



HEAVY LIFT

& PROJECT FORWARDING INTERNATIONAL

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Turkey's geographic location, coupled with strong public sector investment, has provided a wealth of heavy lift and project cargo handling opportunities. However, a mid-year currency crisis in 2018 has left a number of large-scale projects in limbo. *Felicity Landon* reports.

Logistics Plus has handled the delivery of a 105-tonne cryogenic gas tank from Turkey to Norway.

The Turkish economy is "experiencing a difficult period", as the World Bank puts it. In an October 2018 report, the bank stated that the country's economic and social development performance since 2000 had been impressive, with macroeconomic and fiscal stability at its heart, dramatic urbanisation, an opening up to foreign trade and finance, and the harmonisation of many laws and regulations with the European Union (EU).

But 2018 was tough. In the second half of the year, in particular, Turkey was hit by market volatility and growing economic stress, said the World Bank. Demand started decelerating in the third quarter and the

economic outlook is "subject to higher levels of uncertainty".

Plunging lira

The Turkish lira lost about 40 percent of its value against the dollar during 2018, although improved relations with the USA and a big interest rate hike helped towards something of a rebound. Inflation peaked at more than 25 percent in October.

How does all this translate into reality for Turkey's heavy lift and project forwarding sector?

"2018 was very challenging for Turkey because of the currency fluctuations," according to Kaan Aydın, business development manager at Batı Group.

"Politics is a very important factor that highly affects our business and I believe that political developments must be examined very closely. In 2018, the fluctuation of the Turkish lira led to a depreciation of imports and lack of local investment," he explained.

Feyza Ercengiz, ATA Freight Line's industrial projects manager, said, "2018 started as one of the most promising years of the last decade but trade wars mitigated the potential global trade increase."

She added that the strong dollar exchange rate and increasing interest rates in the USA negatively affected all developing countries. Local currencies lost value against the dollar and inflation started to increase, causing a major slowdown in economic growth rates.

"While the situation is now under control, imports decreased dramatically and exports increased. Manufacturing was negatively impacted and when manufacturing decreases, so too does the accompanying logistics services," explained Ercengiz.

She expects the first quarter of 2019 to be difficult, but hopes things will get better. However, she is not overly optimistic and anticipates that global logistics activity will slow down because of this ongoing uncertainty during 2019.

"While 2018 was not as favourable as we thought, we are still in a good position. The market does not have that much promise at the moment and we will still have to be

careful in 2019, but when there is crisis you can find opportunity."

However, despite clear challenges, 2018 proved to be a satisfactory year for both Batı and ATA Freight Line. Aydın said the experience of its branches in southeastern Turkey enabled Batı to secure "a lot of good transportation opportunities to countries such as Iraq and Syria".

In 2018, the fluctuation of the Turkish lira led to a depreciation of imports and lack of local investment.

—Kaan Aydın, Batı Group

Sebnem and Serdar Atabek from Istanbul-based Tur Transit Logistics, which provides heavy transport services for the civil engineering and energy sectors, said that the construction of new roads and bridges was also a growing business in Turkey.

They added: "Despite a lack of development in this sector we are looking forward to upcoming projects in the Turkic republics as well as in Europe and the Middle East."

Compared with the previous couple of years, Ercengiz said that Turkish project logistics opportunities improved in 2018. An important factor for the sector is Turkey's 2023 vision plan, within which the government's mega-projects are part of the

strategic game plan, said Ercengiz.

These include Istanbul's new airport, the first phase of which opened in October 2018; the 1915 Canakkale bridge and highway project; the three-storey Grand Istanbul tunnel; and the Northern Marmara highway. Also on the list is Kanal Istanbul: a USD16 billion plan that involves building a 45 km shipping canal parallel to the Bosphorus Strait.

Energy projects

In terms of energy projects, the Trans-Anatolian natural gas pipeline (TANAP) project and the Star refinery have been the standout developments. Aydin said that Bati has been active in all of these, as well as Istanbul airport, the Canakkale bridge project and the Gebze-Izmir motorway.

"We are happy to say that 2017 and 2018 have been very successful for us. Bati Group was nominated by Sapura Kencana and Kalyon as the main agent for the TANAP pipelaying Vessel SK 1200, which stayed in Turkey for four months," said Aydin.

"We are moving a lot of machinery from Europe and the UK for the Canakkale bridge project, with the help of Bati Germany, as well as our UK agent. Bati Group is also representing RollDock as commercial agent and we expect to launch a 900-tonne mega yacht from Antalya in the coming months," he added.

Bahadır Erdil, global projects director at Logistics Plus, is also optimistic about the upcoming projects in Turkey. He stated that over the last decade there has significant developments each year.

"There are a wide range of energy investments ongoing in the country and Turkey is gradually expanding its power generation capacity.

"In the Aegean region, there is a huge potential for geothermal projects. Reports suggest that Turkey's geothermal potential is theoretically around 32 GW, and at the moment there is only 6.5 GW of installed geothermal energy," he pointed out.

Erdil noted that the country does not solely rely on power plant investments as a source of project cargo opportunities.

"Turkish shipyards are also an important part of the country's project cargo sector. They produce a variety of vessels including tugs, fishing boats and pilot boats and are also getting involved in offshore projects, for example the country's first own ultra-deepwater drillship."

The challenges in Turkey, according to Erdil, are not that different than what is being experienced in the USA, Europe or in

Medden has been active delivering cargoes to the Marmara region for a gold mine development.



the Middle East. "Unfortunately, the only barrier is in the minds of the foreign investors - they see Turkey as an unstable economy. But, compared with neighbouring economies in the region, Turkey is one of the only areas that has not stopped investing.

"Turkey is surrounded by wars, political crisis, immigration problems, economic sanctions but still installing more geothermal capacity than some European countries and signing deals for three nuclear power plant projects. I believe that these are examples that not only show how eager Turkey is to invest in energy but demonstrates the country's desire to become a power hub in the region."

Erdil expects nuclear power projects to provide project logistics contracts worth hundreds of millions of dollars.

"With nuclear power plant construction



Some project forwarders have been busy with the deliveries of escalators, bridges and other out-of-gauge cargo to the new airport site.

— Emre Eldener, Kita Logistics

kicking off, there are a lot of promising developments, in my opinion," according to Erdil.

Rosatom's Akkuyu nuclear power plant, located in Büyükçekirli, Mersin, will be the country's first nuclear power facility. A second project, which will be located in the Black Sea province of Sinop, has run into trouble, however.

Soaring costs

Media reports suggested in December 2018 that the Japanese-led private-public consortium behind the Sinop development might abandon the project due to soaring costs. Construction costs have ballooned to around JPY5 trillion (USD44 billion), nearly double the original estimate. Meanwhile, a third nuclear power plant project is also being discussed.

Altug Sozalan, ceo of CJ ICM Logistics, commented: "We do not expect any significant progress in the second and third nuclear power plant projects. However, Akkuyu is progressing on schedule. We believe Turkish companies will increase their involvement in this project."

Sozalan added: "With an emphasis on coal-fired power plants, we expect final investment decisions will be concluded during the next two years for projects with investment incentive programmes and licenses already in place."

Emre Eldener, managing director of Kita Logistics, highlighted the new Istanbul airport as Turkey's biggest investment in 2018.

"Some project forwarders have been busy with the deliveries of escalators, bridges and other out-of-gauge (OOG) cargo to the new airport site. Aside from that, the Star refinery has been completed and started production.



There are other ongoing infrastructure projects such as high-speed train and metro lines."

However, Eldener said that the second half of 2018 was particularly sluggish. This was due to unfavourable exchange rates and slower economic activity overall. As a result, investments have been delayed.

Meanwhile, there is the significant challenge of political instability in Turkey's bordering countries. The Turkish economy adjusted to the Syrian conflict and the border being closed, said Eldener. "But this situation completely blocked the road access to the Middle East, which is a major problem."

However, Turkey's geographic location, advanced road and port infrastructure, and readily available heavy transport fleet makes it an ideal transshipment hub for project cargoes.

"Marmara seaports are heavily used for



We have been assigned to handle and deliver cargo for two [gold] mines, one located in the eastern region and the other one in Marmara region.

— Vanessa Medini,
Medden Shipping and Trading

transshipping cargo to the Caspian area, for example," said Eldener. Transit formalities can take time – but the ministry of trade is working on resolving the issues, he added.

Vanessa Medini, board member at Medden Shipping and Trading, also drew attention to Turkey's unstable political and economic environment, which had a negative impact on both local and international investors during 2018.

"The extreme increase in the exchange rates made life difficult for companies that do business in US dollars and euros, especially importers that buy in these currencies and sell in Turkish lira. They lost a lot of money and found themselves in huge debt. There were many companies that announced bankruptcy and some which are currently going through restructuring.

Renewable energy

"Turkey is not only a logistics hub acting as a bridge connecting the East and the West but it is also an ideal location for the installation of wind, solar, hydroelectric and geothermal power plants. However, what is crucial for these investments is a fast and efficient licensing procedure, which seems to be lacking currently and is causing investors to lose time, energy and, most importantly, motivation," she said.

A one stop shop, as suggested at the Turkish Wind Energy Association's (TWEA) annual congress (Medden is a member of the association), could prove to be beneficial. It could increase the amount of investment in this area, as well as boosting the heavy lift and project cargo sector by generating some interesting cargo to handle and transport, she said.

According to TWEA figures, wind power plants installed in Turkey reached a capacity of 7.01 GW in July 2018. Erdil from Logistics Plus also pointed to the country's wind energy market as a welcome source of

Turkey eyes offshore wind energy potential

Political and economic difficulties aside, some key players in Turkey's project logistics sector are turning their attention to the potential of offshore wind energy. The industry has been a welcome source of project cargo in other regions, particularly in the North Sea, but has struggled to get off the ground in Turkey.

Caner Aydin, president of Istanbul-headquartered Bati Group, is optimistic that this market could soon come into the fold. "The future for Turkey will be wind power, and there is planning under way to establish some wind farms in the shallow bays."

He warned, however, that these projects will still

take some time before they become reality.

In June 2018, Turkey opened a tender for a 1,200 MW offshore wind plant project; Saros and Gallipoli located in the Marmara region and Kyzıköy in Thrace were the candidate regions for the project.

But, since the close of the tender in October 2018, there has been no sign of progress. The ambitious project, hailed as what could be the world's largest offshore wind farm, appears to have fallen victim to the heightened risks of investing in Turkey, notably the lack of funds, loss of investor confidence and weakened lira.

Reports also suggested that companies were hesitant to bid for the project, due to the requirements for locally produced parts and local personnel.

Despite the project hitting a standstill, it is the first sign that the country will be entering the offshore wind energy market and for Aydin, this sector will be more beneficial than its onshore counterpart.

"OEMs [active in onshore wind energy] know the local asset owners and are going to them directly. Offshore energy, however, is where we can really get involved with our expertise."

Project updates

TANAP, the 1,850 km gas pipeline project built jointly by Turkey and Azerbaijan over three years, entered operation in June 2018. This pipeline provides Turkey with 12 percent of the gas it needs, as well as supplying other European countries.

Meanwhile, the TurkStream project will supply Turkey and European countries with Russian gas, to be moved across the Black Sea through a 910 km-long pipeline, which includes a 260 km section through Turkish land. The final pipe on the Turkish coast was installed in November 2018, marking the completion of one of the four gas lines planned for the project.

Turkey's first nuclear power plant, meanwhile, being built in Mersin, is due to be finished in 2023.

project cargo opportunities. "Turkey has become a hub for wind tower and blade manufacturers, with some of the world's largest building factories in the country."

For the heavy haulage companies in Turkey, onshore wind energy projects are currently their bread and butter. One industry executive suggested that these smaller movements are keeping the equipment running.

Energy developments

Although Turkey is blessed with natural resources, Medini emphasised that the country remains reliant on neighbouring countries such as Iran, Iraq, Kuwait, Saudi Arabia and Russia for its natural gas. "The amount spent to import these sources keeps increasing the country's debt."

In a bid to tackle the imbalance, the government has purchased the first Turkish drillship; this has been exploring for oil around Antalya, off the southern coast of Turkey, and in the East Mediterranean. The minister of energy and natural resources said that second drillship was purchased and put into operation in the Black Sea during December 2018.

Gold mines are another area that has been keeping Medden busy. "We have been assigned to handle and deliver cargo for two mines, one located in the eastern region and the other one in Marmara region," said Medini.

Turkey's infrastructure has improved tremendously over the past 15 years and the country now has European-standard ports in every region connecting with major roads, said Ercengiz at ATA Freight. A rail privatisation programme is ongoing.



Despite clear challenges, 2018 proved to be a satisfactory year for Bati.

This has cemented the country's position as an East-West transshipment hub, as well as to the Middle East and CIS countries. "We have seen a significant improvement in port infrastructure and the supply of transport equipment. The new airport will serve as a major hub with its huge capacity in the region," she added.

Some of the companies interviewed by



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—Feyza Ercengiz, ATA Freight Line

HLPFI drew attention to the amount of non-compliant companies active in the Turkish market and their pressure on price.

At Bati Group, Aydin said that some of these inexperienced companies are unable to perform as they have promised. "This issue leads to target rates that are impossible to sustain while preserving quality at the same time."

Unnecessary chaos

Medini at Medden added: "We believe that it becomes dysfunctional when competitors are not qualified enough but still claim they can provide the same services at a lower cost. This only creates unnecessary chaos and imbalance – unrealistic target rates, poor service, and confused clients trying to decide over quality and quantity."

She said: "We understand that numbers are all that matters at the end of the day for clients, but we also believe that there are certain standards that must be maintained at all times. For instance, we do not work with a supplier that we have not heard of, even if the rate we receive is cheaper than others. We only work with suppliers who are up to our standards and whom we can 100 percent trust. I am sure we have lost business because of this principle but I would prefer to lose business instead of engaging in an activity that would jeopardise our position and reputation in the market."

HLPFI

Your cargo matters.

You need to deliver every item on time and below budget to keep your project moving. With more than 22 years of experience in turn-key logistics projects and successfully delivering heavy-lifts around the world, we are your most suitable partner. You enjoy peace-of-mind assurance knowing that the move of every piece of cargo – from trains to cranes and turbines to transformers – is carefully planned, delivered and completed to your exact specifications with our trademarked **#PassionForExcellence**. Whether it is by moving a million big and small pieces to a solar farm or four massive prismatic tanks to a shipyard, we put the + in logistics each and every time.

With 50+ offices, our project team looks forward to serving you.

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