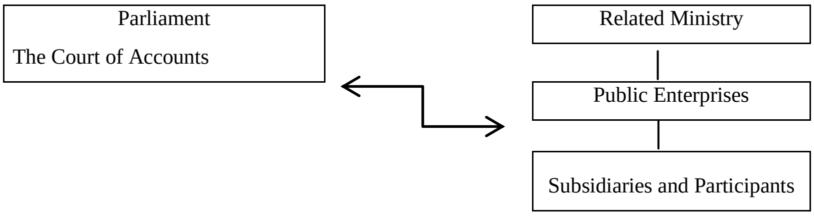
## 2.4. Incorporation and Appointments of Boards in Public Enterprises

According to Executive Order about PEs (KHK 233), PEs are incorporated upon Cabinet decision. They are incorporated as entities and their capital is determined by the Cabinet. There are 6 people in the management board: a chair (general manager) and 5 members. The General Manager is appointed by a joint decision upon a superior Member of Parliament's proposal. 2 members are appointed by a joint decision upon superior parliament's proposal, 1 member is appointed by a joint decision upon proposal of the Member of Parliament, who is superior to the Undersecretaries of Treasury, and 2 members are appointed among the assistant general managers upon proposal of superior Member of Parliament. The General Manager and 4 members should have relevant education and experience in a related business and they need to have other qualifications to be a PE officer. 1 member does not have to have related education and experience in the business. Appointments are renewed every 3 years. Members can be re-appointed without any limitations, or they can be removed any time by the joint decision of superior parliament and parliament responsibles for the Treasury.

## 2.5. Legislation and Auditing

Legislation of PEs changed over time; the last amendment in 1994 still regulates PEs current position: PEs are subject to their own special statute. Creating a PE is a duty of the Cabinet. PEs are opened under a ministry, and they are affiliated with that Ministry. The legal schema of a PE is represented by Figure 2. In general, they are public entities, whose equity belongs to the State; and their responsibility is limited to their equity. The Court of Accounts audits PEs. There is a group of "Other Companies", whose equity belonging to the State account to less than 50% and which are not subject to the Court of Accounts' audit. The Anatolian News Agency is an example for this group (Public Enterprises Annual Report, 2013).

**Figure 2: PEs Position in State Organization**




Source: Court of Accounts, PE Annual Report, 2013.

"The law about auditing of public enterprises and funds by the Turkish Parliament" (no: 3346), which came into force in 1987, declares that PEs are (externally) audited by the Supreme Auditing Board of the Prime Ministry on behalf of the Parliament. The law of Public Financial Management and Control (no: 5018), which came into force in 2006, and the Court of Accounts Law (6085), which came into force in 2010, delegated the audit duty to the Court of Accounts to be valid after 2011. As a result, PEs were audited by the Supreme Auditing Board of the Prime Ministry until 2010; and by the Court of the Accounts after 2011 on behalf of the Parliament. The Court of Accounts is autonomous in its audits. The scope of the audit is compatible with state-of-the-art auditing systems: financial and compliance audit is conducted with efficiency, effectiveness, and parsimony. The Court of Accounts presents audit reports to the Parliament and related Ministries; later the reports are published and launched by the Court of Accounts (Sayıstay Denetim Raporlarına Iliskin Genel Bilgi).

Since PEs are affiliated with a Ministry, although they are not only profit-seeking companies but also a part of the public system, they can be audited by the affiliated Ministry, and public audit/inspection bodies, namely the State Supervisory Council, the Prime Ministry Inspection Board, the Ministry of Finance Inspection Board, the Treasury Controllers, and the Banking Auditors (only for state banks). However, these bodies do not conduct regular audits/inspections; they operate audits only if necessary (Public Enterprises Annual Report, 2013).

## 2.6. Public Enterprises Beyond 2015

The tenth "Five-Year Development Plan for 2014-2018 states that the revenues from privatizations between 2007-2012 amounts to $20,3 billion. Privatizations will go on in the future. The important headings in the new period are: performance measurement; establishment of internal control systems and external audit systems; adopting strategic management processes to PEs. Budgeting, application, and surveillance gain importance in the strategic management scope. Strategic plan, performance program, and activity report of each company will be synchronized. Performance measurement and budgeting will be integrated. Internal and external audit systems will be designed in a working model accountable and transparent; a cooperative mechanism between the organs that establish strategic management coordination will be provided (State Planning Organization, 2013).

## 3. Identification of Major Players

### 3.1. Energy Sector

Major PEs centered in four sectors in energy: Electricity; petroleum and natural gas; coal; and boron. This section introduces the major PEs in those sectors. The State policy toward PEs is to mitigate investments. Therefore, new investments do not take place even in the very important businesses, such as renewable energy. The long-term objective of the government is to keep Electric Transmission Company, and Oil and Gas Exploration Company; and to privatize all others through time. Current PEs are to be privatized or reduced in size and operations. The rationale for the privatizations is to establish a well-functioning free-market in the energy sector; and to increase welfare by enhanced efficiency in the sector companies. The government closely follows the developments in the market. Licenses are checked and all investments, especially nuclear and renewable energy investments are incentivized. However the government does not open new PEs in the sector (EPDK, 2015). Instead of making new investments, the government is incentivizing private sector to invest in energy business (State Planning Organization, 2006). Incentives are by means of tax reductions, energy purchasing agreements favorable to private producers or license exemptions for some facilities.

#### *3.1.1. Public Enterprises in the Electricity Business*

The history of all electricity PEs is summarized in this section. The Ottoman Empire provided concessions to private electricity companies in its last years. This policy continued until 1935. The Turkish Government attempted to found its first energy company, Etibank, in this year. Etibank took over mining, electricity, and hydraulics business by 1948. The company grew too much in years and electricity business was split in 1970 as a separate company: Turkish Electricity Authority (TEK). TEK was responsible for power production, transmission, distribution and sales services. TEK took its shape from government’s liberal policies for PEs in 1984. The purpose was to privatize some parts of TEK, and incentivize private companies to enter the electricity sector. The Company was split into two entities in 1994: Turkey Electricity Production – Transmission Company (TEAS), and Turkish Electricity Distribution Company (TEDAS). TEDAS was taken in the Privatization Administration in 2004 to be privatized; its privatization was completed in 2013 (TEDAS, 2015).

The Electricity Market Law (no: 4628), which offer new policies for the electricity market, was passed by Parliament in 2001. The Arbitration Law (no: 4501) that passed the Parliament in 2000 requires international arbitration in the electricity industry; at the same time the alignment to the EU's acquis communautaire (accumulated legislation, EU law) and restructuring of the industry have been launched. All laws and programs required a restructuring in the power industry, transition into a free electricity market, ensuring free competition, setting up separate companies for generation, transmission, wholesale and distribution of electricity (Brief History of Turkish Power System and TEIAS, 2015).

The Electricity Market Law shaped the current position of the market. Energy Market Regulatory Authority (EPDK) was founded in 2002. TEAS split into three separate companies: Electricity Generation Company (EUAS) was authorized to produce; Electricity Transmission Company (EIAS) was authorized to transfer; and Electricity Trading Company (TETAS) was authorized to trade electricity and settle on the prices. The new law transformed the industry as a license industry: Both private and publicly-held companies have to have licenses to operate in the sector (EUAS Audit Report, 2013). The three electricity PEs are explained beneath.

Along with the central government policy towards all public enterprises, the Turkish State does not want to make more public investments in the energy sector. Privatizations are going on in the production facilities of EUAS and TETAS. The government tries to set a transparent and competitive electricity market and then, incentivize the private sector to invest in electricity production. The government plans to establish EPIAS (Electricity Markets Operating Corporation). EPIAS will manage electric markets, and set prices; found a wholesale energy market; and be able to join international energy organizations (EPDK, 2015). The private sector electricity companies and those from the public sector will jointly form EPIAS (TETAS Sektor Raporu, 2013).

#### *3.1.1.1. ELECTRICITY GENERATION COMPANY (EUAS)*

Company Facts:

This company is the pioneer authority in the electricity generation in Turkey. It managed 37,15% of the installed capacity in Turkey in 2013. By using this capacity, the company realized 33,36% of total electricity production in Turkey. These percentages correspond to a historical maximum since the Company is downsizing. The company is the 11$^{th}$ biggest electricity company in Europe in terms of installed capacity, and the 8$^{th}$ biggest company in terms of electricity production (Elektrik Uretim Sektor Raporu, 2013).

Installed electricity energy and electricity production in Turkey can be seen in Table 11. The total installed energy is 64.007,5 MW; total production is 240.154 GWh. Consumption is 245,500 GWh for 2013. Production is increasing steadily; thermal and hydraulic energy sources are still used very intensively. Geothermal and wind energy production accelerated after 2007; but the percentage of renewable energy sources is below 4% at the end of 2013. The biggest source of electricity production is natural gas; coal and hydraulic energy sources follow it (Ministry of Energy and Natural Resources, 2015). Figure 3 shows the percentages of electricity production sources.

The Company is among the ones which do not receive any transfers from the budget. Thanks to privatizations, the company was able to transfer to the budget in 2013. Company's high liquidity and profitability ratios indicate soundness in company activities. Turnover days are reducing. The overall appearance of the company indicates success in the last 5 years. The summary results can be found in Table 12. The Company's investments concentrate on rehabilitation and maintenance activities of current facilities. Along with government's no more new investments policy, there are few feasibility and survey projects of the ongoing facilities.

The affiliates of the company as of April 2015 are listed in Table 13. The Company is planning to privatize all affiliations in the future.

11.562 people were working for EUAS as of December 2013. The number of employees is reducing due to privatizations. The total number of personnel at the end of March 2015 is 9,525. More than 90% of employees are working in provinces around Turkey.

**Table 11: Installed Electricity Energy and Electricity Production in Turkey**

| **Installed Energy (MW)** | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Years** | **Thermal** | | **Hydraulic** | | **Geothermal and Wind** | | **Total** |
| 2000 | 16,052.50 | 58.88% | 11,175.20 | 40.99% | 36.40 | 0.13% | 27,264.10 |
| 2001 | 16,623.10 | 58.67% | 11,672.90 | 41.20% | 36.40 | 0.13% | 28,332.40 |
| 2002 | 19,568.50 | 61.45% | 12,240.90 | 38.44% | 36.40 | 0.11% | 31,845.80 |
| 2003 | 22,974.40 | 64.56% | 12,578.70 | 35.35% | 33.90 | 0.10% | 35,587.00 |
| 2004 | 24,144.70 | 65.57% | 12,645.40 | 34.34% | 33.90 | 0.09% | 36,824.00 |
| 2005 | 25,902.30 | 66.68% | 12,906.10 | 33.23% | 35.10 | 0.09% | 38,843.50 |
| 2006 | 27,420.20 | 67.60% | 13,062.70 | 32.20% | 81.90 | 0.20% | 40,564.80 |
| 2007 | 27,271.60 | 66.78% | 13,394.90 | 32.80% | 169.20 | 0.41% | 40,835.70 |
| 2008 | 27,595.00 | 65.99% | 13,828.70 | 33.07% | 393.50 | 0.94% | 41,817.20 |
| 2009 | 29,339.10 | 65.55% | 14,553.30 | 32.51% | 868.80 | 1.94% | 44,761.20 |
| 2010 | 32,278.50 | 65.18% | 15,831.20 | 31.97% | 1,414.40 | 2.86% | 49,524.10 |
| 2011 | 33,931.10 | 64.13% | 17,137.10 | 32.39% | 1,842.90 | 3.48% | 52,911.10 |
| 2012 | 35,027.20 | 61.39% | 19,609.40 | 34.37% | 2,422.80 | 4.25% | 57,059.40 |
| 2013 | 38,648.00 | 60.38% | 22,289.00 | 34.82% | 3,070.50 | 4.80% | 64,007.50 |
| **Production (GWh)** | | | | | | | |
| **Years** | **Thermal** | | **Hydraulic** | | **Geothermal and Wind** | | **Total** |
| 2000 | 93,934.20 | 75.19% | 30,878.50 | 24.72% | 108.90 | 0.09% | 124,921.60 |
| 2001 | 98,562.80 | 80.31% | 24,009.90 | 19.56% | 152.00 | 0.12% | 122,724.70 |
| 2002 | 95,563.10 | 73.85% | 33,683.80 | 26.03% | 152.60 | 0.12% | 129,399.50 |
| 2003 | 107,691.70 | 75.22% | 35,329.50 | 24.68% | 150.00 | 0.10% | 143,171.20 |
| 2004 | 109,842.30 | 70.38% | 46,083.70 | 29.53% | 150.90 | 0.10% | 156,076.90 |
| 2005 | 128,773.30 | 76.43% | 39,560.50 | 23.48% | 153.40 | 0.09% | 168,487.20 |
| 2006 | 131,835.10 | 74.78% | 44,244.20 | 25.10% | 220.50 | 0.13% | 176,299.80 |
| 2007 | 155,196.20 | 81.02% | 35,850.80 | 18.72% | 511.10 | 0.27% | 191,558.10 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2008 | 164,139.30 | 82.72% | 33,269.80 | 16.77% | 1,008.90 | 0.51% | 198,418.00 |
| | 2009 | 156,923.40 | 80.55% | 35,958.40 | 18.46% | 1,931.10 | 0.99% | 194,812.90 |
| | 2010 | 155,827.60 | 73.78% | 51,795.50 | 24.52% | 3,584.60 | 1.70% | 211,207.70 |
| | 2011 | 171,638.30 | 74.82% | 52,338.60 | 22.82% | 5,418.30 | 2.36% | 229,395.20 |
| | 2012 | 174,871.70 | 73.02% | 57,865.00 | 24.16% | 6,760.10 | 2.82% | 239,496.80 |
| | 2013 | 171,812.50 | 71.54% | 59,420.50 | 24.74% | 8,921.00 | 3.71% | 240,154.00 |

Source: EUAS Audit Report, 2013.

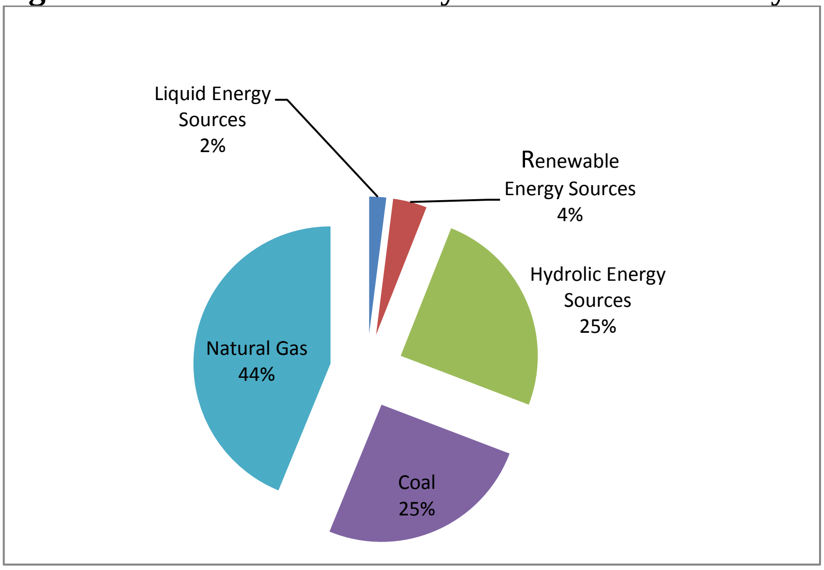
Governance:

The Turkish Treasury owns 100% of the company shares. The Company is affiliated to the Ministry of Energy and Natural Resources. As defined in Section 2.4, the Members of Parliament propose candidates for the positions and decisions are taken jointly. Non-executives are appointed by the Ministry of Energy and Natural Resources Human Resources Department.

The Government is trying to adapt and parallelize the Turkish Energy Legislation to the European Legislation. At the same time the Kyoto Protocol requires to expand the current energy legislation. In this scope, additional environmentally-friendly production technologies should be adopted in electricity generation facilities. This objective being adopted by the Ministry of Energy and Natural Resources, its implementation requires some more time due to budgetary limitations (EUAS, 2010).

Since corporate governance system is not a requirement for PEs, accountability of company activities are always a problematic area. Energy sector companies are amongst the first ones to adopt an internal control system. Other than that, the Company has adopted “Corporate Resources Planning Project”, which is a database to integrate company resources in order to allow for a better planning almost in all departments. The project is operated by Oracle and beginning of 2015 it is at test stage. It is expected that efficiency and accountability of the Company will increase after the project is completed (EUAS, 2014).

**Figure 3: Sources of Electricity Production in Turkey**




Source: Ministry of Energy and Natural Resources.

Public Mission:

The mission of the company is to generate reliable, economical, quality, environmentally friendly energy by using the resources in the country to increase the public welfare. The vision of the company is to increase the performance of electricity generation continuously by using modern and clean energy technologies (EUAS, 2014).

Turkey is importing more than 70% of its energy demand. Energy saving is a very important issue in order to continue industrial development. The studies conducted by the Ministry of Energy and Natural Sources indicate that it is possible to save up to 30% of electricity. From this perspective, the Company is fastening its maintenance activities and taking other precautions to save energy (EUAS, 2010).

**Table 12: Electricity Generation Company in a Nutshell**

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Affiliated Ministry** | Ministry of Energy and Natural Resources | | | | | | | |
| **Share of Treasury in Capital** | 100% | | | | | | | |
| | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** |
| **Income Statement (Million TL)** | | | | | | | | |
| **Gross Sales** | 4,418.60 | 7,331.80 | 9,904.80 | 10,584.70 | 13,014.60 | 10,323.30 | 10,872.80 | 11,541.10 |
| **Cost of Goods Sold** | 3,321.00 | 5,554.10 | 7,757.10 | 6,214.90 | 6,049.20 | 7,574.10 | 9,303.40 | 7,263.00 |
| **Operating Expenses** | 163.10 | 185.80 | 166.30 | 151.90 | 142.30 | 153.00 | 154.70 | 162.40 |
| **Operating Margin** | 683.50 | 773.80 | 878.50 | 2,524.70 | 6,220.90 | 2,199.40 | 947.30 | 3,516.00 |
| **Financing Expenses** | 442.00 | 305.90 | 1,485.10 | 647.00 | 407.60 | 530.80 | 141.70 | 284.70 |
| **Net Income/ Loss** | 171.00 | 152.20 | - 576.40 | 1,712.30 | 5,503.10 | 1,555.10 | 573.40 | 2,307.50 |
| **Balance Sheet (Million TL)** | | | | | | | | |
| **Current Assets** | 6,572.50 | 9,222.90 | 14,574.40 | 15,469.20 | 17,625.80 | 11,726.70 | 12,697.20 | 12,692.30 |
| **Inventory** | 352.50 | 475.10 | 545.50 | 608.10 | 693.00 | 741.50 | 875.80 | 795.70 |
| **Fixed Assets** | 9,723.30 | 15,050.30 | 14,578.60 | 13,984.40 | 13,722.40 | 13,328.20 | 13,100.20 | 12,282.30 |
| **Total Assets** | 16,295.80 | 24,273.20 | 29,152.90 | 29,453.60 | 31,348.20 | 25,054.90 | 25,797.40 | 24,974.60 |
| **Short-Term Liabilities** | 4,994.80 | 6,271.80 | 11,596.60 | 10,783.50 | 9,435.80 | 2,214.30 | 2,821.00 | 3,419.50 |
| **Long-Term Liabilities** | 3,005.50 | 3,022.30 | 3,300.20 | 2,983.30 | 1,992.70 | 2,097.50 | 1,931.20 | 1,808.70 |
| **Equity** | 8,295.50 | 14,979.00 | 14,256.00 | 15,686.70 | 19,914.50 | 20,743.00 | 21,045.30 | 19,746.40 |
| **Financial Ratios** | | | | | | | | |
| **Current Ratio** | 1.32 | 1.47 | 1.26 | 1.43 | 1.87 | 5.30 | 4.50 | 3.70 |
| **Acid Test Ratio** | 1.25 | 1.16 | 1.05 | 1.22 | 1.60 | 4.60 | 3.80 | 2.80 |
| **Receivables Turnover (Days)** | | 399.00 | 498.00 | 528.10 | 405.60 | 314.80 | 360.90 | 271.60 |
| **Cash Turnover (Days)** | | 75.00 | 74.00 | -3.10 | -86.20 | 242.90 | 331.10 | 297.90 |
| **ROE** | 0.02 | 0.75 | - 3.94 | 10.04 | 24.90 | 6.40 | 2.30 | 11.30 |
| **Employment** | | | | | | | | |
| **Average Number of Employees** | 12,933.00 | 13,207.00 | 12,916.00 | 12,391.00 | 11,926.00 | 11,575.00 | 11,855.00 | 11,960.00 |
| **Employment Expenses** | | 476.00 | 500.40 | 522.80 | 518.30 | 585.80 | 632.60 | 657.90 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Relationship with the Government Budget** | | | | | | | | |
| **(-) Contributions to the Budget** | - | - | - | - | - | - | - | 2,808.30 |
| **(+) Transfers from the Budget** | - | - | - | - | - | - | - | - |
| **Others** | | | | | | | | |
| **Value Added** | | 1,922.70 | 2,395.60 | 3,747.60 | 7,258.20 | 3,577.40 | 2,059.40 | 4,626.90 |
| **Investment Expenditures** | | 214.70 | 367.90 | 273.70 | 531.10 | 377.20 | 316.10 | 233.60 |
| **Noninterest Surplus** | | 782.90 | 1,368.80 | 2,741.20 | 5,084.10 | 2,125.10 | 445.30 | 425.60 |

Source: Undersecretaries of Treasury Public Enterprises Reports 2007-2013.

The company sells most of its product to the Turkish Electricity Contracting and Trading Company (TETAS) for a price lower than market average in order to increase public welfare by cheaper electricity prices. After privatizations take place, company's productivity may increase by terminating cheap pricing agreements. Cheap pricing reduces internal resources to increase efficiency.

**Table 13: Subsidiaries and Participations of Electricity Generation Company**

| NAME | ADMINISTRATIVE CENTRE | ACTIVITY SUBJECT | NOMINAL CAPITAL | PARTICIPATION OF EUAS | RATE OF PARTICIPATION |
|---|---|---|---|---|---|
| ***YENİKÖY-YATAĞAN Electricity Generation & Trade Co.*** | MUGLA | *Electricity Production* | 50,000 | 50,000 | 100% |
| ***KEMERKÖY Electricity Generation & Trade Co.*** | MUGLA | *Electricity Production* | 50,000 | 50,000 | 100% |
| ***SOMA Electricity Generation & Trade Co.*** | MANISA | *Electricity Production* | 50,000 | 49,996 | 100% |
| ***T.G.T. Energy Generation and Trading Corp.*** | ANKARA | *Construction & Operation of Hydraulic Plants and Sales of Energy* | 52,745,000 | 16,656.34 | 0.03% |
| ***NUR-TEK Electricity Generation Co. Inc.*** | ANKARA | *Construction & Operation of Power Plants* | 10,000,000 | 3,000,000 | 30% |
| ***BİRECİK Dam and Hydraulic Plants Installation, Operation and Trade Co. Inc.*** | ANKARA | *Construction & Operation of Hydraulic Plants and Sales of Energy* | 35,260,415 | 10,578,125 | 30% |
| ***SOYTEK Power Plant Construction Operation and Trading Co. Inc.*** | ANKARA | *Construction & Operation of Power Plants* | 3,552,000 | 532,800.00 | 15% |

Public Discourse:

As an emerging market, Turkey's socio-economic factors are on change: social and economic development, technological progress, industrialization, and urbanization require more electricity generation. Turkey's energy needs fast increase; the Government has to plan the energy inflow efficiently in order to foster production. To achieve this, private sector is invited to the sector. Privatization of some State production facilities is prioritized in 2001 legislation. The target of this policy is to attract private companies to the industry and create a free market. A free market would increase competition; and competition would enhance efficiency.

In the privatization framework, production facilities of 21 hydroelectric power plants are held out of the privatization portfolio. The State wants to operate these facilities on its own. The installed energy of these power plants is 7.626,5 MW. All other production facilities will be added in the privatization portfolio according to their priorities. EUAS own 64 hydraulic, 11 thermal facilities; its affiliates own 5 thermal power plants by the end of 2013. That makes 80 production facilities in total, 46 of which are ready to be privatized (EUAS Audit Report, 2013).

Evaluation and Forecast:

The Company has a model role for private companies. Private generation companies enter the market lately, and their capacity is increasing. It seems that, EUAS will hold 21 hydroelectric power plants in the future, and all other production facilities will be privatized in the foreseeable future.

It is believed that the pricing agreements will be terminated when the free market economy settles in the industry and EUAS will earn fair prices to manage its operations more effectively.

##### *3.1.1.2. TURKISH ELECTRICITY TRANSMISSION COMPANY (TEIAS)*

Company Facts:

The Loan and Guarantee Agreement, which was signed on 15.05.1998 between Turkey and the World Bank, required a separate electricity transmission company in Turkey. Then, new laws and the alignment to the EU laws enabled Turkey to found TEIAS in 2001. The Company took over all transmission facilities in Turkey; it has been carrying out the planning of load dispatch and operation services based on its license obtained from Electricity Market Regulatory Authority (Brief History of Turkish Power System and TEIAS, 2015). The Company operates the transmission system, enlarges the network based on population needs, and offers and leads projects for these purposes. The General management of the Company is settled in Ankara; there are 22 transmission facilities all around Turkey, and 10 load delivery operations managements.

The company has 53.709,3 km power transmission lines, 680 transmission centers, 126.580 MVA distribution power, and 12 interconnection lines with the neighbors. TEIAS was operating an interconnected system with 69.516,4 MW installed energy, 831,9 million kWh maximum daily consumption, 250,4 billion kWh annual generation, and 255,5 billion kWh annual consumption by the end of 2014 (TEIAS, 2014).

**Table 14: Electricity Transmission Company in a Nutshell**

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Affiliated Ministry** | Ministry of Energy and Natural Resources | | | | | | | | |
| **Share of Treasury in Capital** | 100% | | | | | | | | |
| | **2005** | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** |
| **Income Statement (Million TL)** | | | | | | | | | |
| **Gross Sales** | 787.10 | 1,729.80 | 4,597.10 | 7,478.00 | 8,504.90 | 8,492.20 | 10,052.40 | 14,725.00 | 15,397.70 |
| **Cost of Goods Sold** | 660.90 | 1,531.90 | 4,485.40 | 7,405.10 | 8,213.30 | 8,158.30 | 9,689.10 | 13,771.10 | 14,692.30 |
| **Operating Expenses** | 39.5 | 42.90 | 43.90 | 47.40 | 51.50 | 53.70 | 62.60 | 76.00 | 84.70 |
| **Operating Margin** | 82.8 | 150.40 | 63.30 | 20.90 | 234.00 | 272.70 | 291.60 | 843.40 | 605.40 |
| **Financing Expenses** | 49.2 | 122.60 | 33.90 | 169.10 | 92.50 | 71.80 | 179.00 | 61.90 | 187.50 |
| **Net Income/ Loss** | 122.2 | 64.70 | 134.90 | -78.70 | -54.50 | 469.90 | 311.20 | 1,090.50 | 1,037.20 |
| **Balance Sheet (Million TL)** | | | | | | | | | |
| **Current Assets** | 696.90 | 1,565.20 | 1,479.60 | 5,969.60 | 4,645.90 | 2,097.90 | 2,552.10 | 3,136.70 | 3,784.60 |
| **Inventory** | 21.50 | 26.40 | 43.80 | 69.50 | 67.60 | 64.20 | 644.50 | 740.50 | 1,431.00 |
| **Fixed Assets** | 5,793.80 | 5,753.10 | 5,719.30 | 5,865.70 | 6,235.80 | 6,289.10 | 6,656.50 | 7,186.50 | 8,051.50 |
| **Total Assets** | 6,490.70 | 7,318.40 | 7,198.90 | 11,835.30 | 10,881.70 | 8,387.00 | 9,208.60 | 10,323.20 | 11,836.10 |
| **Short-Term Liabilities** | 178.60 | 854.20 | 593.20 | 5,112.80 | 3,939.40 | 976.70 | 1,338.50 | 1,655.70 | 2,197.40 |
| **Long-Term Liabilities** | 467.50 | 554.90 | 594.20 | 789.80 | 1,064.10 | 1,199.90 | 1,409.80 | 1,336.20 | 1,509.60 |
| **Equity** | 5,844.50 | 5,909.20 | 6,011.40 | 5,932.70 | 5,878.20 | 6,210.40 | 6,460.30 | 7,331.30 | 8,129.10 |
| **Financial Ratios** | | | | | | | | | |
| **Current Ratio** | 3.90 | 1.83 | 2.49 | 1.17 | 1.18 | 2.15 | 1.90 | 1.90 | 1.70 |
| **Acid Test Ratio** | 3.78 | 1.80 | 2.34 | 1.14 | 1.13 | 1.99 | 1.40 | 1.40 | 1.00 |
| **Receivables Turnover (Days)** | | | 101.00 | 280.00 | 184.80 | 50.20 | 30.00 | 15.00 | 17.20 |
| **Cash Turnover (Days)** | | | 64.00 | 42.00 | 27.60 | 21.60 | 27.40 | 23.40 | 32.30 |
| **ROE** | 0.02 | 0.01 | 1.71 | -1.32 | -0.92 | 5.50 | 3.90 | 12.60 | 10.30 |
| **Employment** | | | | | | | | | |
| **Average Number of Employees** | | | 8,404.00 | 7,075.00 | 8,157.00 | 8,373.00 | 8,089.00 | 8,032.00 | 8,086.00 |
| **Employment Expenses** | | | 308.70 | 326.30 | 351.90 | 363.80 | 405.60 | 429.60 | 470.30 |
| **Relationship with the Government Budget** | | | | | | | | | |
| **(-) Contributions to the Budget** | - | - | - | - | - | - | - | - | - |
| **(+) Transfers from the Budget** | - | - | - | - | - | - | - | - | - |
| **Others** | | | | | | | | | |
| **Value Added** | | | 832.70 | 769.50 | 772.10 | 1,533.50 | 1,327.10 | 2,039.60 | 2,325.00 |
| **Investment Expenditures** | | | 276.70 | 463.60 | 618.90 | 367.30 | 449.80 | 704.50 | 984.60 |
| **Noninterest Surplus** | | | 171.60 | -170.30 | -423.70 | 578.80 | 147.50 | 351.10 | 283.30 |

Source: Undersecretaries of Treasury Public Enterprises Reports 2007-2013.

The Company's financial position, as presented by Table 14, seems sustainable: profits are increasing, liquidity ratios are at average levels. Profitability ratios are above 10% for the last two years. So, the Company is doing better currently. Investments are increasing and the value added to the GDP is in an upward trend. Total investments of the Company amounted to 973 million TL, 92% of which was concentrated on transmission facilities in 2013 (TEIAS Faaliyet Raporu, 2013).

Table 14 provides the average number of employees through years. The personnel counts 8.102, more than 95% of which was technical personnel and workers as of December 2013. Since the Company is growing, we can expect increase in number of personnel in future years. The affiliations of the Company can be seen in Table 15. These affiliations are parts of the Company and will not be privatized in the near future.

**Table 15: Affiliates of TEIAS**

| NAME | ADMINISTRATIVE CENTRE | ACTIVITY SUBJECT | NOMINAL CAPITAL | PARTICIPATION OF EUAS | RATE OF PARTICIPATION |
|---|---|---|---|---|---|
| **Eltem TEK A.S.** | Ankara | Transmission maintenance and operations | 1,000,000 | 470,000 | 0.47 |
| **Etitas** | Izmir | Electromechanical hardware and transformer production (insolvent) | 7,400,000 | 3,561,250 | 0.48 |

Governance:

The Turkish Treasury owns 100% of the company shares. The Company is affiliated to the Ministry of Energy and Natural Resources. As defined in Section 2.4, the Members of Parliament propose candidates for the positions and decisions are taken jointly. Non-executives are appointed by the Ministry of Energy and Natural Resources Human Resources Department.

Public Mission:

The mission of the Company is to operate the electricity market permanently and economically by forming a transmission system. The vision of the company is to strengthen the Turkish transmission system; to transmit the electricity permanently and economically; to develop networks with neighboring countries' transmission systems; to be a leader in the sector by setting a competitive and transparent energy market.

Pricing is realized by a market settlement policy since 2009. According to this model, the Company behaves as a market settler; the price is determined by market participants, as equilibrium of demand and supply producers. The Company applies a margin between sellers and buyers. The number of market participants increased to 347 in 2009 from 174 in 2005; then the number increased to 744 in 2013. The flawless working of the system is a signal for the success ((Elektrik Iletim Sektor Raporu, 2013).

In order to settle a trading platform and to provide a sound transmission mechanism, TEIAS has built an interconnected system with Turkey's neighbors. There are new projects to enlarge the interconnectedness. The target is to save from new investments with the help of joint use of facilities, provide a rational share of natural resources among neighbors, to enhance international trade, to improve relationships with neighbors, and to protect the environment as much as possible with the interconnected system. The Turkish national electricity system was established under high quality standards in 1970s and it is been operating on international standards. The Turkish interconnected system had a parallel connection trial with the European Network of Transmission System Operators for Electricity (ENTSO-E). The connection was successful, and the next step is to join the ENTSO-E as a permanent member in 2015 (TEIAS, 2014).

Public Discourse:

This Company is the only one in the electricity business that has no privatization priority. The mission of TEIAS is to ensure the reliability of the transmission system. The government is making investments in order to provide stability of electricity generation.

An important change in the State policy is the free market system in price determination. This system reduces state's responsibility on pricing problems and allows a more transparent pricing mechanism. This system will create a stable and sustainable electricity market in the future.

Evaluation and Forecasts:

TEIAS's strategic objectives for near future include increasing reliability and quality of the transmission system and make Turkey an energy corridor between Asia and Europe. New developments indicate that the Company can achieve this objective as long as it keeps stick to its projects. Setting a free market will energize the energy sector, and increase efficiency. In this scope, TEIAS will be successful in fulfilling its objectives.

#### *3.1.1.3. TURKISH ELECTRICITY CONTRACTING AND TRADING COMPANY (TETAS)*

Company Facts:

The Company was founded in 2003 together with other two electricity companies in order to take over the current liability of power purchases and sales borne by public companies' contracts. TETAS purchases electricity from public and private producers and sells the power to public market participants either in or out of Turkey.

The Company purchases electricity from private electricity generators and EUAS. The Company pays higher prices to private producers in order to protect the private sector. It tries to reduce costs by purchasing cheaper electricity from the EUAS. However, the free pricing mechanism in the electricity market besets the company objectives. On the other hand, the Company holds a“ Wholesale License” that provides it to pursue long-term purchasing guarantees and provides its subscribers permanent, sufficient and low-cost electricity (TETAS Audit Report, 2013).

The Company is operating in a very risky sector due to the volatility in foreign exchange rates. Profitability and liquidity ratios sweep over in time. The Company has an imbalance between costs and sales prices; it cannot keep up a fixed profitability regime, profits follow losses. Moreover, it loses customers due to privatizations. Consequently, there are almost no investment expenditures, the Company is trying to keep a balance and cover its losses in time.

Since TETAS is not a manufacturing company, the number of employees is limited. The exact number was 195 as of December 2013. Company financials and number of personnel are presented in Table 16.

Governance:

The Turkish Treasury owns 100% of the company shares. The Company is affiliated to the Ministry of Energy and Natural Resources. As defined in Section 2.4, the Members of Parliament propose candidates for the positions and decisions are taken jointly. Non-executives are appointed by the Ministry of Energy and Natural Resources Human Resources Department.

The Electricity Market Law (4628) and the Treasury’s Notice about the Costs allows the Company to determine sales prices dependent on exchange rate fluctuations plus a minimum margin. The margin is determined by the Treasury’s year-end targets.

Since many PEs have been privatized by the end of 2013, the only customer of the Company is TCDD (Turkish Railways); however the Company sells electricity to other public institutions and private retailers (this group constitutes 97% of total sales) as well. TETAS purchases 53% of its electricity on the market.

**Table 16: Electricity Contracting and Trading Company in a Nutshell**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Affiliated Ministry** | Ministry of Energy and Natural Resources | | | | | | |
| **Share of Treasury in Capital** | 100% | | | | | | |
| | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** |
| **Income Statement (Million TL)** | | | | | | | |
| **Gross Sales** | 7,996.90 | 9,448.00 | 11,052.40 | 12,512.80 | 11,187.00 | 15,455.70 | 23,211.90 |
| **Cost of Goods Sold** | 7,433.20 | 10,014.70 | 9,287.60 | 11,135.20 | 11,583.30 | 14,342.30 | 22,589.80 |
| **Operating Expenses** | 46.50 | 19.80 | 22.00 | 24.70 | 24.20 | 43.80 | 54.60 |
| **Operating Margin** | 500.80 | -587.80 | 1,742.90 | 1,352.90 | -420.40 | 1,069.60 | 561.70 |
| **Financing Expenses** | - | 1.30 | 24.60 | - | - | 0.80 | - |
| **Net Income/ Loss** | 23.80 | -983.10 | 372.10 | 1,123.50 | - 463.20 | 859.10 | 573.90 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Balance Sheet (Million TL)** | | | | | | | |
| **Current Assets** | 9,883.80 | 12,183.50 | 12,081.60 | 13,535.50 | 2,710.80 | 4,666.20 | 7,976.80 |
| **Inventory** | - | - | - | - | - | - | 96.50 |
| **Fixed Assets** | 5.40 | 4.60 | 5.50 | 2.60 | 2.90 | 3.70 | 14.80 |
| **Total Assets** | 9,889.20 | 12,188.10 | 12,087.10 | 13,538.10 | 2,713.70 | 4,669.90 | 7,991.50 |
| **Short-Term Liabilities** | 9,675.10 | 12,957.10 | 12,460.50 | 12,889.20 | 2,528.60 | 3,686.30 | 6,552.50 |
| **Long-Term Liabilities** | 35.90 | 35.90 | 59.30 | 71.80 | 71.20 | 94.20 | 92.20 |
| **Equity** | 178.10 | -804.90 | -432.80 | 577.10 | 113.90 | 889.30 | 1,346.90 |
| **Financial Ratios** | | | | | | | |
| **Current Ratio** | 1.02 | 0.94 | 0.97 | 1.05 | 1.10 | 1.30 | 1.20 |
| **Acid Test Ratio** | 1.01 | 0.92 | 0.95 | 1.04 | 1.00 | 1.20 | 1.10 |
| **Receivables Turnover (Days)** | 440.00 | 452.00 | 379.00 | 372.30 | 82.70 | 94.70 | 95.00 |
| **Cash Turnover (Days)** | 58.00 | 73.00 | -43.00 | -3.60 | 47.50 | 20.20 | 16.90 |
| **ROE** | 9.36 | 313.68 | -60.13 | 194.68 | -134.10 | 154.60 | 41.10 |
| **Employment** | | | | | | | |
| **Average Number of Employees** | 213.00 | 209.00 | 214.00 | 213.00 | 213.00 | 206.00 | 199.00 |
| **Employment Expenses** | 6.20 | 7.00 | 7.50 | 8.70 | 9.60 | 10.80 | 11.40 |
| **Relationship with the Government Budget** | | | | | | | |
| **(-) Contributions to the Budget** | - | - | - | - | - | - | - |
| **(+) Transfers from the Budget** | - | - | - | - | - | - | - |
| **Others** | | | | | | | |
| | | - | | | - | | |
| **Value Added** | 44.00 | 980.60 | 430.80 | 1150.2 | 441.70 | 907.10 | 619.20 |
| **Investment Expenditures** | 0.20 | 0.30 | 1.80 | 1.70 | - | - | 0.30 |
| **Noninterest Surplus** | 27.10 | -983.00 | 420.10 | 959.10 | -429.30 | 808.20 | 447.40 |

Source: Undersecretaries of Treasury Public Enterprises Reports 2007-2013.

Public Mission:

The mission of the Company is to realize public electricity trading in line with economy and energy policies and to be an efficient leader in the industry to set up a strong, transparent and competitive electricity market. The vision of the company is to be efficient and transparent and to operate under corporate governance principles (TETAS, 2014).

TETAS trade electricity with Turkmenistan, Nakhichevan Autonomous Republic, Greece, Russia, Bulgaria, Georgia, Adjara Autonomous Republic, Iran, and Syria. Foreseeing the domestic market's growth, the Company plans to increase international agreements with neighbors.

Russia and Turkey signed a protocol in 2010 to cooperate on nuclear power engineering based on their agreement to use nuclear power for peaceful purposes. A nuclear power plant has been started in Mersin, Turkey, with an objective to produce 4,800 MW nuclear power. TETAS agreed to purchase 70% of the energy from the first and the second units; and 30% of the energy from the third and the fourth units for the next 15 years. The Company is contributing to studies about a new nuclear plant to be built in Sinop, Turkey (TETAS Sektor Raporu, 2013).

Public Discourse:

After the 2008 global crisis hit the electricity demand between 2008-2012, the market turned to be dynamic and vital again in 2013. As an emerging market, electricity demand increases in Turkey. TETAS will continue its operations in the near future (TETAS Sektor Raporu, 2013).

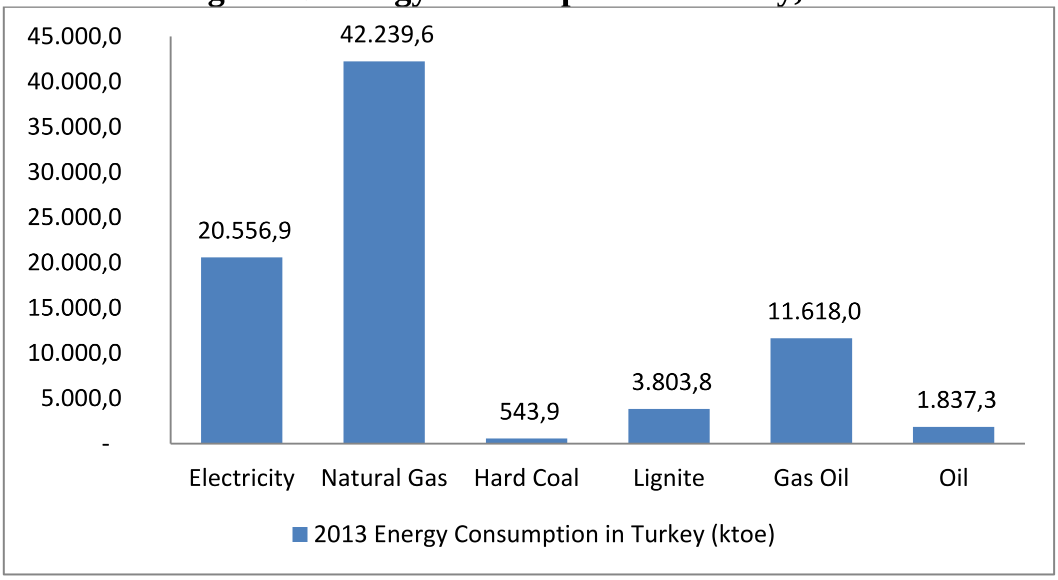
According to the Strategic plan for 2015-2019, the Company is increasing its trading volume in the near future. Even though the Government policy states that it will liquidate the company in time, the current outlook is totally different. The Company's agreements with the nuclear power plants indicate that it will survive at least for 20 more years (TETAS, 2014). However, the Government is downsizing the Company by privatizing the affiliates.

Evaluation and Forecast: The Government plans to privatize TETAS after a long period. Its subsidiaries can be privatized in the near future, but the Company will survive for the foreseeable future. The Company's initiation in nuclear power makes it more important ever. In this scope, TETAS is fulfilling its mission. Its financial losses are covered by the Treasury. Therefore, the Company is not under risk of survival.

### *3.1.2. Public Enterprises in Petroleum and Natural Gas Business*

Total energy consumption in Turkey is illustrated in Figure 4. It mostly depends on natural gas, and electricity, 43% of which is generated from natural gas. Oil consumption is comparably lower but oil protects its importance in the consumption bundle.

**Figure 4: Energy Consumption in Turkey, 2013**




Source: Turkiye 2013 Yillik Enerji Istatistikleri Raporu.

#### 3.1.2.1. TURKISH PETROLEUM (TP)

Company Facts:

Turkish Petroleum was established in 1954 in order to search, extract, refine, and market hydrocarbon on behalf of public body. The restructuring in 1983 privatized some parts; today the company operates in four activities: 1) exploration, drilling and production activities, 2) natural gas storage, 3) participation to oil and natural gas projects, 4) oil trade, distribution and transportation.

TP realized 90% of geological survey, 84% of geophysical survey and 59% of the drilled wells, 71% of oil production and 56% of natural gas production in Turkey in the last 10 years. The rest of the realizations was mostly realized by international companies (TP, 2014).

The financial position of the Company is very good. Profits and turnover are increasing. Liquidity and profitability ratios are very high. Value added to the economy is increasing, investment expenditures are increasing, and therefore noninterest surplus is reducing year by year. TP is a net contributor to the Turkish Treasury. Financial statements of the Company are summarized in Table 17.

**Table 17: Turkish Petroleum in a Nutshell**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Affiliated Ministry** | Ministry of Energy and Natural Resources | | | | | | |
| **Share of Treasury in Capital** | 100% | | | | | | |
| | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** |
| **Income Statement (Million TL)** | | | | | | | |
| **Cost of Goods Sold** | 385.70 | 480.10 | 436.30 | 782.00 | 754.90 | 798.50 | 845.60 |
| **Operating Margin** | 24.40 | 441.20 | 89.20 | 456.70 | 545.00 | 697.50 | 972.20 |
| **Financing Expenses** | - | - | - | 0.20 | 0.30 | 0.20 | 0.10 |
| **Net Income/ Loss** | 412.00 | 1,772.40 | 423.50 | 1,297.40 | 1,792.80 | 1,471.10 | 1,634.20 |
| **Balance Sheet (Million TL)** | | | | | | | |
| **Current Assets** | 1,226.30 | 2,075.00 | 2,645.50 | 3,562.20 | 4,295.50 | 4,972.20 | 4,621.70 |
| **Inventory** | 240.90 | 249.80 | 322.50 | 494.50 | 1,667.60 | 1,761.20 | 1,837.50 |
| **Fixed Assets** | 1,911.60 | 2,479.10 | 2,392.00 | 2,370.20 | 2,671.10 | 2,934.10 | 3,599.80 |
| **Total Assets** | 3,137.90 | 4,554.10 | 5,037.50 | 5,932.40 | 6,966.60 | 7,906.30 | 8,221.50 |
| **Short-Term Liabilities** | 247.70 | 344.10 | 376.50 | 1,018.50 | 585.50 | 676.70 | 523.70 |
| **Long-Term Liabilities** | 269.00 | 285.90 | 360.60 | 238.40 | 262.70 | 311.40 | 336.30 |
| **Equity** | 2,621.20 | 3,924.10 | 4,300.40 | 4,575.50 | 6,118.50 | 6,918.20 | 7,361.50 |
| **Financial Ratios** | | | | | | | |
| **Current Ratio** | 4.95 | 6.03 | 7.03 | 3.50 | 7.34 | 7.35 | 8.83 |
| **Acid Test Ratio** | 3.76 | 5.25 | 6.03 | 2.99 | 4.37 | 4.71 | 5.16 |
| **Receivables Turnover (Days)** | 44.00 | 26.00 | 27.00 | 26.50 | 40.80 | 30.20 | 30.50 |
| **Cash Turnover (Days)** | 184.00 | 181.00 | 171.60 | 134.10 | 454.90 | 676.20 | 689.70 |
| **ROE** | 16.90 | 47.87 | 9.15 | 25.35 | 28.96 | 19.66 | 18.57 |
| **Employment** | | | | | | | |
| **Average Number of Employees** | 4,738.00 | 4,668.00 | 4,571.00 | 4,715.00 | 4,827.00 | 4,812.00 | 4,812.00 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Employment Expenses** | 259.70 | 259.40 | 299.40 | 310.90 | 337.00 | 414.70 | 466.20 |
| **Relationship with the Government Budget** | | | | | | | |
| **(-) Contributions to the Budget** | 133.60 | 355.90 | 105.90 | 299.60 | 793.60 | 640.80 | 998.70 |
| **(+) Transfers from the Budget** | - | - | - | - | - | - | - |
| **Others** | | | | | | | |
| **Value Added** | 728.50 | 2,094.80 | 795.70 | 1696.2 | 2,217.70 | 1,982.80 | 2,225.50 |
| **Investment Expenditures** | 452.50 | 421.60 | 522.70 | 587.20 | 971.90 | 904.80 | 751.40 |
| **Noninterest Surplus** | 323.20 | 1,016.50 | 84.70 | 580.70 | -453.70 | 301.00 | 391.50 |

Source: Undersecretaries of Treasury Public Enterprises Reports 2007-2013.

The Company has 4.798 employees, who work in the headquarters and 3 regional centers by the end of 2013. Since the Company is growing, this number can increase in the future.

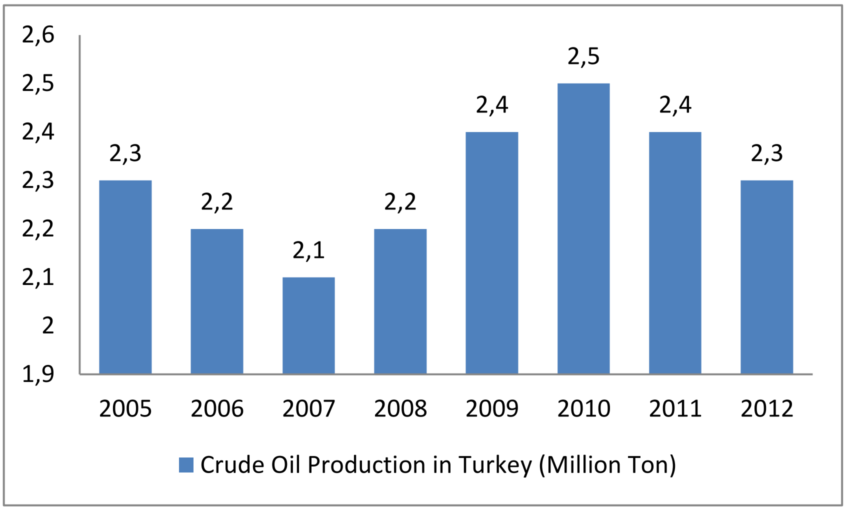
The affiliates of the Company can be found in Table 18. TPOC was established in 1996 to carry out activities in oil and gas trade. It participates in the Shah Sea (9%) and Alov (10%) projects in Caspian Sea. The Company is also an operator in exploration projects in Libya with 51% share in Ghademes and Sirte Basins, and 100% share in Murzug Basin. TPBTC was established in 2002; its objective is to carry Caspian Region Oil to international markets on behalf of TP. It has 6,53% share in BTC Project. TPSCP Ltd. was established in 2002 to participate in SCP Project, which aims to transport Shah Sea gas on behalf of TP. It has 9% share in Shah SCP Project. TPPD was founded in 2006 in order to distribute gas and oil in Turkey.

**Table 18: Affiliates of TP**

| NAME | ADMINISTRATIVE CENTRE | ACTIVITY SUBJECT | RATE OF PARTICIPATION |
|---|---|---|---|
| **Turkish Petroleum Oversees Company Ltd. (TPOC)** | Jersey/ Channel Islands | Oil and Gas Trade | 100% |
| **Turkish Petroleum BTC Ltd. (TPBTC)** | Cayman Islands | Baku–Tbilisi–Ceyhan Main Export Crude Oil Pipeline (BTC) Project | 100% |
| **Turkish Petroleum SCP Ltd. (TPSCP)** | Cayman Islands | South Caucasus Pipeline (SCP) Project | 100% |
| **TP Petroleum Distribution Inc. (TPPD)** | Ankara | Petroleum and natural gas distribution and sales | 100% |

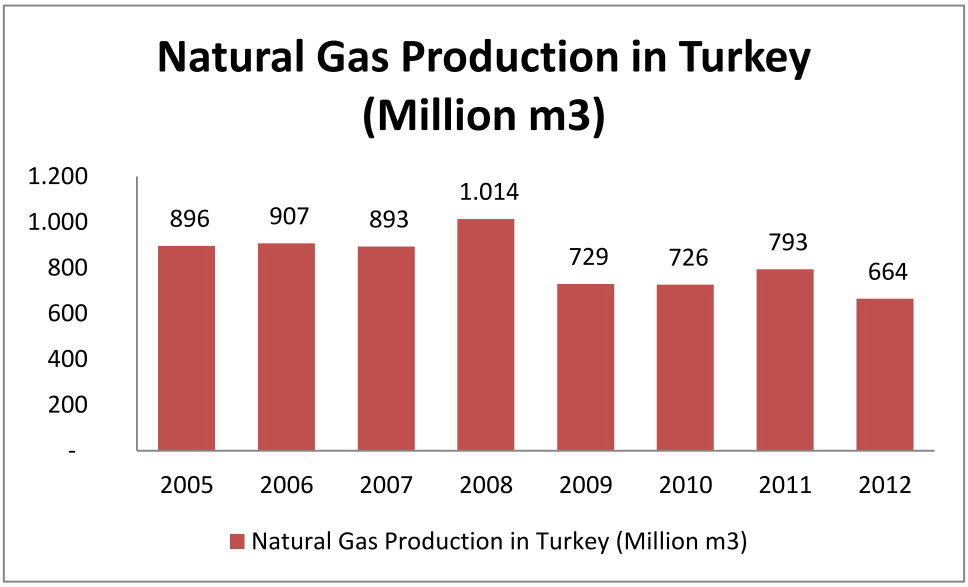
Figures 5 and 6 present crude oil and natural gas production in Turkey, respectively. Turkey produced 2,3 million tons crude oil, and 664 million $m^3$ natural gas. Production levels correspond to 9% of its oil demand and 1,6% of its natural gas demand (2012 Yili Hampetrol ve Dogal Gaz Sektor Raporu, 2013).

**Figure 5: Crude Oil Production in Turkey**




Source: 2012 Yili Hampetrol ve Dogal Gaz Sektor Raporu, 2013.

**Figure 6: Crude Oil Production in Turkey**




Source: 2012 Yili Hampetrol ve Dogal Gaz Sektor Raporu, 2013.

<u>Governance:</u>

The Turkish Treasury owns 100% of the company shares. The Company is affiliated to the Ministry of Energy and Natural Resources. As defined in Section 2.4, the Members of Parliament propose candidates for the positions and decisions are taken jointly. Non-executives are appointed by the Ministry of Energy and Natural Resources Human Resources Department.

Public Mission:

The mission of the Company is to bring out oil and natural gas potential of Turkey and present the oil and natural gas for the use of the Turkish economy, supply new sources of income via international activities and play an effective role in the energy sector by also actively participating in Turkey's process of being an Energy Corridor. The vision of the Company is to become a regionally effective world-class Energy Company meeting Turkey's oil and natural gas demand.

The short-term objective of TP is to reveal the hydrocarbon potential of Turkey, especially in the surrounding seas. Black Sea has a priority but the Aegean and Mediterranean seas are also covered by several exploration investments. In order to achieve the goal, the Company has undertaken a number of oil and gas exploration projects in the Black Sea both onshore and offshore. Two gas process facilities were inaugurated in April and May 2007; the Company is trying to increase the existing capacity in these facilities. Three ultra-deep water drillings were completed in 2010 and 2011; now the Company is trying to reveal the potential in these wells. The Company is the $12^{th}$ among the leading ones in the world that can perform successful drillings in ultra-deep waters.

In order to maintain oil and gas production from “Unconventional Reservoirs”, the Company signed a “Memorandum of Understanding” with Transatlantic/TEMI companies in 2010. This is the first on-shore partnership in Turkey that allows alternative methods of exploration of hydrocarbon. Several exploration activities are carried out in the Thrace, Central and Eastern regions of Turkey.

The relation between the overall discourse of TP and the fiscal situation of Turkey is critical since Turkey is importing more than 70% of its energy, and energy imports represent 22% of its total imports (Turkish International Trade Statistics, 2014). Therefore, Turkey cannot give up exploration and is expected to make more investments in this area in the future.

TP is a participant in many international oil and gas exploration and drilling projects, such as:

- Azerbaijan:
  - ACG (Azeri–Chiraq–Guneshli) Project: TP’s share is 6,75%.
  - Shah Deniz Project: TP’s share is 9%.
  - Baku–Tbilisi–Ceyhan Main Export Crude Oil Pipeline (BTC) Project: TP’s share is 6,53%.
  - South Caucasus Natural Gas Pipeline (SCP) Project: TP’s share is 9%.
- Libya: Turkish Petroleum Overseas Company (TPOC), a wholly owned subsidiary of TP, has carried out its exploration activities in Libya since 2000 and the drilling operations have continued since then. Block NC188-

NC189 Exploration Projects are relinquished but Block 147/3-4 Exploration Project is going on. They discovered oil in 7 out of 10 wells.

- Iraq: The Company is in liaison with the Iraq Oil Ministry since 1994 in order to explore hydrocarbon and oil. TP has 10% share in Badra Oil Field Development Project; 11,25% share in Missan Oil Field Development Project; 40% share in Siba Gas Field Development Project; and 50% share in Mansuriya Gas Field Development Project. The projects are going on to explore and drill oil and natural gas (TP, 2014).

Public Discourse:

International companies can search natural resources in Turkey, but TP is the biggest company operating in the sector. The company's activities have crucial importance for fiscal policies. The Company is a source of current and prospective revenues. The government does not intend to privatize or reform its activities.

Evaluation and Forecast: Turkey can produce only 9% of its oil, and 1,6% of its natural gas demand. The current account deficit of Turkey is growing, mostly due to energy imports. Turkey cannot give up searching natural resources, and therefore the Company will deepen its activities in time. In this scope, the Company is fulfilling its mission and contributing to Turkey's economy a lot. It is expected that it will enlarge its operations in the near future.

*3.1.2.2. PETROLEUM PIPELINE CORPORATION (BOTAS)*

Company Facts:

BOTAS was established in 1974 to transport crude oil. The company was involved in natural gas transportation and trade in 1987. Today, it operates not only in transformation and trade, but also with LNG terminals, marine terminals, storage facilities, pipelines and compressor stations, and takes place in related activities such as project design and land survey in international projects (BOTAS Audit Report, 2013).

Because the Company is engaged in oil and gas trade business, it is affected by foreign currency fluctuations. Therefore, the Company's profitability is fluxing and refluxing. This situation can be observed from financial statements in Table 19. However, investments of BOTAS are increasing every year, and the Company does not get any payments from the Treasury. Affiliates of the Company are displayed in Table 20. BIL was established in 1996, it operates the Turkish lag of BTC project; TPIC manages oil trade, distribution, and transportation in Turkey. Turusgaz is a Turkish-Russian joint stock company that imports Russian natural gas to Turkey.

Number of employees is 2.873, 921 of which are working in the headquarters as of December 31, 2013. The number of employees follows an increasing trend.

Governance:

The Turkish Treasury owns 100% of the company shares. The Company is affiliated to the Ministry of Energy and Natural Resources. As defined in Section 2.4, the Members of Parliament propose candidates for the positions and decisions are taken jointly. Non-executives are appointed by the affiliated Ministry.

**Table 19: BOTAS in a Nutshell**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Affiliated Ministry** | Ministry of Energy and Natural Resources | | | | | | |
| **Share of Treasury in Capital** | 100% | | | | | | |
| | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** |
| **Income Statement (Million TL)** | | | | | | | |
| **Gross Sales** | 14,468.90 | 21,085.00 | 18,330.60 | 17,001.70 | 26,611.10 | 36,461.50 | 32,803.50 |
| **Cost of Goods Sold** | 12,962.00 | 19,823.10 | 14,784.90 | 16,444.30 | 28,108.30 | 37,143.00 | 32,785.50 |
| **Operating Expenses** | 35.10 | 41.70 | 49.60 | 56.50 | 55.50 | 84.40 | 79.20 |
| **Operating Margin** | 1,462.90 | 1,217.40 | 3,491.90 | 496.50 | -1,558.20 | -771.20 | -68.20 |
| **Financing Expenses** | 341.80 | 500.90 | 169.20 | 35.50 | 37.70 | 11.00 | 150.30 |
| **Net Income/ Loss** | 997.60 | 256.00 | 4,257.70 | 202.50 | -1,342.50 | -606.20 | 1,556.50 |
| **Balance Sheet (Million TL)** | | | | | | | |
| **Current Assets** | 11,057.60 | 14,659.90 | 17,536.20 | 17,518.00 | 12,862.90 | 14,417.30 | 12,262.30 |
| **Inventory** | 161.20 | 234.50 | 946.60 | 1,162.30 | 1,007.90 | 1,950.60 | 1,654.90 |
| **Fixed Assets** | 3,280.30 | 3,642.20 | 2,877.30 | 2,963.60 | 2,898.30 | 3,310.50 | 4,832.60 |
| **Total Assets** | 14,337.90 | 18,302.10 | 20,413.60 | 20,481.60 | 15,761.20 | 17,727.80 | 17,095.00 |
| **Short-Term Liabilities** | 8,642.90 | 12,516.30 | 12,226.50 | 12,144.60 | 8,613.80 | 10,927.10 | 8,530.70 |
| **Long-Term Liabilities** | 1,209.00 | 1,138.70 | 305.40 | 252.80 | 405.70 | 665.20 | 872.40 |
| **Equity** | 4,486.10 | 4,647.10 | 7,881.60 | 8,084.20 | 6,741.70 | 9,135.50 | 7,691.90 |
| **Financial Ratios** | | | | | | | |
| **Current Ratio** | 1.28 | 1.17 | 1.43 | 1.44 | 1.50 | 1.30 | 1.40 |
| **Acid Test Ratio** | 0.86 | 0.85 | 1.00 | 0.90 | 0.60 | 0.80 | 0.80 |
| **Receivables Turnover (Days)** | 184.00 | 176.00 | 208.40 | 227.10 | 71.70 | 68.40 | 62.10 |
| **Cash Turnover (Days)** | 127.00 | 124.00 | 178.10 | 206.90 | 90.20 | 55.40 | 66.40 |
| **ROE** | 19.93 | 3.52 | 51.63 | 2.54 | -18.10 | -9.40 | 22.50 |
| **Employment** | | | | | | | |
| **Average Number of Employees** | 2,904.00 | 2,832.00 | 2,802.00 | 2,649.00 | 2,792.00 | 2,812.00 | 2,849.00 |
| **Employment Expenses** | 177.20 | 182.60 | 212.50 | 224.00 | 246.90 | 279.50 | 293.80 |
| **Relationship with the Government Budget** | | | | | | | |
| **(-) Contributions to the Budget** | - | - | - | - | - | - | - |
| **(+) Transfers from the Budget** | - | - | - | - | - | - | - |
| **Others** | | | | | | | |
| **Value Added** | 1,644.20 | 1,126.60 | 4,869.00 | 571.7 | -78.20 | -138.20 | 2,159.70 |
| **Investment Expenditures** | 301.80 | 139.70 | 75.70 | 144.80 | 263.80 | 411.50 | 537.40 |
| **Noninterest Surplus** | 1,284.90 | 290.60 | 2,439.90 | -552.30 | -1,279.80 | -2,105.10 | 329.60 |

Source: Undersecretaries of Treasury Public Enterprises Reports 2007-2013.

**Table 20: Affiliates of BOTAS**

| NAME | ADMINISTRATIVE CENTRE | ACTIVITY SUBJECT | RATE OF PARTICIPATION |
|---|---|---|---|
| **Botas International Ltd. (BIL)** | Jersey/ Chanel Islands | Turkish operator of Baku–Tbilisi–Ceyhan Main Export Crude Oil Pipeline (BTC) Project | 100% |
| **Turkish Petroleum International Company (TPIC)** | Jersey/ Chanel Islands | Oil trade distribution and transportation | 100% |
| **Turusgaz Contracting, Marketing, and Trading Corporation** | Ankara | Oil imports from Russia | 35% |

Public Mission:

The mission of BOTAS is to create competitive advantage by using knowledge, productivity and applying high technology within the framework of international quality standards, as well as supplying energy to national and international markets as a financially and institutionally strong company. The vision is to turn Turkey into an energy corridor for oil and gas, utilizing national and international cooperation opportunities, and becoming a notable company in the world, a leader in the region and a trendsetter in the sector (BOTAS, 2014).

BOTAS aims to turn Turkey into an energy bridge and an energy hub among the countries in Central Asia, Caspian area, the Middle East, and Europe. The Intergovernmental Memorandum of Understanding (MoU) for the Trans-Anatolia Natural Gas Pipeline (TANAP) Project, designed to transport natural gas to Turkey and Europe via Turkey from the Shah-Deniz (SDC) project. SDC has announced in 2013 that the consortium decided to reach the continent from Southern Europe via the Trans-Adriatic Natural Gas Pipeline Project (TAP) as the follower of the TANAP line. Currently SOCAR (Azerbaijan State Oil Company) holds 58%, BOTAS 30% and BP 12% of the shares in the company. The Project targets to increase natural gas usage by means of increased security of gas supply, developed transmission infrastructure and new more storage facilities.

A second project is realized along with the Chinese Tianchen Engineering Corporation to build underground natural gas storage in Turkey. The first phase will be completed in 2017, and the second phase will be completed in 2019.

BOTAS is operating several domestic projects along with international ones.

Public Discourse:

The Company is a strategic enterprise for Turkey; it is a monopoly in oil and gas transition and delivery. As the demand is projected to increase in the future, the company will grow in parallel. There are no privatization or reform initiations or plans for the Company. Financial deficits will continue to be covered by the government as energy prices and foreign currency rates fluctuate.

Evaluation and Forecast:

For the future, the Company is planning to maintain and develop the infrastructure of natural gas transmission system; to ensure security of natural gas supply and transmission system; to modernize crude oil transmission system; to increase regional and global cooperation in order to make Turkey an energy corridor between Europe and the Middle East; to set up an efficient R&D system; and to adopt corporate governance principles.

### *3.1.3. Public Enterprises in Other Natural Resources Business*

#### *3.1.3.1. TURKISH HARD COAL ENTERPRISE (TTK)*

Company Facts:

Hard coal was first discovered in 1929 in Turkey. The source was operated by private sector entrepreneurs for several years until the area was nationalized and the first PE was inaugurated in 1926 in order to extract the coal. Many PEs operated the source until 1983. The TTK was inaugurated in that year in order to extract and market hard coal. In order to achieve this goal, the Company operates mines, coal facilities, harbors and railways in its catchment basin.

Hard coal has always been an important energy source for Turkey. In the initial years of the country, it was the sole source of electricity production. Today, only 25% of electricity is generated by hard coal energy (TTK Audit Report, 2013).

Hard coal was the primary energy source of the country until the 1980s; the State was extracting coal without paying much attention to costs. Therefore, the coal companies extended a lot and lost their efficiency. They took over a number of side duties other than operating the mines, and the number of employees climbed up to 40 thousand. In the 1980s, the abundancy of alternative energy sources, new technologies to extract coal for lower costs, the reduction in oil prices, and liberalization in international trade lowered the competitive power of the Company. In order to increase efficiency and competitiveness, a series of steps were taken starting from 1990s: Side duties are liquidated, and new technologies are adopted (TTK, 2013).

As Table 21 suggests, the Company is permanently making losses, and the Treasury has to make transfers to the Company. The investments are still on increase. The value added to the economy is limited and less than the company losses. The Company is shown among the “biggest losers” in the PEs.

## Table 21: TTK in a Nutshell

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Affiliated Ministry** | Ministry of Energy and Natural Resources | | | | | | |
| **Share of Treasury in Capital** | 100% | | | | | | |
| | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** |
| **Income Statement (Million TL)** | | | | | | | |
| **Gross Sales** | 275.60 | 307.60 | 299.60 | 294.40 | 326.50 | 305.20 | 294.70 |
| **Cost of Goods Sold** | 555.10 | 532.50 | 544.40 | 621.50 | 640.40 | 661.50 | 681.90 |
| **Operating Expenses** | 103.50 | 103.00 | 113.60 | 111.20 | 122.60 | 130.80 | 139.70 |
| | | - | - | - | - | | - |
| **Operating Margin** | -382.90 | 327.90 | 358.50 | 438.30 | 436.50 | -487.10 | 526.90 |
| **Financing Expenses** | - | - | - | - | - | - | - |
| | | - | - | - | | | - |
| **Net Income/ Loss** | - 421.50 | 381.70 | 386.10 | 456.40 | -460.10 | -529.40 | 558.70 |
| **Balance Sheet (Million TL)** | | | | | | | |
| **Current Assets** | 136.30 | 248.40 | 264.40 | 174.50 | 186.80 | 160.30 | 170.50 |
| **Inventory** | 33.10 | 44.70 | 68.20 | 46.40 | 55.70 | 77.50 | 89.70 |
| **Fixed Assets** | 209.20 | 227.80 | 257.90 | 291.60 | 317.00 | 332.40 | 347.30 |
| **Total Assets** | 345.50 | 476.20 | 522.30 | 466.10 | 503.80 | 492.70 | 517.90 |
| **Short-Term Liabilities** | 71.90 | 67.00 | 88.70 | 82.20 | 95.20 | 104.10 | 120.30 |
| **Long-Term Liabilities** | 0.40 | 0.50 | 0.90 | 1.20 | 1.60 | 1.70 | 1.70 |
| **Equity** | 273.20 | 408.70 | 432.70 | 382.70 | 407.00 | 387.00 | 395.80 |
| **Financial Ratios** | | | | | | | |
| **Current Ratio** | 1.90 | 3.71 | 2.98 | 2.12 | 1.96 | 1.54 | 1.42 |
| **Acid Test Ratio** | 1.25 | 2.83 | 1.87 | 1.30 | 0.97 | 0.60 | 0.41 |
| **Receivables Turnover (Days)** | 86.00 | 165.00 | 73.00 | 56.50 | 64.30 | 55.90 | 50.10 |
| **Cash Turnover (Days)** | 113.00 | 147.00 | 157.30 | 95.10 | 80.40 | 89.90 | 90.20 |
| | | - | | - | | | - |
| **ROE** | -145.86 | 111.95 | -91.77 | 111.94 | -116.52 | -133.33 | 142.73 |
| **Employment** | | | | | | | |
| **Average Number of Employees** | 12.55 | 11.63 | 13.80 | 13.47 | 12.92 | 12.29 | 11.59 |
| **Employment Expenses** | 474.10 | 455.40 | 551.80 | 572.20 | 619.80 | 637.00 | 689.80 |
| **Relationship with the Government Budget** | | | | | | | |
| **(-) Contributions to the Budget** | - | - | - | - | - | - | - |
| **(+) Transfers from the Budget** | 341.90 | 522.50 | 410.20 | 430.10 | 484.40 | 541.20 | 581.80 |
| **Others** | | | | | | | |
| **Value Added** | 65.80 | 91.20 | 186.00 | 142.7 | 190.90 | 147.30 | 176.40 |
| **Investment Expenditures** | 21.60 | 31.60 | 34.20 | 43.40 | 33.00 | 37.20 | 50.40 |
| **Noninterest Surplus** | -28.00 | 107.50 | -46.60 | -54.00 | -24.80 | -37.30 | -22.40 |

Source: Undersecretaries of Treasury Public Enterprises Reports 2007-2013.

The Company has 5 affiliates (Table 22). According to the Table, unpaid capital of the affiliates is very high. We can say that, the government is not injecting capital since the Company is not profiting.

**Table 22: Affiliates of TTK**

| NAME | ADMINISTRATIVE CENTRE | NOMINAL CAPITAL | PAID CAPITAL | TOTAL CAPITAL | RATE OF PARTICIPATION |
|---|---|---|---|---|---|
| ARMUTÇUK HARDCOAL OPERATIONS COMPANY (ARTI) | Zonguldak | -660.000.000 | 20.590.000 | -639.410.000 | 100% |
| AMASRA HARDCOAL OPERATIONS COMPANY (ATI) | Bartın | -565.000.000 | 28.070.000 | -536.930.000 | 100% |
| UZULMEZ HARDCOAL OPERATIONS COMPANY (UTI) | Zonguldak | -1.515.000.000 | 70.140.000 | -1.444.860.000 | 100% |
| KARADON HARDCOAL OPERATIONS COMPANY (KARTI) | Zonguldak | -2.120.000.000 | 88.620.000 | -2.031.380.000 | 100% |
| KOZLU HARDCOAL OPERATIONS COMPANY (KTI) | Zonguldak | -1.265.000.000 | 36.140.000 | -1.228.860.000 | 100% |

The Company had 9,799 employees on average in 2013. Occupational accidents are widespread in this industry in Turkey. Within 2013, 2.459 occupational accidents resulted in injuries and 3 resulted in death. Details can be found in Table 23. The land structure does not allow for automation, coal has to be extracted manually. Additionally, safety regulations are weak and not well implemented (Haberler.com, 2015).

**Table 23: Occupational Accidents in TTK in 2013**

| Year | Injuries | | | | | | | Deaths | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Month** | **Armutcuk** | **Kozlu** | **Uzulmez** | **Karadon** | **Amasra** | **Headquarter** | **Total** | **Kozlu** | **Uzulmez** | **Amasra** | **Armutcuk** | **Karadon** | **Total** |
| **January** | 21 | 34 | 25 | 83 | 19 | 1 | 183 | | | | | | 0 |
| **February** | 27 | 37 | 37 | 88 | 25 | | 214 | | | | | | |
| **March** | 19 | 41 | 25 | 110 | 19 | 1 | 215 | | | | | | 0 |
| **April** | 22 | 29 | 30 | 85 | 22 | 1 | 189 | | | | | | 0 |
| **May** | 30 | 35 | 35 | 113 | 17 | 1 | 231 | | | | | | 0 |
| **June** | 20 | 37 | 30 | 103 | 15 | 1 | 206 | | | | | | 0 |
| **July** | 36 | 23 | 37 | 141 | 16 | 2 | 255 | | | | | | 0 |
| **August** | 23 | 20 | 30 | 94 | 11 | | 178 | | | | | | 0 |
| **September** | 28 | 21 | 39 | 96 | 19 | 1 | 204 | | | | | | 0 |
| **October** | 10 | 22 | 31 | 68 | 11 | | 142 | | | | | | 0 |
| **November** | 16 | 23 | 50 | 105 | 27 | | 221 | | 1 | 1 | | | 2 |
| **December** | 23 | 27 | 54 | 93 | 23 | 1 | 221 | | | | | 1 | 1 |
| **Total** | 275 | 349 | 423 | 1.179 | 224 | 9 | 2.459 | 0 | 1 | 1 | 0 | 1 | 3 |

Source: TTK Faaliyet Raporu, 2013.

Governance:

The Turkish Treasury owns 100% of the company shares. The Company is affiliated to the Ministry of Energy and Natural Resources. As defined in Section 2.4, the Members of Parliament propose candidates for the positions and decisions are taken jointly. Non-executives are appointed by the affiliated Ministry.

Public Mission:

The mission of the Company is to extract hard coal reserves with minimum cost for the State and the environment and to bring it into the economy. The vision of the Company is to increase efficiency by using new technologies; and to provide a remarkable amount of coal source domestically for the production facilities, especially for the iron and steel industry (TTK, 2013).

The pricing policy is determined by Board of Managers; however prices have to compete with imported coal prices. Therefore, the Company is permanently making losses. Company's losses are much higher and increasing year by year. The General Mine Workers Union claims that the losses originate from the low number of employees. Since the production is processed manually, number of workers should be at least 3.000 more than the current number. This current number of employees is causing an undervaluation of investments (Degisim Medya, 2014).

Public Discourse:

Turkey is a net coal importer, and the private sector is very weak in the production segment. Table 24 and Table 25 show public and private sector production and imports. The policy of the State is to downsize and liquidate the firm gradually. However, the private sector should be strengthened in the meanwhile. Moreover, there is bad publicity towards the private sector, because occupational injuries occur more often in private companies, and compensation of workers are not paid after injuries and deaths. Therefore, liquidation will not occur in the near future.

**Table 24: Hard Coal Production in Turkey**

| Year | TTK | Private Sector | Total |
|---|---|---|---|
| 2005 | 1,665,846 | 511,355 | 2,177,201 |
| 2006 | 1,522,698 | 795,931 | 2,318,629 |
| 2007 | 1,675,283 | 817,092 | 2,492,375 |
| 2008 | 1,586,532 | 1,043,909 | 2,630,441 |
| 2009 | 1,879,630 | 999,776 | 2,879,406 |
| 2010 | 1,708,844 | 883,074 | 2,591,918 |
| 2011 | 1,592,515 | 1,026,732 | 2,619,247 |
| 2012 | 1,457,098 | 835,157 | 2,292,255 |
| 2013 | 1,366,509 | 549,332 | 1,915,841 |

Source: TTK Faaliyet Raporu, 2013.

**Table 25: Hard Coal Production and Consumption in Turkey**

| Year | Production | Imports | Consumption |
|---|---|---|---|
| **2005** | 1,900 | 17,360 | 19,421 |
| **2006** | 2,319 | 20,286 | 22,798 |
| **2007** | 2,492 | 22,946 | 25,224 |
| **2008** | 2,601 | 19,489 | 22,720 |
| **2009** | 2,863 | 20,364 | 23,698 |
| **2010** | 2,524 | 21,333 | 25,569 |
| **2011** | 2,528 | 23,679 | 26,228 |
| **2012** | 2,292 | 29,195 | 31,460 |

Source: TTK Faaliyet Raporu, 2013.

Evaluation and Forecast:

The Company is not only an important energy source for Turkey, but also a big industry for the mid-Northern part of the country. It provides the energy source for a thermal power plant, and two integrated iron and steel plants. However, the low efficiency of the Company is not sustainable. Media often makes privatization news, but there is no legitimate announcement from the government until yet. Privatization is expected if not serious reform actions are taken firstly.

*3.1.3.2. ETI MINE ENTERPRISES (ETI)*

Company Facts:

The Company was established in 1935 in order to explore Anatolian mines. It was the only responsible company for all mine works for several years. In 1998, the Company was restructured and recapitalized in order to concentrate on the boron mine. The Company is licensed to extract all the resources.

Boron is Turkey's most important mineral resource. It is a hard, brittle, semi-metallic element. It is used in a wide range of industries from agriculture to ceramics; metallurgy to timber preservation; it is also an important resource for nano-technological products. Turkey possesses 72% of boron resources in the World. Turkey sold about 2 million tons of boron and earned $900 million from boron trade in 2014 (Eti Maden Annual Report, 2013; Eti Maden Bor Sektor Raporu, 2013). Amount of boron sales are presented in Table 26.

**Table 26: Boron Sales**

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|
| **Domestic Sales** | 23 | 15 | 16 | 17 | 19 | 22 | 26 | 27 |
| **International Sales** | 365 | 383 | 518 | 435 | 627 | 829 | 749 | 799 |
| **Total Sales** | 388 | 398 | 534 | 452 | 646 | 851 | 775 | 826 |

Source: Eti Maden Bor Sektor Raporu.

The Company has increasing profits and turnover over the years as shown in Table 27. Financial ratios suggest it is profitable and liquid. It makes unilateral contributions to the budget and the value added is increasing steadily. 3,953 employees are working in the Company by the end of 2013.

Governance:

The Turkish Treasury owns 100% of the company shares. The Company is affiliated to the Ministry of Energy and Natural Resources. As defined in Section 2.4, the Members of Parliament propose candidates for the positions and decisions are taken jointly. Non-executives are appointed by the affiliated Ministry.

Public Mission:

The mission of the Company is to utilize the national boron resources within the framework of sustainable development, and to serve these goods to all humanity by converting them into high quality value added boron products, thus contributing to the nation's prosperity. The vision of the Company is to become an establishment which continues steady growth in traditional boron products market and takes a pioneering role in developing new boron products that make difference, and creates maximum added value from boron resources by making the country information and technology base of the world boron industry.

Public Discourse:

The Government neither wants to privatize the Company nor let private companies enter the boron sector. Having the largest sources in the World, Turkey does not want to lose this opportunity to grow fast in the near future.

Evaluation and Forecast:

The Company's investments are in an upward trend. Table 28 displays 2014 investments of the company. Even though the Company is not young, it is young and energetic in this business. Several diversified duties of Eti Maden were cancelled in 1998 and the Company had chance to concentrate on one business. Turkey is trying to create awareness of the benefits of boron production. We expect the company to grow and play a crucial role in the development of Turkish economy as demand for boron increases.

## Table 27: Eti Maden in a Nutshell

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Affiliated Ministry** | Ministry of Energy and Natural Resources | | | | | | |
| **Share of Treasury in Capital** | 100% | | | | | | |
| | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** |
| **Income Statement (Million TL)** | | | | | | | |
| **Gross Sales** | 516.10 | 725.00 | 694.90 | 981.60 | 1,474.60 | 1,487.50 | 1,628.70 |
| **Cost of Goods Sold** | 288.50 | 327.50 | 264.20 | 391.70 | 503.50 | 491.20 | 575.70 |
| **Operating Expenses** | 110.40 | 138.20 | 127.90 | 161.00 | 197.30 | 246.40 | 279.10 |
| **Operating Margin** | 117.20 | 259.30 | 302.80 | 428.90 | 773.90 | 749.90 | 774.00 |
| **Financing Expenses** | - | - | - | - | - | - | - |
| **Net Income/ Loss** | 214.90 | 292.90 | 315.70 | 439.40 | 841.50 | 779.10 | 841.80 |
| **Balance Sheet (Million TL)** | | | | | | | |
| **Current Assets** | 447.60 | 525.40 | 376.30 | 351.90 | 681.40 | 726.80 | 897.20 |
| **Inventory** | 123.40 | 155.00 | 146.60 | 105.20 | 154.60 | 219.00 | 292.80 |
| **Fixed Assets** | 821.60 | 667.30 | 899.00 | 1,045.70 | 1,123.90 | 1,215.30 | 1,456.60 |
| **Total Assets** | 1,269.20 | 1,192.60 | 1,275.30 | 1,397.60 | 1,805.40 | 1,942.10 | 2,353.80 |
| **Short-Term Liabilities** | 39.20 | 69.10 | 98.90 | 88.40 | 121.90 | 151.00 | 430.80 |
| **Long-Term Liabilities** | 19.30 | 25.20 | 36.00 | 44.60 | 57.00 | 55.90 | 75.70 |
| **Equity** | 1,210.70 | 1,098.30 | 1,140.10 | 1,264.60 | 1,626.40 | 1,735.20 | 1,847.30 |
| **Financial Ratios** | | | | | | | |
| **Current Ratio** | 11.41 | 7.60 | 3.81 | 3.98 | 5.59 | 4.81 | 2.08 |
| **Acid Test Ratio** | 7.32 | 4.23 | 1.45 | 1.82 | 3.56 | 2.48 | 1.02 |
| **Receivables Turnover (Days)** | 42.00 | 47.00 | 56.30 | 46.90 | 54.40 | 63.90 | 61.50 |
| **Cash Turnover (Days)** | 170.00 | 168.00 | 227.90 | 140.80 | 121.00 | 185.40 | 187.90 |
| **ROE** | 14.39 | 20.25 | 22.56 | 29.22 | 46.91 | 37.43 | 37.93 |
| **Employment** | | | | | | | |
| **Average Number of Employees** | 3,705.00 | 3,414.00 | 3,443.00 | 3,515.00 | 3,776.00 | 3,783.00 | 3,898.00 |
| **Employment Expenses** | 121.10 | 123.50 | 134.10 | 136.30 | 161.30 | 187.30 | 204.10 |
| **Relationship with the Government Budget** | | | | | | | |
| **(-) Contributions to the Budget** | 131.30 | 178.80 | 166.90 | 184.00 | 268.80 | 443.40 | 241.30 |
| **(+) Transfers from the Budget** | - | - | - | - | - | - | - |
| **Others** | | | | | | | |
| **Value Added** | 436.00 | 516.20 | 539.10 | 661.5 | 1,145.50 | 1,096.90 | 1,228.80 |
| **Investment Expenditures** | 48.10 | 85.40 | 173.00 | 126.60 | 88.70 | 118.80 | 208.60 |
| **Noninterest Surplus** | | | -134.90 | 26.10 | 221.90 | -57.60 | 42.10 |

Source: Undersecretaries of Treasury Public Enterprises Reports 2007-2013.

**Table 28: P2014 Investments of Eti Maden**

| Investment Areas | (Million TL) |
|---|---|
| New Facilities | 143 |
| Infrastructure- Construction | 63 |
| Environment | 38 |
| Facility Recruitment | 30 |
| Energy and Automation | 18 |
| Prospecting and Drilling | 13 |
| R&D | 12 |
| Information Technology | 8 |

Source: Eti Maden Faaliyet Raporu.

## 3.2. Transportation Sector

Transportation infrastructure has strategic importance for Turkey. The Turkish Government wants to withdraw from transportation operations and handle only the infrastructure work of transportation. The companies analyzed in this section are mostly infrastructure companies.

### *3.2.1. DIRECTORATE GENERAL OF STATE RAILWAYS (TCDD)*

Company Facts:

All railroads within Turkey were nationalized in 1924. The Company was founded after the nationalization to operate the railways and to increase the length of railways within Turkey. Years between 1924-1940 were high performance years of the Company. The length of railways was doubled and they surrounded the country. The performance of the following years dropped due to the WWII. The low performance dropped even more in the next decades. The Company did not make any new investments until 1970s. New investments initiated in 1970s were not completed and they remained as pure costs on the shoulders of state until 2000s. The Company was always getting aids from the Treasury.

TCDD compelled public attention by railway construction and rehabilitations in 2000s. Railways play a major role in eliminating accidents in highways. However, the public point of view towards TCDD reflects the facts that the Company started many projects, and then broke them off before they are completed. Quitting railway projects is a heavy burden on the public. The Company is now trying to renew its image by taking part in highly prestigious projects (TCDD Audit Report, 2013).

The Company is always making losses as stated in Table 29. Train tickets were kept very cheap as a social support, but as new investments are realized, prices increase. Moreover, the Company is making investments in many ways: they are building new railways for high-speed trains; building subways in many

cities; and renewing conventional railways, since they were ignored in many years and left in bad condition.
29.737 personnel and 3.865 sub-contractor employees worked on average in the Company during 2013. Number of personnel has reduced by 769 people after 2012.

The affiliated companies to TCDD are presented in Table 30. These companies are manufacturing engines and wagons. They are in the priority group for the privatization. Besides, a new Company is planned to inaugurate to work affiliated with the TCDD. The Company will be responsible for operating the railways; and the new Company will be responsible for operating the trains.

Governance:

The Turkish Treasury owns 100% of the company shares. The Company is affiliated to the Ministry of Transport, Maritime Affairs and Transportations. As defined in Section 2.4, the Members of Parliament propose candidates for the positions and decisions are taken jointly. Non-executives are appointed by the affiliated Ministry.

Public Mission:

The mission of TCDD is to keep current vehicles and network ready to use, to construct new railroads and to connect railways to other transportation ways, to present reliable, comfortable, and environmentally-sensitive transportation service. The vision is to make railroads a priority to passengers and to be the primary power of country development.

Constructing high-speed train and new plans to connect Eurocities revitalized the business. The Subway under the Istanbul Strait is the pride of the Company. The Government is planning to change the company status to corporation in order to facilitate the decision making and operating processes. An amendment in the Railways Law liberalizes the industry. Private companies can enter the market; the Company will not keep its monopoly status in the future.

TCDD Audit Report (2013) states that approximately 90% of the conventional railways in Turkey comprises one-way railways. This causes inefficiency in transportation activities; the Company should increase two-way railroads and maintenance activities. It is also recommended that in order to increase the share of railways in transportation, international agreements should be signed with international railway companies. The quality can be enhanced by making arrangements with international quality standard providers.

## Table 29: TCDD in a Nutshell

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Affiliated Ministry** | Ministry of Transport, Maritime Affairs and Transportations | | | | | | |
| **Share of Treasury in Capital** | 100% | | | | | | |
| | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** |
| **Income Statement (Million TL)** | | | | | | | |
| **Gross Sales** | 1,402.30 | 1,508.00 | 1,605.70 | 1,764.50 | 2,066.00 | 2,087.50 | 2,162.50 |
| **Cost of Goods Sold** | 1,823.70 | 2,031.80 | 2,129.70 | 2,363.20 | 2,588.60 | 2,806.30 | 2,885.20 |
| **Operating Expenses** | 215.90 | 230.80 | 251.80 | 266.80 | 420.90 | 394.40 | 437.40 |
| | | | - | | - | | |
| **Operating Margin** | - 637.20 | - 754.60 | 775..90 | - 865.50 | 963.00 | -1,132.20 | -1,178.40 |
| **Financing Expenses** | 117.30 | 169.50 | 88.70 | 87.00 | 217.50 | 53.80 | 250.50 |
| **Net Income/ Loss** | - 630.30 | - 812.20 | - 515.90 | - 866.30 | - 733.30 | -877.50 | -1,280.60 |
| **Balance Sheet (Million TL)** | | | | | | | |
| **Current Assets** | 2,046.60 | 1,317.20 | 1,976.60 | 2,732.40 | 3,553.50 | 4,886.40 | 5,586.60 |
| **Inventory** | 202.20 | 6.60 | 204.90 | 209.40 | 524.40 | 662.70 | 442.70 |
| **Fixed Assets** | 4,596.00 | 6,457.50 | 7,532.50 | 9,599.60 | 12,118.50 | 14,108..90 | 17,883.60 |
| **Total Assets** | 7,542.60 | 7,774.70 | 9,509.10 | 12,332.10 | 15,671.90 | 18,995.30 | 23,470.20 |
| **Short-Term Liabilities** | 1,866.80 | 991.20 | 1,504.40 | 1,484.10 | 1,358.50 | 1,168.90 | 1,460.70 |
| **Long-Term Liabilities** | 784.20 | 1,041.00 | 1,060.90 | 975.20 | 1,122.40 | 1,015.40 | 1,137.10 |
| **Equity** | 4,891.60 | 5,742.50 | 6,943.70 | 9,872.70 | 13,191.00 | 16,811.00 | 20,872.40 |
| **Financial Ratios** | | | | | | | |
| **Current Ratio** | 1.10 | 1.33 | 1.31 | 1.84 | 2.62 | 4.18 | 3.82 |
| **Acid Test Ratio** | 0.66 | 0.41 | 0.59 | 0.85 | 1.04 | 1.95 | 1.80 |
| **Receivables Turnover (Days)** | 309.00 | 75.00 | 177.20 | 249.70 | 234.50 | 356.80 | 416.70 |
| **Cash Turnover (Days)** | 278.00 | 181.00 | 99.40 | 156.50 | 187.60 | 289.10 | 357.80 |
| **ROE** | -14.04 | -15.28 | - 8.13 | -10.30 | -6.36 | -5.85 | -6.80 |
| **Employment** | | | | | | | |
| **Average Number of Employees** | 31,299.00 | 31,029.00 | 31,425.00 | 30,153.00 | 28,541.00 | 28,278.00 | 26,939.00 |
| **Employment Expenses** | 1,056.70 | 1,116.70 | 1,163.40 | 1,228.30 | 1,335.80 | 1,602.10 | 1,546.70 |
| **Relationship with the Government Budget** | | | | | | | |
| **(-) Contributions to the Budget** | - | - | - | - | - | - | - |
| **(+) Transfers from the Budget** | 1,299.00 | 1,647.00 | 1,847.40 | 2,808.20 | 3,784.40 | 4,078.50 | 4,923.60 |
| **Others** | | | | | | | |
| **Value Added** | 766.20 | 699.00 | 1,038.90 | 762.4 | 1,275.10 | 1,180.30 | 1,037.50 |
| **Investment Expenditures** | 807.20 | 1,058.60 | 1,313.20 | 2,372.90 | 2,705.60 | 2,304.00 | 3,575.20 |
| **Noninterest Surplus** | | | 126.00 | -304.00 | 199.00 | 347.60 | - 341.40 |

Source: Undersecretaries of Treasury Public Enterprises Reports 2007-2013.

**Table 30: Affiliates of TCDD**

| NAME | ADMINISTRATIVE CENTRE | ACTIVITY SUBJECT | NOMINAL CAPITAL |
|---|---|---|---|
| **Turkish Locomotive and Engine Industry (TULOMSAS)** | Eskisehir | Manufacturing and maintenance of locomotives and engines | 150,000,000 |
| **Turkish Railway Machines Industry Inc. (TUDEMSAS)** | Sivas | Manufacturing and maintenance of freight wagons | 180,000,000 |
| **Turkish Wagon Industry (TUVASAS)** | Sakarya | Manufacturing and maintenance of wagons and engines | 80,000,000 |

Public Discourse:

The Company will not be privatized, but its affiliates that operate in manufacturing will be immediately privatized. The Company will protect its monopoly position in railway construction. The Government will likely solve the problems within the Company, and the Company will be divided into two: one part will continue constructing railways, and the other will operate trains.

The audit report for 2013 mentions a number of irregularities in company activities such as bad planning processes for new projects, fraudulent behavior in tenders, material waste due to bad planning and management. Similar to other PEs, the Company is lacking strategic management, internal control and corporate governance applications.

Evaluation and Forecast:

It is very hard to make TCDD profitable at short run. The Turkish railway system is very limited; the Company has to invest a lot more in the infrastructure in order to achieve its mission. This situation shows that the Company will make losses for a long time, and will be supported by the Treasury.

### *3.2.2. DIRECTORATE GENERAL OF STATE AIRPORT AUTHORITY (DHMI)*

Company Facts:

The Company was founded in 1933. The Company was responsible for flights; but in 1955, Turkish Airlines (THY) was established and flight operations were assigned to THY. Current duties of DHMI are the establishment of airports and the operation of air traffic. The revenues of the Company are coming from airport operations.

DHMI is operating in 47 airports within Turkey. More than 1 million flights and more than 150 million customers used their services in 2013. Number of flights and customers are increasing every year (DHMI Audit Report, 2013; DHMI, 2014).

The Company is a profitable one, and its turnover is growing as well. It is making unilateral contributions to the Government budget, but it has liquidity problems, probably because of the increasing investments in fixed assets. The

Company is growing and the number of personnel is increasing in tandem. The average number of employees was 7.743 in 2013. Table 31 presents financial values and number of personnel through years.

Governance:

The Turkish Treasury owns 100% of the company shares. The Company is affiliated to the Ministry of Transport, Maritime Affairs and Transportations. As defined in Section 2.4, the Members of Parliament propose candidates for the positions and decisions are taken jointly. Non-executives are appointed by the affiliated Ministry.

Public Mission:

The mission of DHMI is to provide air navigation and airport operating services at international standards, leaning on high quality, safe, human and environmentally-sensitive high technology infrastructure and systems and qualified labor force. The vision of the Company is to be one of the leading companies in the world with global competitive power on the field of air traffic management and airport operations.

Public Discourse:

The DHMI Audit Report (2013), however, suggests some reforms in planning of new projects, accommodating with municipalities to ban high buildings around airports, tender processes, and healthcare of staff. The Report states that Company's forecasts about future customers and need for new flights do not match with reality; therefore there are miscalculations in airport construction. Many newly established airports need to be renovated and enlarged. This situation increase project costs and delivery time.

There are strategic management, corporate governance and internal control system problems in the Company, similar to other PEs. Moreover, IT technology should be kept up-to-date, and the number of trained personnel should be increased.

The Company is building a third airport in Istanbul. It is expected to be the biggest international airport in Europe. However, the Company will encounter a number of legal issues when the construction is over (approximately in 2018). One airport will be closed and the operator company (TAV) of that airport will not have any claims in the third airport. The Company is preparing to take legal action. One basic reason for these problems is insufficient planning.

## Table 31: DHMI in a Nutshell

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Affiliated Ministry** | Ministry of Transport, Maritime Affairs and Transportations | | | | | | |
| **Share of Treasury in Capital** | 100% | | | | | | |
| | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** |
| **Income Statement (Million TL)** | | | | | | | |
| **Gross Sales** | 1,046.00 | 1,193.20 | 1,397.80 | 1,553.40 | 1,945.80 | 1,963.00 | 2,340.80 |
| **Cost of Goods Sold** | 418.90 | 492.70 | 561.10 | 658.90 | 785.50 | 985.90 | 1,069.50 |
| **Operating Expenses** | 47.70 | 51.60 | 70.60 | 76.00 | 89.40 | 116.50 | 117.10 |
| **Operating Margin** | 474.20 | 528.60 | 626.40 | 666.60 | 885.70 | 672.10 | 933.80 |
| **Financing Expenses** | - | - | - | - | - | - | - |
| **Net Income/ Loss** | 565.40 | 714.20 | 756.90 | 746.30 | 811.10 | 754.80 | 796.30 |
| **Balance Sheet (Million TL)** | | | | | | | |
| **Current Assets** | 1,470.90 | 1,925.40 | 1,661.60 | 1,097.40 | 1,134.10 | 611.10 | 838.10 |
| | | | | | | | - |
| **Inventory** | 21.90 | 21.90 | 26.60 | 25.10 | 31.30 | 27.10 | 13.40 |
| **Fixed Assets** | 2,420.20 | 2,308.50 | 2,627.90 | 3,120.70 | 3,469.60 | 3,752.80 | 4,096.90 |
| **Total Assets** | 3,891.10 | 4,234.00 | 4,289.50 | 4,218.10 | 4,603.70 | 4,363.90 | 1,934.90 |
| **Short-Term Liabilities** | 603.90 | 568.10 | 745.20 | 721.30 | 963.90 | 790.80 | 1,221.20 |
| **Long-Term Liabilities** | 693.20 | 934.80 | 681.10 | 566.10 | 581.70 | 480.00 | 533.40 |
| **Equity** | 2,494.00 | 2,757.70 | 2,863.20 | 2,930.70 | 3,058.10 | 3,093.00 | 3,180.40 |
| **Financial Ratios** | | | | | | | |
| **Current Ratio** | 2.44 | 3.39 | 2.23 | 1.52 | 1.18 | 0.77 | 0.69 |
| **Acid Test Ratio** | 2.34 | 3.26 | 1.43 | 1.37 | 0.96 | 0.67 | 0.62 |
| **Receivables Turnover (Days)** | 39.00 | 48.00 | 37.00 | 38.00 | 37.40 | 37.70 | 44.70 |
| **Cash Turnover (Days)** | -72.00 | -78.00 | -15.00 | -5.00 | 10.30 | 17.80 | 13.10 |
| **ROE** | 15.39 | 21.34 | 26.93 | 20.61 | 21.70 | 19.63 | 20.34 |
| **Employment** | | | | | | | |
| **Average Number of Employees** | 7,460.00 | 7,464.00 | 7,569.00 | 7,896.00 | 8,285.00 | 8,303.00 | 8,743.00 |
| **Employment Expenses** | 217.60 | 237.40 | 264.10 | 313.30 | 396.00 | 566.20 | 574.40 |
| **Relationship with the Government Budget** | | | | | | | |
| **(-) Contributions to the Budget** | 447.00 | 452.40 | 998.00 | 164.00 | 623.50 | 672.60 | 668.70 |
| **(+) Transfers from the Budget** | - | - | - | - | - | - | - |
| **Others** | | | | | | | |
| **Value Added** | 884.50 | 1,051.80 | 1,154.90 | 1,211.6 | 1,441.40 | 1,541.20 | 1,612.30 |
| **Investment Expenditures** | 247.90 | 230.50 | 344.70 | 532.50 | 408.50 | 430.60 | 479.90 |
| **Noninterest Surplus** | -388.50 | 249.30 | -599.70 | 72.10 | -227.40 | -284.20 | -237.20 |

Source: Undersecretaries of Treasury Public Enterprises Reports 2007-2013.

The Company is already sued by the workers of sub-contractors and the verdict is usually against the Company. Therefore good planning for the personnel is necessary. Additionally the Company uses “approximate cost estimation method" for purchases and tenders. This approach provides far away predictions in comparison to the real needs. A more efficient planning is necessary for this Company, too. Planning and determination of costs are a real problem for the Company.

Evaluation and Forecast:

Since DHMI is amongst the PEs that are not planned to be privatized, the Company will grow along with the new airports' inauguration and increased amount of air traffic. The problems mentioned in the audit report will be solved in long term efforts.

### *3.2.3. DIRECTORATE GENERAL OF COASTAL SAFETY (KEGEM)*

Company Facts:

The Company provides pilotage services to vessel traffic in Turkish straits. Since the two tough straits are the only exit from the Black Sea to the Mediterranean, the economic meaning of these straits is very high for Black Sea countries. The Company is a monopoly to provide safety and has sway in Turkish straits. The second service that the company is providing is aids to navigation through lighthouses and operation of lighthouses. Three lighthouses not used often were opened to touristic visits; the Company is operating them as well. The third duty is maritime services (salvage services).

Pilotage, salvage and operation of lighthouses businesses started before the Turkish Republic was founded to provide safety. Pilotage and lighthouse business were operated by the Government but salvage business was managed by a private English company. After the Republic was founded salvage business was appropriated and all those business were collected under the Company's administration. The Company changed names quite often and amended many times during years until it reached to the current position (KEGEM Audit Report, 2013).

The financial structure of the company has a positive outlook. Table 32 displays the financial outlook. The company is growing with new investments and the turnover is increasing in time. Operations are completed with financial profits. ROE doubled in 7 years but liquidity mitigated in the last three quarters. This can be interpreted as a sign of increased investments. Value added to GDP is steadily increasing.

## Table 32: KEGEM in a Nutshell

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Affiliated Ministry** | Ministry of Transport, Maritime Affairs and Transportations | | | | | | |
| **Share of Treasury in Capital** | 100% | | | | | | |
| | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** |
| **Income Statement (Million TL)** | | | | | | | |
| **Gross Sales** | 139.00 | 130.00 | 186.00 | 259.60 | 413.00 | 462.20 | 516.50 |
| **Cost of Goods Sold** | 56.00 | 57.00 | 68.90 | 115.90 | 156.40 | 177.30 | 206.50 |
| **Operating Expenses** | 30.00 | 36.00 | 43.90 | 59.60 | 66.90 | 73.50 | 85.30 |
| **Operating Margin** | 34.00 | 21.00 | 54.70 | 53.00 | 135.00 | 149.00 | 154.60 |
| **Financing Expenses** | - | - | - | - | - | - | - |
| **Net Income/ Loss** | 37.00 | 29.00 | 73.90 | 67.00 | 151.20 | 155.00 | 167.90 |
| **Balance Sheet (Million TL)** | | | | | | | |
| **Current Assets** | 47.00 | 50.00 | 78.30 | 67.70 | 149.40 | 125.90 | 104.70 |
| **Inventory** | 1.00 | 1.00 | 1.50 | 2.30 | 3.10 | 4.20 | 4.60 |
| **Fixed Assets** | 70.00 | 78.00 | 101.90 | 171.30 | 199.90 | 228.90 | 260.20 |
| **Total Assets** | 117.00 | 128.00 | 180.10 | 239.00 | 349.30 | 354.90 | 365.00 |
| **Short-Term Liabilities** | 11.00 | 11.00 | 16.40 | 73.50 | 109.70 | 89.70 | 97.50 |
| **Long-Term Liabilities** | - | - | - | - | - | - | - |
| **Equity** | 106.00 | 118.00 | 163.70 | 165.50 | 239.60 | 265.20 | 367.50 |
| **Financial Ratios** | | | | | | | |
| **Current Ratio** | 4.45 | 4.72 | 4.77 | 0.92 | 1.36 | 1.40 | 1.07 |
| **Acid Test Ratio** | 4.13 | 4.44 | 4.50 | 0.83 | 1.05 | 1.16 | 0.80 |
| **Receivables Turnover (Days)** | 7.00 | 4.00 | 7.00 | 11.00 | 6.40 | 6.00 | 4.10 |
| **Cash Turnover (Days)** | -13.00 | -8.00 | -4.00 | 1.00 | -19.80 | -16.70 | -0.90 |
| **ROE** | 31.73 | 20.48 | 39.30 | 32.50 | 59.69 | 49.12 | 63.06 |
| **Employment** | | | | | | | |
| **Average Number of Employees** | 1,450.00 | 1,428.00 | 1,395.00 | 2,147.00 | 2,118.00 | 2,161.00 | 2,150.00 |
| **Employment Expenses** | 65.00 | 73.00 | 85.70 | 134.00 | 171.00 | 190.60 | 217.10 |
| **Relationship with the Government Budget** | | | | | | | |
| **(-) Contributions to the Budget** | 23.90 | 23.20 | 46.00 | 68.00 | 79.90 | 130.40 | 162.40 |
| **(+) Transfers from the Budget** | | 38.10 | - | - | - | - | - |
| **Others** | | | | | | | |
| **Value Added** | 107.00 | 108.00 | 169.00 | 217.1 | 342.80 | 373.90 | 416.00 |
| **Investment Expenditures** | 16.00 | 14.00 | 20.20 | 31.10 | 39.80 | 51.70 | 55.20 |
| **Noninterest Surplus** | 6.00 | 1.00 | 7.30 | -70.20 | 41.30 | -6.90 | - 32.90 |

Source: Undersecretaries of Treasury Public Enterprises Reports 2007-2013.

The number of personnel is steadily increasing. The average number was 2.150 for 2013. As Table 32 presents, employment expenses are also on a steady increase.

Governance:

The Turkish Treasury owns 100% of the company shares. The Company is affiliated to the Ministry of Transport, Maritime Affairs and Transportations. As defined in Section 2.4, the Members of Parliament propose candidates for the positions and decisions are taken jointly. Non-executives are appointed by the affiliated Ministry.

Public Mission:

The mission of the Company is to be the first dependable emergency unit on safety of navigation, life, property and protect marine environment in its region. The vision of the company is to increase the safety of navigation, life, property and protect marine environment having regard to productivity and public interest principles (KEGEM, 2014).

Public Discourse:

The KEGEM Audit Report (2013) states some internal problems within the Company. For example IT infrastructure should be renewed and kept up-to-date. The Company is suffering from lack of corporate resource planning, corporate governance and internal control systems. There are also inefficiencies in financial planning process.

An important problem is that after Turk Telekom was privatized, coastal communication and cruise safety services operated by Telekom were conveyed to KEGEM. However, satellite communication is still provided by Turk Telekom. Some conflict arises due to mismatching of duties. A satellite communication company for maritime safety can be founded under KEGEM's stand or in liaison with KEGEM.

Evaluation and Forecast:

KEGEM will not be privatized in the future; therefore internal problems will be solved in a large framework and the Company will continue its operations. The legal problems faced with Turk Telekom can be solved in a shorter time span. KEGEM can increase its efficiency after it adopts a corporate resource planning system.

### *3.2.4. TURKISH AIRLINES (THY)*

Company Facts:

The Company was founded as a part of DHMI in 1933. The Company split up from DHMI and structured as a corporation. The company realized the first international flight in 1947. The Company opened its first international ticket offices in 1959. The Company grew in a monotonic manner and turned out to be an international company in the last decade.

The Company's financial position is volatile due to changing fuel oil prices, and crisis periods. Even though profits are lower in some years, it is not due to lack of demand, other factors play role in lower profits. However, the Company is making huge profits compared to other public companies. As Table 33 suggests, liquidity of the Company is historically low, due to investments in new passenger and cargo planes. Moreover, the jump in number of employees also had a negative effect in liquidity. Since the Company is recruiting around 3.000 employees, average number of employees increased 18.882 in 2013.

THY affiliates Anadolu Jet, Turkish Cargo, THY Teknik, TGS, Sun Express, THY Opet, Habom (website).

Governance:

The Company is within the Privatization Administration since 1990. The Privatization Administration privatized the Company in two major public offerings: The first one took place in 2004, 23% of the company equity was privatized, and the State's share reduced to 75,18%. In the second one, 28,75% of the equity was privatized, and the State's share dropped down to 49,12% in 2006.

Since State owns less than 50% of the Company, it is exempt from the audit of Court of Accounts; it is classified as "other public enterprises" that are under special circumstances. It is audited as a private Company.

Public Mission:

The mission of the company is to become the preferred leading European air carrier with a global network of coverage thanks to its strict compliance with flight safety, reliability, product line, service quality and competitiveness, whilst maintaining its identity as the flag carrier of the Republic of Turkey in the civil air transportation industry. The vision of the Company is to become an air carrier with higher average growth of the industry and lower accident rates (THY, 2014). Being a successful and international company, THY achieves its mission.

THY's affiliate Sun Express is a joint venture of THY and Lufthansa.

## Table 33: THY in a Nutshell

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Affiliated Ministry** | Prime Ministry Privatization Administration | | | | | | | | |
| **Share of Treasury in Capital** | 100% | | | | | | | | |
| | **2005** | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** |
| **Income Statement (Million TL)** | | | | | | | | | |
| **Net Sales** | 2,953.40 | 3,811.80 | 3,812.00 | 4,522.00 | 7,036.00 | 8,422.00 | 11,812.50 | 14,762.00 | 18,776.80 |
| **Cost of Goods Sold** | 2,435.90 | 3,252.60 | 3,453.00 | 3,454.00 | 5,136.00 | 6,609.00 | 9,803.30 | 11,717.00 | 15,304.70 |
| **Operating Expenses** | 577.60 | 712.30 | 772.80 | 664.00 | 1,176.00 | 1,331.00 | 1,886.60 | 1,905.60 | 2,232.10 |
| **Operating Margin** | 93.60 | 189.30 | 404.20 | 404.00 | 724.00 | 482.00 | 122.60 | 1,139.40 | 1,240.00 |
| **Financing Expenses** | 60.00 | 112.50 | -164.30 | -714.50 | -0.20 | 79.60 | -34.70 | 248.90 | 515.60 |
| **Net Income/ Loss** | 138.20 | 178.80 | 291.00 | 292.00 | 559.00 | 286.00 | 145.90 | 1,385.10 | 965.20 |
| **Balance Sheet (Million TL)** | | | | | | | | | |
| **Current Assets** | 825.90 | 1,487.50 | 1,061.00 | 1,487.00 | 2,800.00 | 3,491.00 | 4,042.70 | 3,861.50 | 4,535.50 |
| **Inventory** | 84.30 | 135.60 | 135.00 | 115.00 | 149.00 | 172.00 | 251.80 | 259.20 | 342.30 |
| **Fixed Assets** | 2,688.90 | 3,373.50 | 3,374.00 | 3,434.00 | 5,772.00 | 7,157.00 | 12,362.20 | 14,896.40 | 20,863.80 |
| **Total Assets** | 3,514.80 | 4,434.80 | 4,435.00 | 4,922.00 | 8,572.00 | 10,648.00 | 16,404.90 | 18,757.90 | 25,399.30 |
| **Short-Term Liabilities** | 1,198.90 | 1,068.50 | 1,069.00 | 1,140.00 | 1,949.00 | 2,540.00 | 3,951.40 | 4,510.70 | 6,652.80 |
| **Long-Term Liabilities** | 1,067.60 | 1,756.60 | 1,757.00 | 1,877.00 | 3,178.00 | 4,360.00 | 7,954.60 | 8,842.20 | 11,784.10 |
| **Equity** | 1,248.30 | 1,609.70 | 1,610.00 | 1,904.00 | 3,445.00 | 3,747.00 | 4,498.90 | 5,405.00 | 6,962.50 |
| **Financial Ratios** | | | | | | | | | |
| **Current Ratio** | 0.69 | 1.39 | 0.99 | 1.30 | 1.44 | 1.37 | 1.00 | 0.90 | 0.70 |
| **Acid Test Ratio** | 0.62 | 1.27 | 0.87 | 1.20 | 1.36 | 1.31 | 1.00 | 0.80 | 0.60 |
| **Cash Turnover (Days)** | | | 0.34 | 0.68 | 1.35 | 1.02 | 0.40 | 0.40 | 0.70 |
| **ROE** | 9.11 | 11.11 | 11.11 | 15.33 | 16.10 | 7.60 | 0.40 | 21.40 | 9.80 |
| **Employment** | | | | | | | | | |
| **Average Number of Employees** | 11,151.00 | 12,778.00 | 10,324.00 | 10,453.00 | 12,750.00 | 14,206.00 | 15,737.00 | 15,857.00 | 18,882.00 |
| **Number of Airplanes** | | | | | | | | | |
| **Passenger Airplanes** | | | 102.00 | 99.00 | 128.00 | 148.00 | 179.00 | 195.00 | 224.00 |
| **Cargo Airplanes** | | | 1.00 | 2.00 | 4.00 | 5.00 | 6.00 | 7.00 | 9.00 |
| **Others** | | | | | | | | | |
| **Number of Passengers** | | | 8,041.00 | 9,652.00 | 13,410.00 | 15,463.00 | 18,160.00 | 23,139.00 | 28,215.00 |
| **Foreign Destinations** | | | 8,906.00 | 9,984.00 | 11,692.00 | 13,656.00 | 14,488.00 | 15,906.00 | 20,053.00 |
| **Domestic Destinations** | | | 16,947.00 | 19,636.00 | 25,102.00 | 29,119.00 | 32,648.00 | 39,045.00 | 48,268.00 |

Source: Undersecretaries of Treasury Public Enterprises Reports 2007-2013.

Public Discourse:

More than half of the Company is already private. However, the Government tends to privatize all shares in time.
The Company sometimes pine after news with its government-biased policies. For example, the Company sacrificed a camel in the apron after a successful deal (CNNTURK, 2006); or flight attendants' clothes were arranged in a very conservative way (Internethaber, 2013).

## 3.3. Public Enterprises in Telecommunication Business

There are four MPEs in telecommunications sector. The first one is a newly established incorporation, which was a governmental monopoly before: Post and Telegraph Corporation (PTT); Turksat Satellite Company (Turksat); Turkish Radio and Television Company (TRT); and Anatolian News Agency (AA).

A general attribute of these companies is closeness: current activities and future plans are not shared with the public. There are questions about transparency of current activities of these companies. Having a very bad rating about freedom of press in the last years, the silence should not be surprising. However, data collection process for this study was quite painful.

### *3.3.1. POST AND TELEGRAPH CORPORATION (PTT)*

Company Facts:

The Turkish Post became a monopoly, after Treaty of Lausanne (1923) waived foreign post offices to open branches within Turkey borders. The Telecom Law of 1994 (No. 4000) separated the Company into two parts: Turk Telekom A.S. and Post and Telegraph Corporation. The Company provides services as a post office, logistics company and banking company (PTT Audit Report, 2013, p. III- V).

The Company was making losses until 1980s; it had a profit for the first time in 1980 and continued profitability onwards. 2008 was a top year in profitability, but the Company's profits are reducing for the last couple of years. There was an operating loss in 2013. During the 2007-2013 period, the company's turnover almost doubled due to investments. But please note that majority of the investments are not infrastructure investments; they are rather hardware investments like buildings, and renovations to transfer branches as bank offices. Financial statements of the Company are summarized in Table 34. Current ratio and quick ratio fell down to 1 in 7 years from 2. ROE fell down to 3% from 13,5% during the same time period.

The number of employees did not change in 7 years; however their costs doubled. The company is contributing to the Government Budget even in loss periods, i.e. 2013.

## Table 34: PTT in A Nutshell

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Affiliated Ministry** | Ministry of Transport, Maritime Affairs and Transportations | | | | | | |
| **Share of Treasury in Capital** | 100% | | | | | | |
| | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** |
| **Income Statement (Million TL)** | | | | | | | |
| **Gross Sales** | 1,045.60 | 1,200.50 | 1,291.60 | 1,413.20 | 1,594.90 | 1,836.90 | 2,000.10 |
| **Cost of Goods Sold** | 741.10 | 848.60 | 852.20 | 1,089.80 | 1,218.10 | 1,376.10 | 1,542.20 |
| **Operating Expenses** | 236.60 | 237.00 | 384.00 | 276.30 | 351.40 | 381.40 | 649.90 |
| **Operating Margin** | 66.60 | 113.50 | 49.20 | 38.00 | 52.30 | 52.30 | -124.90 |
| **Financing Expenses** | - | - | - | - | - | - | - |
| **Net Income/ Loss** | 237.90 | 3,773.30 | 230.10 | 143.60 | 171.40 | 171.40 | 64.50 |
| **Balance Sheet (Million TL)** | | | | | | | |
| **Current Assets** | 881.00 | 1,085.30 | 892.50 | 919.40 | 1,049.80 | 1,092.60 | 1,565.20 |
| **Inventory** | 14.40 | 15.40 | 24.40 | 26.10 | 23.60 | 34.50 | 37.70 |
| **Fixed Assets** | 807.50 | 833.20 | 1,058.30 | 1,150.10 | 1,294.30 | 1,361.10 | 1,396.50 |
| **Total Assets** | 1,688.60 | 1,918.60 | 1,950.80 | 2,069.50 | 2,344.10 | 2,453.70 | 2,961.70 |
| **Short-Term Liabilities** | 403.00 | 495.70 | 523.90 | 745.10 | 921.20 | 950.70 | 1,468.30 |
| **Long-Term Liabilities** | 4.50 | 5.90 | 7.30 | 8.90 | 10.50 | 12.10 | 13.90 |
| **Equity** | 1,281.10 | 1,417.00 | 1,419.60 | 1,315.60 | 1,412.50 | 1,490.90 | 1,479.40 |
| **Financial Ratios** | | | | | | | |
| **Current Ratio** | 2.19 | 2.19 | 1.70 | 1.23 | 1.14 | 1.15 | 1.07 |
| **Acid Test Ratio** | 1.93 | 2.07 | 1.56 | 1.15 | 1.07 | 1.07 | 1.01 |
| **Receivables Turnover (Days)** | 1.00 | 2.00 | 2.00 | 13.00 | 8.50 | 6.40 | 12.00 |
| **Cash Turnover (Days)** | -300.00 | -45.00 | -25.00 | -27.00 | -23.60 | -7.70 | -27.00 |
| **ROE** | 13.51 | 19.47 | 9.86 | 7.26 | 10.13 | 9.53 | 2.91 |
| **Employment** | | | | | | | |
| **Average Number of Employees** | 29,600.00 | 29,900.00 | 29,730.00 | 29,562.00 | 29,096.00 | 28,762.00 | 26,479.00 |
| **Employment Expenses** | 782.70 | 734.20 | 906.60 | 978.20 | 1,088.60 | 1,198.80 | 1,442.20 |
| **Relationship with the Government Budget** | | | | | | | |
| **(-) Contributions to the Budget** | 70.00 | 140.00 | 157.00 | 185.10 | 35.00 | 51.00 | 52.00 |
| **(+) Transfers from the Budget** | - | - | - | - | - | - | - |
| **Others** | | | | | | | |
| **Value Added** | 1,040.40 | 1,232.60 | 1,168.80 | 1,163.6 | 1,320.30 | 1,438.30 | 1,579.10 |
| **Investment Expenditures** | 83.60 | 76.10 | 119.60 | 134.00 | 123.90 | 127.00 | 110.90 |
| **Noninterest Surplus** | 8.00 | 34.40 | -295.40 | -227.30 | -81.70 | -34.10 | -96.60 |

Source: Undersecretaries of Treasury Public Enterprises Reports 2007-2013.

Governance:

The Turkish Treasury owns 100% of the company shares. The Company is affiliated to the Ministry of Transport, Maritime Affairs and Transportations. As defined in Section 2.4, the Members of Parliament propose candidates for the positions and decisions are taken jointly. Non-executives are appointed by the affiliated Ministry.

Public Mission:

Mission of the Company is to present economic, fast, reliable, and quality service in post, shipment, and electronic trade with Turkey-wide service network, experience for almost two centuries, up-to-date technology and skilled personnel. The vision of the Company is to be an exclusive company that provides effective service by means of skilled labor.

The current situation of the Company is far away from its mission. PTT needs to increase efficiency in the sector. The effectiveness of the Company is lower than many private players in the sector.

Public Discourse:

The PTT Audit Report (2013) mentions quality issues of the services. Delayed posts were 25%, and delayed cargos were 45% of all. The company needs an update in information technologies control mechanism. Also, a mechanism should be established to deliver the posts and cargos in time.

The Audit report also states that there is lack of personnel, internal control, and IT support systems. Furthermore, the cost calculation system does not work effectively. One possible reason is that the company does not distinguish the costs of bank, post office and logistics. A system should be established.

Evaluation and Forecast:

PTT underwent great reform between the 2007-2013 period. It adopted shipment and banking duties besides traditional post services. Expectedly, financial balances were beset and the Company is trying to accommodate with the new structure. PTT will not be privatized but it needs serious financial and managerial reform to increase effectiveness and efficiency in the future.

### *3.3.2. TURKSAT SATELLITE COMMUNICATIONS AND CABLE TV OPERATIONS COMPANY (TURKSAT)*

Company Facts:

Satellite business was held by PTT between 1968 and 1995. Then, Turk Telekom took over satellite business until Turksat A.S. was founded in 2004. The company’s main business is to provide and operate satellites. The Company aims to manufacture satellites on its own in the near future. Other businesses the company undertakes are the infrastructure and groundwork of cable TV and operating of e-government system.

The financial position of the company seems very stable as Table 35 suggests. Income increase has a positive slope and company turnover is increasing along with income. Liquidity and profitability ratios are finally at desirable levels.

The company has a subsidiary in Monte Carlo (Eurasiasat). It is the third satellite of Turkey and it covers most areas around the world. However, the audit report claims that the company cannot benefit as much as planned, it is a mere cost to Turksat. The number of employees is increasing in time; the average number of employees for 2013 was 722 (Turksat Audit Report, 2013).

Governance:

The Turkish Treasury owns 100% of the company shares. The Company is affiliated to the Ministry of Transport, Maritime Affairs and Transportations. As defined in Section 2.4, the Members of Parliament propose candidates for the positions and decisions are taken jointly. Non-executives are appointed by the affiliated Ministry.

Public Mission:

The mission of the Company is to own the rights of the satellite orbit positions within the coverage of the national sovereignty, the authorities of management and operation; to allow satellites registered to its name or owned by other operators and to operate these satellites; and to establish and operate the telecommunication and communication infrastructure through the national satellites and the satellites owned by the foreign operators and to perform commercial operations.

**Table 35: Turksat in a Nutshell**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Affiliated Ministry** | Ministry of Transport, Maritime Affairs and Transportations | | | | | | |
| **Share of Treasury in Capital** | 100% | | | | | | |
| | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** |
| **Income Statement (Million TL)** | | | | | | | |
| **Gross Sales** | 149.00 | 154.00 | 244.40 | 350.90 | 455.70 | 553.70 | 633.90 |
| **Cost of Goods Sold** | 99.00 | 157.00 | 211.60 | 310.80 | 417.00 | 374.70 | 435.20 |
| **Operating Expenses** | 3.00 | 3.00 | 3.40 | -3.40 | 7.40 | 9.70 | 37.90 |
| **Operating Margin** | 46.00 | - 6.00 | 27.00 | 27.10 | 9.60 | 125.80 | 111.50 |
| **Financing Expenses** | - | - | - | - | - | - | - |
| **Net Income/ Loss** | 89.00 | 141.00 | 88.00 | 78.50 | 162.20 | 185.10 | 200.70 |
| **Balance Sheet (Million TL)** | | | | | | | |
| **Current Assets** | 525.00 | 561.00 | 538.20 | 583.50 | 609.00 | 461.50 | 446.30 |
| **Inventory** | - | 13.00 | 13.00 | 10.30 | 17.90 | 52.10 | 38.60 |
| **Fixed Assets** | 532.00 | 642.00 | 713.70 | 753.40 | 918.60 | 1,343.00 | 1,527.40 |
| **Total Assets** | 1,057.00 | 1,203.00 | 1,251.90 | 1,336.90 | 1,527.60 | 1,804.50 | 1,973.70 |
| **Short-Term Liabilities** | 77.00 | 113.00 | 91.20 | 109.40 | 159.60 | 224.00 | 202.10 |
| **Long-Term Liabilities** | - | - | - | 4.00 | 5.30 | 67.50 | 98.20 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Equity** | 979.00 | 1,090.00 | 1,160.70 | 1,223.30 | 1,362.70 | 1,513.00 | 1,673.40 |
| | | | | | | | |
| **Financial Ratios** | | | | | | | |
| **Current Ratio** | 6.79 | 4.96 | 5.90 | 5.30 | 3.80 | 2.10 | 2.20 |
| **Acid Test Ratio** | 6.79 | 4.70 | 5.50 | 5.10 | 3.70 | 1.80 | 2.00 |
| **ROE** | 7.52 | 10.32 | 6.30 | 5.30 | 10.20 | 9.80 | 9.60 |
| | | | | | | | |
| **Employment** | | | | | | | |
| **Average Number of Employees** | 534.00 | 521.00 | 494.00 | 583.00 | 586.00 | 656.00 | 722.00 |
| **Employment Expenses** | 24.70 | 33.00 | 37.20 | 43.30 | 57.80 | 67.30 | 81.10 |

Source: Undersecretaries of Treasury Public Enterprises Reports 2007-2013.

Public Discourse:

The Turksat Audit Report (2013) states that there is lack of transparency in recruitment process and in payment of wages. There are internal control problems, such as inefficiency in pricing and costs, or delays in services. The Company should use its own experienced personnel, instead of outsourcing consultancy. Additionally, rivals are constantly increasing the number of customers while Turksat does not.

The company is working under capacity in cable TV business; there is room for development. However, high cost of telephone sublines (which belong to Turk Telekom) prevents development. The company is getting ready to sue against Telekom.

Evaluation and Forecast:

The public policy towards satellite systems is very nationalistic; Turkey wants to own and manage its own satellites. In this scope, we can say that the Company will grow and stay publicly-owned in the future. But small size and transparency problems make it harder to forecast about the Company.

### *3.3.3. TURKISH RADIO AND TELEVISION CORPORATION (TRT)*

Company Facts:

The radio broadcasting started before the Turkish Republic was founded. The developments in 1940s and 1950s let the company operate radio broadcasting country-wide. TRT was founded in 1964, and then TV broadcasting started within four years. The Company opened international channels after 1990. It was a monopoly until private channels emerged in 1990s.

A major fraction of company revenues comes from electricity sales shares. The Government has the right to determine these sources according to Turkish Radio and Television Corporation Revenues Law (3093). On the other hand, according to the Turkish Constitution (Clause 33) and the European Union

Amsterdam Treaty, state radio and television has to have unrestricted revenues in order to protect objectivity and unbiasedness (TRT Audit Report, 2013).

The financial situation of TRT is highly volatile. 92% of income for 2013 was generated by its share from electricity proceeds and tax stamps (Treasury Undersecretaries Public Enterprises Report, 2014). However, the Company is protecting a high level of liquidity and profitability due to non-operational revenues (Table 36).

The company has a stable personnel policy, the number is not increasing in time. The average number of personnel was 7.158 in 2013.

Governance:

TRT is directly affiliated to deputy Prime Minister, Mr. Bulent Arinc. The Company has a special legislation; it can enjoy extra revenues coming from the Treasury. It earns a share from electricity sales of TETAS. The TRT Audit Report (2013) states that there is generous increase in company revenues due to a jump in electricity prices. TRT made new agreements for higher quality programs. The Audit Report was questioning the balance between the increase in quality and the prices paid for these programs.

**Table 36: TRT in a Nutshell**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Affiliated Ministry** | Deputy Prime Minister, Mr. Bulent Arinc | | | | | | |
| **Share of Treasury in Capital** | 100% | | | | | | |
| | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** |
| **Income Statement (Million TL)** | | | | | | | |
| **Gross Sales** | 586.00 | 752.00 | 780.10 | 1,121.50 | 1,202.50 | 1,375.60 | 1,477.80 |
| **Cost of Goods Sold** | 389.00 | 507.00 | 686.90 | 719.40 | 767.70 | 833.40 | 824.00 |
| **Operating Expenses** | 104.00 | 106.00 | 117.60 | 220.40 | 379.20 | 409.30 | 444.60 |
| **Operating Margin** | 89.00 | 135.00 | - 27.00 | 181.30 | 55.50 | 132.70 | 208.60 |
| **Financing Expenses** | - | - | - | - | - | - | - |
| **Net Income/ Loss** | 150.00 | 186.00 | 46.70 | 304.50 | 133.90 | 179.50 | 113.10 |
| **Balance Sheet (Million TL)** | | | | | | | |
| **Current Assets** | 505.00 | 625.00 | 560.70 | 726.50 | 804.50 | 913.30 | 959.70 |
| **Inventory** | 39.00 | 40.00 | 39.90 | 47.90 | 49.90 | 72.70 | 66.40 |
| **Fixed Assets** | 486.00 | 575.00 | 704.90 | 829.90 | 1,202.50 | 1,375.60 | 1,043.50 |
| **Total Assets** | 991.00 | 1,201.00 | 1,265.70 | 1,556.50 | 767.70 | 833.40 | 2,003.20 |
| **Short-Term Liabilities** | 30.00 | 50.00 | 64.60 | 47.00 | 379.20 | 409.30 | 55.40 |
| **Long-Term Liabilities** | 21.00 | 24.00 | 27.90 | 31.60 | 55.50 | 132.70 | 43.40 |
| **Equity** | 940.00 | 1,127.00 | 1,173.20 | 1,477.80 | - | - | 1,904.40 |
| **Financial Ratios** | | | | | | | |
| **Current Ratio** | 16.85 | 12.50 | 8.68 | 15.45 | 14.00 | 17.30 | 17.30 |
| **Acid Test Ratio** | 10.36 | 8.22 | 4.79 | 0.59 | 13.10 | 16.00 | 16.10 |
| **Receivables Turnover (Days)** | 65.00 | 65.00 | 5.80 | 6.00 | | | |
| **Cash Turnover (Days)** | 30.00 | 30.00 | 13.00 | 13.00 | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **ROE** | 15.90 | 16.53 | 4.06 | 0.23 | 8.30 | 10.00 | 5.90 |
| **Employment** | | | | | | | |
| **Average Number of Employees** | 7,543.00 | 6,766.00 | 7,198.00 | 7,616.00 | 7,060.00 | 7,106.00 | 7,158.00 |
| **Employment Expenses** | 296.00 | 308.00 | 308.00 | 365.20 | 413.06 | 436.03 | 473.12 |

Source: Undersecretaries of Treasury Public Enterprises Reports 2007-2013.

Public Mission:

The Constitutional objectives of TRT can be summarized as compliance with the Constitution and national integrity of the country, and public interests; preventing the dominance of one social class, language, race, and religion over others, and avoidance of propaganda of any state system and its ideology; usage of easily understandable, and accurate Turkish; avoidance of issues that would harm the physical and mental health of society; avoidance of broadcasting that inspires pessimism, hopelessness, chaos, terror, and negative emotions; to be respectful to people’s private life, honor and dignity; usage of modern journalism techniques and methods; compliance of with accuracy and promptness principles in news gathering, selecting, and publishing the impartiality; separation of news from comments, and explaining the sources of news; composition of news for public health and publications on topics of interest to the general public; avoidance from biased broadcasts to a political party, and group of vested interests (TRT, 2015).

TRT is always criticized for broadcasting government-biased programs. The Opposition Party took this situation to the Court in 2014 (Sozcu, 2014). In that scope, we cannot say that TRT is fulfilling its mission.

Public Discourse:

There are inefficiencies in planning and operations, similar to many other PEs. Costs are not carefully computed. Technological update would enhance efficiency. An update in the IT operating system would increase cash management issues and follow up of completion of physical investments (TRT Audit Report, 2013).

A member of the Parliament from the Opponent party claims that TRT purchases programs from the companies that support the government. And these companies are settled abroad (Saudi Arabia). Therefore it is both more costly and also hard to audit (Turkish Grand National Assembly Minutes, 2012).

The firm has to have a long-run relationship and partnership with TURKSAT in order to deliver its programs. Such a partnership has not yet established between the two companies.

Evaluation and Forecast:

TRT is backed up by the Government; however it does not have enough revenues to survive. The electricity revenues area burden on the public sector and worsen fiscal balance. If the Company did not have bad reputation about objectivity in its programs, the burden would not hurt public consciousness. The Company policies change with every new Government; thus it is not rationale to make any forecasts.

### *3.3.4. ANATOLIAN NEWS AGENCY (AA)*

Company Facts:

Anatolian News Agency is the oldest and the biggest press agency of Turkey among three private press agencies. AA was inaugurated in 1920 in order to collect news to deliver truthful news at home and in the world, and facilitate the foundation of the new Republic. It was turned to be a corporation in 1925 and acquired an autonomous body. The Treasury owns 47, 5% of the shares. The rest belongs to real persons, some of which are not known due to unknown heirs.

AA targets to celebrate its 100th anniversary as one of the top five press agencies in the world. It delivers news in 11 languages (AA, 2014).

The Company's financial position is positive for the last years as Table 37 displays. But there were losses until 2010. The revenues are coming from the subscription revenues. The personnel expenses amount to 79% of company expenses (Treasury Undersecretaries Public Enterprises Report, 2013). The Company's capital was increased in the last two years. The capital was negative before 2012. Liquidity has also been increased with the help of capital injections in the last two years.

The Company has international offices in New York, Beijing, Moscow, Brussels, and Cairo; and many representative offices around the World.

The number of employees was not provided for the last three years in any official document or company website.

Governance:

TRT is directly affiliated to deputy Prime Minister, Mr. Bulent Arinc. It is not audited by the Court of Accounts because the Treasury owns less than 50% of the shares; it is audited by the Prime Ministry Supervisory Council.

Public Mission:

The vision of the Company is to produce reliable, impartial, ethical and fast journalism. The main target in the agency's vision is to become one of the "five most important news agencies in the world" by the year of 2020.

Public Discourse:

AA is not a very open company, current activities and future plans are not declared. Since it is not audited by the Court of Accounts, it is very hard to find valuable information about the firm. What we know is it will not be privatized and the State will continue to support the company for its reliable news and prestige.

**Tableau 37: AA in a Nutshell**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Affiliated Ministry** | Deputy Prime Minister, Mr. Bulent Arinc | | | | | | |
| **Share of Treasury in Capital** | 100% | | | | | | |
| | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** |
| **Income Statement (Million TL)** | | | | | | | |
| **Gross Sales** | 54.50 | 63.00 | 74.10 | 83.90 | 137.30 | 118.90 | 28.40 |
| **Cost of Goods Sold** | 53.20 | 61.60 | 67.80 | 80.60 | 133.40 | 140.80 | 111.00 |
| **Operating Expenses** | 3.60 | 4.10 | 4.80 | 5.50 | 3.10 | 1.70 | 23.10 |
| **Operating Margin** | - 2.25 | - 2.33 | 0.50 | - 2.30 | 0.30 | - 26.30 | - 105.70 |
| **Net Income/ Loss** | - 2.20 | - 2.70 | 1.10 | - 1.30 | 1.10 | 16.70 | 9.00 |
| **Balance Sheet (Million TL)** | | | | | | | |
| **Current Assets** | 4.10 | 4.30 | 6.30 | 6.50 | 26.00 | 14.70 | 23.90 |
| **Fixed Assets** | 4.60 | 3.80 | 4.00 | 5.30 | 6.00 | 13.00 | 15.00 |
| **Total Assets** | 8.70 | 8.10 | 10.30 | 11.80 | 32.00 | 27.70 | 39.00 |
| **Short-Term Liabilities** | 6.80 | 9.00 | 10.20 | 13.10 | 32.30 | 13.90 | 18.00 |
| **Long-Term Liabilities** | 0.50 | 0.40 | 0.20 | 0.90 | 0.70 | 4.00 | 9.40 |
| **Equity** | 1.40 | -1.20 | - 0.10 | - 1.40 | - 0.30 | 13.80 | 20.90 |
| **Financial Ratios** | | | | | | | |
| **Current Ratio** | 0.60 | 0.47 | 0.60 | 0.50 | 0.80 | 1.10 | 1.30 |
| **Acid Test Ratio** | 0.33 | 0.30 | 0.30 | 0.30 | 0.70 | 0.50 | 0.80 |
| **Cash Turnover (Days)** | 0.08 | 0.04 | 0.04 | 0.03 | 0.50 | - | 0.30 |
| **ROE** | - 1.57 | 2.14 | - 1.70 | - 1.70 | - 3.70 | 1.00 | 0.30 |
| **Employment** | | | | | | | |
| **Average Number of Employees** | 576.00 | 568.00 | 640.00 | 654.00 | | | |
| **Employment Expenses** | 40.40 | 48.80 | 64.00 | 73.90 | | | |
| **Others** | | | | | | | |
| **Number of Subscribers** | 896.00 | 957.00 | 921.00 | 1,018.00 | | | |
| **Number of News (Daily Average)** | 1,371.00 | 1,451.00 | 1,571.00 | 1,588.00 | 636.00 | 726.00 | 1,138.00 |
| **Private Bulletin Service** | 150.00 | 717.00 | 256.00 | 268.00 | 508.00 | 726.00 | 1,260.00 |
| **Number of Photos (Daily Average)** | 439.00 | 420.00 | 418.00 | 506.00 | | | |

Source: Undersecretaries of Treasury Public Enterprises Reports 2007-2013.

## 3.4. Construction Sector

Affecting more than 200 sub-sectors, construction is a pioneering growth engine in Turkey. There are 38 Turkish construction companies with $16,8 billion turnover in the ENR (Engineering News Record) Top 225 List in 2013. Many national and international Turkish companies take over “mega projects” in Middle East and Middle Asia regions (KPMG, 2013). In line with private sector companies, one public sector company is quite strong in the Turkish market.

### *3.4.1. TURKISH PUBLIC HOUSING ADMINISTRATION (TOKI)*

Company Facts:

The first public construction and credit company was inaugurated in 1926 as a predecessor of TOKI. The Company charter was amended several times until the last legislation came into force in 2003.

TOKI accomplished its target of 500.000 residential units until 2012; and started to reach its second goal: 500.000 new residential units until 2023. Starting from 2008, TOKI is constructing hospitals, schools and other public buildings to serve for other public institutions. It has joint projects with private sector construction companies. TOKI has a high influence on the residential sector in Turkey. Its land portfolio is large and it determines the dynamics of cities in terms of new development areas in suburbs and city centers (TOKI Audit Report, 2013).

As summary of financial statements is presented in Table 38. Sales of buildings and land did not increase; however there is increase in total income. Other income can be defined as rent revenues and interest revenues from credits. The credits provided to home owners increased slightly but construction expenditure doubled in 2013 compared to 2007 numbers. The positive difference between income and expenses create profitability. At the same time, balance sheet is growing so much that ROA and ROE declined remarkably in seven years. Turnover increased from TL 14 million to TL 46 million. However value added to GDP increased slightly in 7 years. Direct aid to TOKI from the Treasury is limited; however the Treasury aids the Company by donating it land. Therefore part or maybe all of the land sales can be evaluated as aids from the Treasury. Moreover, since the Company does not purchase land, construction costs are undervalued.

## Table 38: TOKI in a Nutshell

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|
| **Affiliated Ministry** Prime Ministry | | | | | | | |
| **Share of Treasury in Capital** 100% | | | | | | | |
| **Income Statement (Million TL)** | | | | | | | |
| **Gross Sales** | 4,124.60 | 5,914.90 | 5,892.59 | 6,933.07 | 7,030.57 | 6,174.06 | 5,089.23 |
| **Sales amount of residential and workplace** | 2,864.00 | 3,764.90 | 4,446.70 | 4,183.59 | 4,614.14 | 1,662.48 | 2,930.16 |
| **Sales amount of land** | 799.60 | 2,761.00 | 520.00 | 2,008.40 | 1,706.00 | 1,246.76 | 243.80 |
| **Expenses** | | | | | | | |
| **Credits provided** | 26.50 | 27.30 | 25.30 | 24.56 | 22.02 | 22.61 | 30.90 |
| **Construction Expenses** | 3,077.00 | 3,179.80 | 3,608.58 | 5,025.63 | 5,005.79 | 6,607.33 | 6,099.57 |
| **Financing Expenses** | NA | NA | 176.95 | 47.25 | 8.84 | 22.00 | 61.00 |
| **Personnel Expenses** | 21.10 | 23.60 | 26.94 | 34.02 | 37.89 | 44.07 | 47.17 |
| **Net Income/ Loss** | 2,487.30 | 1,769.00 | 2,305.03 | 3,517.98 | 2,434.38 | 3,332.04 | 2,807.79 |
| **Treasury Aid** | - | - | - | - | - | 137.44 | 24.25 |
| **Balance Sheet (Million TL)** | | | | | | | |
| **Total Assets** | 14,213.00 | 17,800.52 | 20,293.89 | 31,890.82 | 37,463.65 | 45,407.56 | 46,384.17 |
| **Total Liabilities** | 8,614.20 | 10,432.81 | 10,621.16 | 17,078.65 | 20,216.93 | 24,828.79 | 22,997.44 |
| **Equity** | 5,598.75 | 7,367.70 | 9,672.73 | 14,812.17 | 17,246.72 | 20,578.77 | 23,386.73 |
| **Others** | | | | | | | |
| **Value Added** | 2,337.30 | 1,733.30 | 2,349.64 | 3,404.60 | 2,239.07 | 3,117.90 | 2,438.14 |
| **ROA** | 0.18 | 0.10 | 0.11 | 0.11 | 0.06 | 0.07 | 0.06 |
| **ROE** | 0.44 | 0.24 | 0.24 | 0.24 | 0.14 | 0.16 | 0.12 |

Source: TOKI Website.

Governance:

The Mass Housing Law of 1984 (no: 2985) sets TOKI as a public entity affiliated with the Prime Ministry of Turkey. The law determines the company's duties, income, supervision, and disbursements. TOKI is a special budgeted state economic enterprise in terms of its sources of income and the locations in which these resources are used. Budget appropriation is allocated by the Prime Ministry. The budget receives fiscal aid from the Prime Ministry's transfers.

The General Manager and other members of the Board are appointed by a joint decision made by the Prime Minister and the member of the Parliament responsible for the Treasury. Appointments are due every 3 years (TOKI Audit Report, 2013).

Public Mission:

The mission of TOKI is to support people, especially the ones without residence, to buy a residence that has social and technical specifications required by modern life, in areas integrated with natural and cultural values (TOKI Kurum Profili, 2009-2010).

Public Discourse:

It has a leading role in the Turkish construction sector. Even though there are bigger private companies, TOKI determines the dynamics of cities. Private companies choose lands where TOKI first starts to establish a construction area.

An important problem of the company is that since projects have to be realized in very short time frames, costs cannot be determined exactly. Some contractor companies recede from contract. Number of contracts abandoned in 2011, 2012, and 2013 are 9, 23, and 23 respectively. These receded contracts and the induced delays cause huge costs for private sector. To avoid delays, TOKI has to undertake the receded contracts. The costs of the undertakings amounted to TL 32,8 million in June 2014. The numbers indicate a serious inefficiency. TOKI put out a tender on some jobs without serious consideration due to time constraint. According to audit reports 65% of the jobs can be completed in time if required planning is done; 35% delay causes are due to public enterprises. Thus, it is clear that there is inefficiency in company business originating from PEs, not from private companies (TOKI Audit Report, 2013, p. I- V).

Evaluation and Forecast:

It is expected that the Company will continue construction as a government policy to promote economic growth. Analyst question if there is a bubble in the Turkish real estate market; there is no scientific answer to that question yet. Since population is young and increasing fast, we can assume the Company will grow in the near future.

## 4. Summary and Conclusion

A summary of all examined companies can be found in Table 39. The summary indicates that 4 of 16 companies are projected to be privatized in the foreseeable future. Majority of these companies are performing well in financial terms and they are contributing to the treasury. Even though we ignore their contributions to social life and welfare, these companies can be classified as financially successful and sustainable. All in all, the outlook of Turkish MPEs in energy, transportation, telecommunication, and construction is positive.

**Table 39: Summary of Analysis**

| Sector | Company | Business | Privatizations in the Future | Financial Performance | Transfers to the Budget |
|---|---|---|---|---|---|
| Energy | UIAS | Electricity Generation | Yes | + | + |
| | TEIAS | Electricity Transmission | No | + | 0 |
| | TETAS | Electricity Trade | Yes | + | 0 |
| | TP | Petroleum and Natural Gas Extraction | No | + | + |
| | BOTAS | Petroleum and Natural Gas Pipeline | No | + | 0 |
| | TTK | Hard Coal Extraction | Yes | - | - |
| | ETI | Boron Extraction | No | + | + |
| Transportation | TCDD | Railways Authority | No | - | - |
| | DHMI | Airport Authority | No | + | + |
| | KEGEM | Seaways Traffic Authority | No | + | + |
| | THY | Airlines | Yes | + | 0 |
| Telecommunications | PTT | Post | No | + | + |
| | TURKSAT | Satellite | No | + | NA |
| | TRT | Radio and TV | No | + | NA |
| | AA | News Agency | No | + | NA |
| Construction | TOKI | Construction | No | + | NA |

The development plan for 2001-2005 suggests major reforms for PEs. The objective of the plan was to privatize many PEs apart from some energy, transportation, and communication companies. The Government has still not reached this objective; the process is slow; but there is no deviation from the route. This study shows that after the privatizations are complete, State owned enterprises will not be financial burden on the economy any more.

The success of privatization is a specific topic which should be analyzed separately. Nonetheless, current studies about Turkish privatizations generally prove success. Company performances increase after privatization, and sales revenues save the budget from suffering. Moreover, privatization strengthens market competition and free market; creates more sound private companies; and mitigates waste of public sources (Privatization Endeavor in Turkey, 2010; Yavilioglu et al, 2011; Ozsoy et al, 2011).

A wide-spread problem of Turkish PEs is the lack of internal control and corporate governance. Electricity, oil and gas PEs are among the ones, which adopt internal control and corporate governance principles earlier than legal enforcement. These companies have fewer critiques in their audit reports compared to other PEs. Since there is no current legal enforcement, other companies are still enjoying lack of control. The new objective of the Turkish State is to solve issues about strategic management, internal control and corporate governance. As these issues are handled, and privatizations are accomplished in time, performances of PEs will steam along.

## References


AA (2014), *History of Anadolu Agency from its Foundation to the Present.* Retrieved on April 20, 2015 from: http://www.botas.gov.tr/index.asp.

Akkoyunlu, Pinar Feyzioglu (2011), *Kamu Iktisadi Tesebbusleri ve Ozellestirme*, Beta Basim Yayin, Istanbul.

Brief History of Turkish Power System and TEIAS (2015), *Founding of Turkish Electricity Authority TEK*. Retrieved on April 15, 2015, from: http://www.teias.gov.tr/Eng/CompanyBrief.aspx.

*BOTAS Audit Report* (2013), T. R. Court of Accounts Presidency.

BOTAS (2014),. *Company Mission&Vision.* Retrieved on April 20, 2015 from: http://www.botas.gov.tr/index.asp.

Canakci, Ibrahim (2014),. *Hazine Mustesari Sayin Ibrahim H. Canakci'nin "Kamu Sermayeli Isletmelerde Kurumsal Yonetim Uygulamalari" Konulu Uluslararasi Konferansta Yaptigi Konusma*. Ankara, 10.06.2014. Retrieved on April 4, 2015, from: http://www.hazine.gov.tr/File/%3Fpath%3DROOT%252FDocuments%252FDi%25C4%259Fer%2BSunumlar%2Bve%2BKonu%25C5%259Fma%2BMetinleri%252FSN_IHC_20140610_KSIK_Konferans.doc+&cd=1&hl=en&ct=clnk&gl=tr.

CNNTURK (2006), THY Apronda Deve kesti. Retrieved on April 20, 2015 from: http://www.cnnturk.com/2006/turkiye/12/13/thy.apronda.deve.kesti/272306.0/index.html.

Degisim Medya (2014), TTK' nin Zarari Neden Kaynaklaniyor? Retrieved on April 20, 2015 from: http://www.degisimmedya.com/ttk-2-11631-haber.htm.

*DHMI Audit Report* (2013), Turkish Court of Accounts.

DHMI (2014), *Hakkimizda.* Retrieved on April 20, 2015 from: http://www.dhmi.gov.tr/DHMIPage.aspx?PageID=1#.VUURHfmqqko.

*Elektrik Iletim Sektor Raporu* (2013), Elektrik Iletim A.S. Retrieved on March 20, 2015, from: http://www.teias.gov.tr/Dosyalar/SektorRapor.htm.

*Elektrik Uretim Sektor Raporu* (2013), Elektrik Uretim A.S. Retrieved on April 19, 2015, from: http://www.euas.gov.tr/Sayfalar/SektorRaporu.aspx.

EPDK (2015), *Enerji Piyasalari İsletme Anomim Sirketi (EPIAS) C Grubu Pay Sahipligine Cagri*. Retrieved on April 12, 2015, from: http://www.epdk.org.tr/index.php/component/content/article/11-icerik/1570-enerji-piyasalari-anonim-sirketi-epias-c-grupu-pay.

Eti Maden Annual Report (2013), Eti Maden Isletmeleri Genel Mudurlugu.

Eti Maden Bor Sektor Raporu (2013), Eti Maden Isletmeleri Genel Mudurlugu.

*EUAS Audit Report* (2013), T. R. Court of Accounts Presidency.

EUAS (2010), *Strategic Plan 2010-2014*, Elektrik Uretim A.S. Genel Mudurlugu. Retrieved on April 12, 2015, from: http://www.euas.gov.tr/apk%20daire%20baskanligi%20kitapligi/2010_2014Stratejik_Plan__.pdf.

EUAS (2014),. *Hakkimizda*. Retrieved on April 20, 2015 from: http://www.euas.gov.tr/Sayfalar/Hakkimizda.aspx.

Gold, Stuart (1989), *The Costs of Privatization, Turkey in the 1980s.* Multinational Monitor 10(10). Retrieved on March 12, 2015, from: http://www.multinationalmonitor.org/hyper/issues/1989/10/gold.html.

Haberler.com (2015), *TTK Maden Ocaginda Mufettisler Uretimi Durdurdu*. Retrieved on April 20, 2015 from: http://www.haberler.com/ttk-maden-ocaginda-mufettisler-uretimi-durduruldu-7202683-haberi/.

Internethaber (2013), *Iste yeni Hostes Kiyafetleri*. Retrieved on April 20, 2015 from: http://www.internethaber.com/iste-yeni-hostes-kiyafetleri-foto-galerisi-26459.htm.

*KEGEM Audit Report* (2013), T. R. Court of Accounts Presidency.

KEGEM (2014), *Our Vision*. Retrieved on April 20, 2015 from: https://www.kiyiemniyeti.gov.tr/Default.aspx?pid=29.

KPMG (2013), Turkish Construction Sector Agenda: 2013 Construction Managers Survey. Retrieved on July 19, 2015 from: https://www.kpmg.com/TR/tr/sektorler/Gayrimenkul-ve-Altyapi/Documents/KPMG-INF-2013-insaat-yoneticileri-arastirmasi.pdf.

Ministry of Energy and Natural Resources (2015), *Electricity*. Retrieved on April 15, 2015, from: http://www.enerji.gov.tr/en-US/Pages/Electricity.

Ozsoy, Onur, Yavilioglu, Cengiz, Delice, Guven, Karagol, Erdal T. (2011),. *Turkiye'de Ozellestirilen Sirketlerin Performans Analizleri.* T.C. Basbakanlik Ozellestirme Idaresi Baskanligi, Ankara, Turkey.

*Privatization Endevaour in Turkey* (2010), Annual Report. Republic of Turkey Prime Ministry Privatization Administration.

*Public Enterprises Annual Report* (2013), T.R. Court of Accounts Presidency.

*PTT Audit Report 2013*, Turkish Court of Accounts.

*Sayıstay Denetim Raporlarına Iliskin Genel Bilgi*. T.R. Court of Accounts. Retrieved on April 20, 2015, from: http://www.sayistay.gov.tr/haber-duyuru/upload/SAYI%C5%9ETAY%20RAPORLARI.pdf.

Sozcu (2014), *CHP'den TRT'ye Suc Duyurusu*. Retrieved on April 15, 2015, from: http://www.sozcu.com.tr/2014/gundem/chpden-trtye-suc-duyurusu-563697/.

State Planning Organization (2001*), Long-Term Strategy and Eighth Five- Year Development Plan 2007- 2013*. T. R. Prime Ministry.

State Planning Organization (2006),. *Nineth Development Plan 2007-2013*. T. R. Prime Ministry.

State Planning Organization (2013), *Tenth Development Plan 2014-2018*. T. R. Prime Ministry.

*TCDD Audit Report* (2013), T. R. Court of Accounts Presidency.

TEDAS (2015), *Turkish Electricity Distribution Company*. Retrieved on April 15, 2015, from: http://www.tedas.gov.tr/en/Pages/AboutUs.aspx.

TEIAS Faaliyet Raporu (2013), *Turkiye Elektrik Iletim Anomim Sirketi*. Retrieved on April 20, 2015, from:

http://www.teias.gov.tr/FaaliyetRaporlari/Faaliyet2013/TEIASFAAL2013TURKCE.pdf.

TEIAS (2014), *Hakkimizda*. Retrieved on April 20, 2015 from: http://www.teias.gov.tr/Hakkimizda.aspx.

*TURKSAT Audit Report* (2013), Turkish Court of Accounts.

*TETAS Audit Report* (2013), Turkish Court of Accounts.

TETAS (2014), *Hakkimizda*. Retrieved on April 20, 2015 from: http://www.tetas.gov.tr/tr-TR/Sayfa/Hakkimizda.

*TETAS Sektor Raporu* (2013), Elektrik Taahhut ve Ticaret A.S. Retrieved on April 19, 2015, from: http://www.tetas.gov.tr/tr-TR/Sektor-Raporlari.

TETAS Strategic Plan 2015- 2019 (2014), *Turkiye Elektrik Ticaret ve Taahhut A.S. Genel Mudurlugu*. Retrieved on April 14, 2015, from: http://www.tetas.gov.tr/File/?path=ROOT/1/Documents/TETA%C5%9E%202015-2019%20STRATEJ%C4%B0K%20PLANI%20YEN%C4%B0.pdf&version=1,00 .

Tezel, Yahya Sezai (1982), *Cumhuriyet Doneminin Iktisadi Tarihi*. 4. Baski (2000), Tarih Vakfi Yurt Yayinlari, Istanbul.

THY (2014), *Hakkimizda*. Retrieved on April 20, 2015 from: http://www.turkishairlines.com/tr-tr/kurumsal/tanitim-filmi.

*TOKI Audit Report* (2013), Turkish Court of Accounts.

TOKI Kurum Profili (2009-2010), *Turkiye'nin Gelecegini Insa Ediyoruz.* Başbakanlik TOplu Konut Idaresi Baskanligi.

TP (2014), *TP at a Glance*, *TP in Turkey*. Retrieved on April 20, 2015 from: http://www.tpao.gov.tr/eng/?tp=m&id=75.

*Treasury Undersecretiat Public Enterprises Report of 2013*.

*TRT Audit Report* (2013), Turkish Court of Accounts.

TRT (2015), *Yayin Ilkelerimiz.* Retrieved on April 20, 2015 from: http://www.trt.net.tr/Kurumsal/YayinIlkelerimiz.aspx.

*TTK Audit Report* (2013), Turkish Court of Accounts.

TTK (2013), *Hakkimizda*. Turkey Hard Coal Company. Retrieved on April 26, 2015, from: http://www.taskomuru.gov.tr/index.php?page=sayfagoster&id=6.

*Turkish International Trade Statistics: Imports by SITC, Rev.3* (2014), Turkish Statistical Institute. Retrieved on March 10, 2015, from: http://www.tuik.gov.tr/PreTablo.do?alt_id=1046.

*Turkish Grand National Assembly Minutes* (2012). Retrieved on March 19, 2015, from: https://www.tbmm.gov.tr/develop/owa/tutanak_g.birlesim_baslangic?P4=21338&P5=H&page1=58&page2=58.

Ulken, Yuksel (1984), *Ataturk ve Iktisat Iktisadi Kalkinmada Etkinlik Sorunu ve "Eklektik Model"*. 2nd Ed. Turkiye İs Bankasi Kultur Yayinlari, Istanbul.

Yavilioglu, C., Delice, G., Karagol, E. T., and Ozsoy, O. (2011), *Turkiye'de Ozellestirilen Sirketlerin Performans Analizleri*. T. Basbakanlik Ozellestirme Idaresi Baskanligi, Ankara.

*2012 Yılı Hampetrol ve Doğal Gaz Sektor Raporu*, (2013), Turkiye Petrolleri A.O. Genel Mudurlugu. Retrieved on April 25, 2015, from:
http://www.tpao.gov.tr/tpfiles/userfiles/files/2012-sektor-rapor-mayis-tr.pdf .

This yearly series of working papers (WP) aims to publish essentially works in English or in French resulting from the scientific network of CIRIEC and more specifically its working groups. The WP are submitted to a review process and are published under the responsibility of the President of the International Scientific Council, the president of the scientific Commissions or the working groups coordinators and of the editor of the CIRIEC international scientific journal, the *Annals of Public and Cooperative Economics*.

These contributions may be published afterwards in a scientific journal or book.
The contents of the working papers do not involve CIRIEC's responsibility but solely the author(s') one.

The submissions are to be sent to CIRIEC, Université de Liège, Quartier Agora, Place des Orateurs, 1, Bât. B33 (bte 6), BE-4000 Liège, Belgique.

Cette collection annuelle de Working Papers (WP) est destinée à accueillir essentiellement des travaux en français ou en anglais issus du réseau scientifique du CIRIEC et en particulier de ses groupes de travail. Les WP font l'objet d'une procédure d'évaluation et sont publiés sous la responsabilité du président du Conseil scientifique international, des présidents des Commissions scientifiques ou des coordinateurs des groupes de travail et de la rédactrice de la revue scientifique internationale du CIRIEC, les *Annales de l'économie publique, sociale et coopérative*.

Ces contributions peuvent faire l'objet d'une publication scientifique ultérieure.
Le contenu des WP n'engage en rien la responsabilité du CIRIEC mais uniquement celle du ou des auteurs.

Les soumissions sont à envoyer à l'adresse du CIRIEC, Université de Liège, Quartier Agora, Place des Orateurs, 1, Bât. B33 (bte 6), BE-4000 Liège, Belgique.

## Publications

2015/01 Stability in a Network Economy: The Role of Institutions
Robert P. GILLES, Emiliya A. LAZAROVA & Pieter H.M. RUYS

2015/02 L'économie sociale compte-t-elle ? Comment la compte-t-on ? Représentations de l'économie sociale à travers les indicateurs statistiques
Amélie ARTIS, Marie J. BOUCHARD & Damien ROUSSELIÈRE

2015/03 Cadre conceptuel de qualification des entités de l'économie sociale dans les statistiques
Marie J. BOUCHARD, Paulo CRUZ FILHO & Martin ST-DENIS

2015/04 La construction de la statistique de l'économie sociale et solidaire (ESS) en France : une mobilisation progressive d'acteurs très divers
Danièle DEMOUTIER, Elisa BRALEY, Thomas GUÉRIN & Daniel RAULT

2015/05 Que « produit » l'entreprise d'économie sociale ?
Sybille MERTENS & Michel MARÉE

2015/06 Organizational models for the major agri-food cooperative groups in the European Union
Elena MELIÁ MARTÍ & Mª Pía CARNICER ANDRÉS

2015/07 Rough Guide to the Impact of the Crisis on the Third Sector in Europe
Tony VENABLES

2015/08 State-Owned Banks: Acquirers in M&A deals
Emanuele BACCHIOCCHI, Matteo FERRARI, Massimo FLORIO & Daniela VANDONE

2015/09 Major Public Enterprises in Croatia
Anto BAJO & Marko PRIMORAC

2015/10 Major Public Enterprises in Germany
Christina SCHAEFER & Stephanie WARM

2015/11 Credit Unions in Romania – a strong social enterprise model to combat financial exclusion and over indebtedness
Cristina BARNA & Ancuţa VAMEŞU

2015/12 Overcoming urban-rural imbalances: the role of cooperatives and social enterprises
Andrea SALUSTRI, Michele MOSCA & Federica VIGANÒ

2015/13 Worker cooperatives, a status to survive in a changing world or a status to change the world? Spain and France, two worldviews on worker cooperatives
Sandrine STERVINOU, Julie BAYLE-CORDIER, Lorea NARVAIZA, Cristina ARAGON, Cristina ITURRIOZ

2015/14 Municipalities and Social Economy. Lessons from Portugal
João Salazar LEITE

2015/15 Financial vulnerability: an empirical study of Ugandan NGOs
Berta SILVA & Ronelle BURGER

2015/16 Revisiting the concept of Social Enterprise in a Gulf Cooperation Council (GCC) context: a social constructionist view
Sarah JOHNSEN

2015/17 Major Public Enterprises in Turkey: 2005-2013
S. Burcu AVCI

CIRIEC (International Centre of Research and Information on the Public, Social and Cooperative Economy) is a non governmental international scientific organization.

Its **objectives** are to undertake and promote the collection of information, scientific research, and the publication of works on economic sectors and activities oriented towards the service of the general and collective interest: action by the State and the local and regional public authorities in economic fields (economic policy, regulation); public utilities; public and mixed enterprises at the national, regional and municipal levels; the so-called "social economy" (not-for-profit economy, cooperatives, mutuals, and non-profit organizations); etc.

In these fields CIRIEC seeks to offer information and opportunities for mutual enrichment to practitioners and academics and for promoting international action. It develops activities of interest for both managers and researchers.

Le CIRIEC (Centre International de Recherches et d'Information sur l'Economie Publique, Sociale et Coopérative) est une organisation scientifique internationale non gouvernementale.

Ses **objectifs** sont d'assurer et de promouvoir la collecte d'informations, la recherche scientifique et la publication de travaux concernant les secteurs économiques et les activités orientés vers le service de l'intérêt général et collectif : l'action de l'Etat et des pouvoirs publics régionaux et locaux dans les domaines économiques (politique économique, régulation) ; les services publics ; les entreprises publiques et mixtes aux niveaux national, régional et local ; l'économie sociale : coopératives, mutuelles et associations sans but lucratif ; etc.

Le CIRIEC a pour but de mettre à la disposition des praticiens et des scientifiques des informations concernant ces différents domaines, de leur fournir des occasions d'enrichissement mutuel et de promouvoir une action et une réflexion internationales. Il développe des activités qui intéressent tant les gestionnaires que les chercheurs scientifiques.

International Centre of Research and Information on the Public, Social and Cooperative Economy - aisbl
Centre international de Recherches et d'Information sur l'Economie Publique, Sociale et Coopérative - aisbl

Université de Liège
Quartier Agora
Place des Orateurs, 1, Bât. B33 - bte 6
BE-4000 Liège (Belgium)

Tel. : +32 (0)4 366 27 46
Fax : +32 (0)4 366 29 58
E-mail : ciriec@ulg.ac.be
http://www.ciriec.ulg.ac.be