



TURKISH TOURISM , SME's & REGIONAL DEVELOPMENT

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TURKISH TOURISM

- AIR TRANSPORTATION FACILITIES
- YACHTS ESTABLISHMENTS OF TURKEY
- TOP 20 in the World Tourism (** Excluding same-day visitors)
- NUMBER OF VISITORS AND TOURISM RECEIPTS BY YEARS
- Distribution of Tourist Arrivals by Main Countries of Nationality
- Distribution of Tourist Arrivals by Means of Transport

WHY TURKEY

- Prices in Turkey and in its competitors

INSTITUTIONAL STRUCTURE

- THE MINISTRY OF TOURISM
- SECTOR ORGANIZATIONS
- OTHER PRIVATE ORGANIZATIONS

LEGAL FRAMEWORK

- Distribution of Business Establishments in Tourism Sector and Number of Employees for the Year of 1992
- Accommodation establishments by types licensed by Ministry of Tourism
- Distribution of accommodation establishments licensed by Ministry of Tourism according to the geographic regions

STATE AIDS for INVESTMENT TO TOURISM SECTOR

- HALKBANK TOURISM CREDITS
- EXIMBANK TOURISM MARKETING CREDIT

INPUT / OUTPUT ANALIS of TOURISM SECTOR

PROJECTS Of TURSAB for 2000

TURKISH TOURISM

After 1984, tourism has become one of the most important sectors of the Turkish economy contributing a great deal to foreign exchange reserves and national product. Because of Turkey's tremendous tourism potential with;

- 8333 kilometers of coastline with an extensive selection of beaches, ideal for any type of marine activities,
- Contrasting geographical regions with varied geomorphology and different climatic features ranging from temperate climate on the north, to typical continental inland and sup-tropical Mediterranean on the South,
- Correspondingly diverse flora and fauna; natural resources including rivers, mountains, potential for winter sports, various kinds of activity and summer holidays,
- More than a thousand thermal resources,
- Historical and cultural heritage of nearly 10.000 years,
- Fascinating remains of many successive civilizations,
- Istanbul, a worldwide attraction, typical towns, rural settlements with their own way of life,
- Natural wonders such as Pamukkale and Cappadocia coupled with extraordinary archaeological assets, expectations were high from this sector;

Promotion activities related with tourism sector has been started in early of 1970's . A coastal strip from Balikesir provincial border, up to the end of Antalya province which included Izmir, Kusadasi, Bodrum, Marmaris and the other popular destinations of today was declared priority region to concentrate both public and private investments, then tourism orientated physical planning works were initiated by the Ministry of Tourism, in co-ordination with the Ministry of Reconstruction and Re-settlement.

In 1982 the new **Tourism Encouragement Law No.2634** which introduced new incentives including government land allocations to private tourism investors, also giving more authority to Ministry of Tourism for the definition of development areas and planning was put in effect. Charter restrictions on certain routes were lifted. Also more funds for government investments and for credit facilities for encouragement of private sector were made available.

Since early 1980's in line with investments on infra and super structure and rapid increase in the number of tourist beds, Turkey has made considerable investments on communication network, and transformed the system with the most advanced technology connecting even remotest villages throughout Turkey to the national network.

Air transport has been another area of achievements. Turkish Airlines has been one of the fastest growing companies in the world, enjoying a very high load factor both in domestic and international flights. Turkish private air companies started operations also expanding their business every year. Relatively low rate foreign charter flights have also contributed to rapid increase of tourists, flocking in mass numbers to Turkey.

Table : AIR TRANSPORTATION FACILITIES

	PUBLIC (THY)		PRIVATE		TOTAL	
Year	No. of Plane	Seats	No. of Plane	Seats	No .of Plane	Seats
1992	40	6566	40	6273	80	12839
1993	58	9275	42	7046	100	16321
1994	56	9797	45	7708	101	17505
1995	57	9201	57	10278	114	19479
1996	62	9869	58	11301	120	21170
1997	63	10038	59	11587	122	21455
1998	69	10911	63	12236	132	

Turkey as a country with 8333 km of coastline , still continues to develop summer holiday facilities ,also Winter holiday and sports, mountaineering, sub-aqua diving, tracking, golfing, horse riding and all other activity holidays, cultural tours, special interest tours for enthusiasts, spas, meetings, incentive travel and all other tourist activities have been taken as priority issues to utilize the wide range of diverse resources.

Table : YACHTS ESTABLISHMENTS OF TURKEY

INVESTMENT LICENSED			
YEARS	EST.	YACHTS	BED
1990	79	378	3986
1991	83	397	4281
1992	80	390	4121
1993	81	400	4253
1994	73	328	3565
1995	72	336	3655
1996	71	324	3628
1997	71	323	3621

OPERATION LICENSED			
YEARS	EST.	YACHTS	BED
1990	84	441	4365
1991	88	460	4559
1992	93	481	4971
1993	95	474	5034
1994	99	524	5401
1995	98	547	5567
1996	98	585	5905
1997	98	598	5951

FOREIGN YACHTS ESTABLISHMENTS			
YEARS	EST.	YACHTS	BED
1990	24	583	4102
1991	19	403	2846
1992	18	525	3609
1993	18	553	3732
1994	15	498	3243
1995	11	412	2616
1996	10	398	2542
1997	7	393	2479

With all these positive developments , Now , Turkey is one of the leading country for the major tourist generating markets of Europe where tour operators were in search of new destinations.

Although Turkey entered the world tourism and travel market later than others, it showed a rapid and sustained growth compared with its competitors and leading tourist receiving countries. In 1990, Turkey was the 24th most visited country in the world and today it is 18th. On the other hand Turkey's ranking among top earners is 12th whereas it was 21st in 1990.

Table : TOP 20 in the World Tourism (** Excluding same-day visitors)

Tourist Arrivals		
No	Millions	% of World Total
1 . France	70,0	11,2
2 . Spain	47,7	7,6
3 . USA	47,1	7,5
4 . Italy	34,8	5,6
5 . U.Kingdom	25,5	4,1
6 . China	24,0	3,8
7 . Mexico	19,3	3,1
8 . Poland	18,8	3,0
9 . Canada	18,7	3,0
10 . Austria	17,3	2,8
11 . Germany	16,5	2,6
12 . Czech Rep.	16,3	2,6
13 . Russian Fed.	15,8	2,5
14 . Hungary	14,7	2,3
15 . Portugal	11,8	1,9
16 . Greece	11,1	1,8
17 . Switzerland	11,0	1,8
18 . Hong Kong	9,6	1,5
19 . Turkey	9,2	1,5
20 . Thailand	7,7	1,2
“Top 20” Total	446,9	71,5
World Total	625,2	100,0

Tourism Receipts

No	Billion \$	% of World Total
1 . USA	74,2	16,7
2 . Italy	30,4	6,8
3 . France	29,7	6,7
4 . Spain	29,6	6,7
5 . U.Kingdom	21,3	4,8
6 . Germany	16,8	3,8
7 . China	12,5	2,8
8 . Austria	12,2	2,7
9 . Canada	9,1	2,1
10 . Australia	8,6	1,9
11 . Poland	8,4	1,9
12 . Turkey	8,3	1,9
13 . Switzerland	8,2	1,8
14 . Mexico	7,9	1,8
15 . Hong Kong	7,1	1,6
16 . Russian Fed	7,1	1,6
17 . Singapore	6,5	1,5
18 . Thailand	6,4	1,4
19 . Netherlands	5,7	1,3
20 . S. Korea	5,7	1,3
“Top 20” Total	315,7	71,0
World Total	444,7	100,0

Table : NUMBER OF VISITORS AND TOURISM RECEIPTS BY YEARS

YEARS	Number Of VISITORS (000)	TOURISM RECEIPTS (Million \$)
1963	198	7
1969	694	36
1975	1,540	200
1980	1,288	326
1985	2,614	1,482
1990	5,389	2,705
1991	5,517	2,654
1992	7,076	3,639
1993	6,500	3,959
1994	6,670	4,321
1995	7,726	4,957
1996	8,614	5,650
1997	9689	7.080
1998	9431	7.177

Table : Distribution of Tourist Arrivals by Main Countries of Nationality

	1996	%	1997	%	1998	%
1 . Germany	2.141.778	24,9	2.338.529	24,1	2.333.740	23,9
2 . UIS	1.582.423	18,4	1.513.566	15,6	1.311.357	13,4
3 . United Kingdom	758.433	8,8	915.337	9,4	996.512	10,2
4 . Romania	191.511	2,2	338.966	3,5	505.766	5,2
5 . USA	326.214	3,8	364.764	3,8	439.885	4,5
6 . France	251.976	2,9	333.781	3,4	436.932	4,5
7 . Netherlands	216.672	2,5	263.367	2,7	328.002	3,4
8 . Iran	378.130	4,4	331.666	3,4	304.924	3,1
9 . Italy	160.118	1,9	207.887	2,1	259.483	2,7
10 . Bulgaria	139.301	1,6	219.353	2,3	244.741	2,5
11 . Israel	254.445	3,0	263.423	2,7	238.298	2,4
12 . Austria	235.540	2,7	307.528	3,2	235.120	2,4
13 . Belgium	163.944	1,9	199.171	2,1	191.173	2,0
14 . Others	1.813.600	21,1	2.091.666	21,6	1.926.764	19,8
Total	8.614.085	100,0	9.689.004	100,0	9.752.697	100,

Table : Distribution of Tourist Arrivals by Means of Transport

	1994		1996		1997		1998	
Air	3.951.233	59,2	6.239.925	72,4	7.019.729	72,5	6.698.882	68,7
Land	1.824.635	27,4	1.360.328	15,8	1.576.038	16,3	1.794.563	18,4
Train	61.934	0,9	91.929	1,1	140.072	1,4	148.172	1,5
Sea	832.816	12,5	921.903	10,7	953.165	9,8	1.111.080	11,4
Total	6.670.618	100,0	8.614.085	100,0	9.689.004	100,0	9.752.697	100,0

WHY TURKEY

There is a general consensus of opinion that cost of traveling to Turkey is more reasonable than others. In fact comparable evidence based on consumer goods and services revealed by OECD and travel trade magazines confirms this statement.

Prices in Turkey and in its competitors, \$

Goods & Ser.	Spain	Greece	Turkey	Port.	Italy	France
0.3 Lt Bear	1.49	1.14	0.65	0.85	1.41	2.32
Coffee	0.98	1.64	0.65	0.45	0.83	1.68
1 Lt Milk	0.77	1.09	0.82	0.90	1.21	1.06
Taxi(10 min)	5.95	6.56	2.46	5.93	6.92	9.54
Wine (a bottle)	1.49	3.28	1.96	3.14	1.72	3.18
A Bread	0.90	0.91	0.19	0.73	1.08	0.78
Film (24)	1.49	5.90	3.93	4.11	6.26	5.29
Meal(2 person)	42.5	29.52	16.4	34.93	47.56	42.64
Total cost	56.74	50.04	27.06	51.04	66.99	66.49
Source: Travel Weekly (Jun 1997): From Lunn Polly Research.						

However, research results and consumer surveys clearly show that price is the most important but not the sole decision making factor. Quality, natural and cultural values are also factors attracting tourists to Turkey.

Why Turkey	%
Price (Reasonable travel cost)	25
Curiosity about Turkey	20
Getting to know Turkish people better	19
Shopping	15
Business	6
Quality	3
Turkish cuisine	2
Others	10
Source: Ministry of Tourism, SIS	

INSTITUTIONAL STRUCTURE

Since the importance of small-scale enterprises has been recognized in most of the developed or developing countries, appropriate policies by the government have been considered to foster such units and some special organizations have been established. The organizational structure which directly related to the promotion of Tourism Sector in Turkey can namely be listed below;

THE MINISTRY OF TOURISM

The Ministry of Tourism is the government authority responsible for tourism. The main role of the Ministry is co-ordination of affairs, dealing with problems of the sector, preparing grounds and conditions for development, encouragement of the private sector as well as inspection of tourist facilities.

The Ministry of Tourism sets out policy measures and determines priorities both for the incentives and for encouragement of private enterprise as well as for public sector investments. The Ministry is also the authority, which licenses tourism investments and operating establishments. Travel Agencies have to obtain a certificate from the Ministry and be registered with the Association of Turkish Travel Agencies (TURSAB).

Training of personnel and tourist guides is another area of responsibility, of the Ministry. Ministry also conducts research and can prepare physical plans of priority areas (tourism areas and centres), and allocate public owned sites to tourism investments in compliance with laws and regulations.

Promotion of Turkey as a tourist destination is also among the important duties of the Ministry of Tourism while marketing is the business of private sector.

Tourism Regions: Regions declared their borderlines by the Decree of Council of Ministers with the Ministry of Tourism proposal,

Tourism Areas: Areas in tourism regions with natural or socio-cultural worthiness given priority in tourism development and declared their areas and borders by the Decree of Council of Ministers and the Ministry's proposal,

Tourism Centers: Places in/out tourism regions with an importance of tourism aspect and declared their places, areas and borders by the Decree of Council of Ministers and the Ministry's proposal,

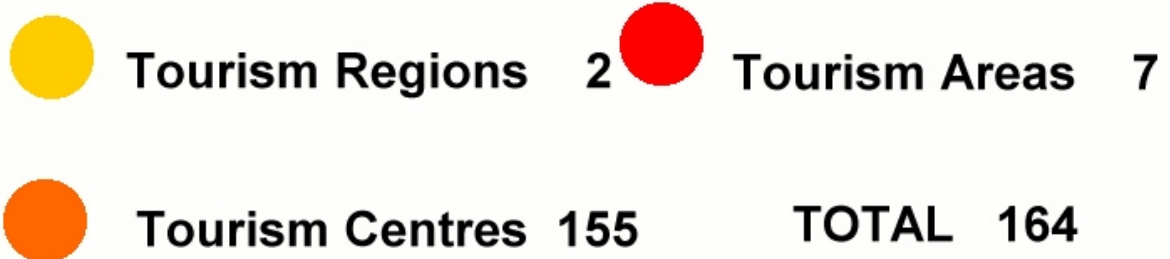
Tourism Enterprises: Trade firms in tourism sector established together or separately by real or legal entities with Turkish or foreign citizens,

Tourism Investment Certificate: The certificate given by the Ministry to the investors for the investment term declared,

Tourism Enterprise Certificate: The certificate given by the Ministry to the enterprises in tourism sector,

Tourism Enterprises or Tourism Investments with Certificate: The enterprises or investments given certificates by the Ministry ,The enterprises or investments with tourism certificates pay the electric, gas and water fees on the least price of the price list applied industrial enterprises and houses.

Yacht: Ships registered as yacht in the measurement certificate and all marine vehicles used for traveling and sports and not used for cargo in case of having no measurement certificate, Natural, historical, archeologic and socio-cultural tourism values, winter, hunting and water sports and health tourism and other tourism potential are taken into consideration in the determination of tourism regions, tourism areas and tourism centers.



SECTOR ORGANIZATIONS

Association of Turkish Travel Agencies (TURSAB)

TURSAB is a non-profit making organization and a legal personality which has been established under Law No.1618 which came into effect in 1972.

The Association aims to develop and promote travel agency profession as well as tourism both at home and abroad. All travel agencies must be licensed by the Ministry of Tourism and be registered by TURSAB in order to be able to conduct travel agency business.

Travel agencies

Travel agencies are divided into three categories according to Law No.1618 as: A, B, C.

A Group travel agencies, can provide all services. (Travel agencies services also cover tour operators, ground operators, DMCs, PCOs, Incentive House, Rent a Car services.)

B Group travel agencies' activities are confined to ticketing and retailing Group A Tours and packages.

C Group agencies organize tours for domestic market only.

Travel agency business has flourished parallel with development of Turkish tourism. A great leap in the number of travel agencies has been observed since 1990 reaching a total of 4300 by January 1999.

Table NUMBER OF AGENCIES BY GROUPS

	A	A-P(x)	B	C	TOTAL
Head Office	1583	1160	187	390	3320
Branch	800	124	23	55	1002
TOTAL	2383	1284	210	445	4322

(x) A-P indicates those agencies which receive provisional operating certificate

Turkish travel agencies offer wide range of products to satisfy demand of any segment of market; most travel agencies diversified their field of activity while some others are specialized in specific areas.

Turkish travel agencies have gained valuable experiences through decades when tourist trends were fluctuating because of internal and external problems. Some agencies have also established travel agency and tour operation business abroad and accomplished success under severe competitive market situation.

TURSAB awards travel agencies, which bring annually more than one million dollars foreign currency in Turkey. Awarded agencies have increased from 58 in 1986 to 155 in 1997.

OTHER PRIVATE ORGANIZATIONS

Hoteliers are organized under different associations. Turkish Hotel Association TUROB is one of the leading sector organizations, which represents an important part of Turkish accommodation industry.

Turkish Tourism Investor Association TYD, is another leading organization of tourism sector which represents major investors in tourism.

Private airline companies have a similar Association titled TOSHID ‘Turkish Private Air carriers Association’. Turkish Airlines at present is a state economic enterprise. Coach operations or bus companies have also been united under the title of Association of Bus Operators. So are the tourists guides, as they also have their own associations. To sum up the organizational structure, all branches of tourist industry have established their own independent organization or association. The only Association which has been established by a **special law** is the Association of Turkish Travel Agencies. (TURSAB)

LEGAL FRAMEWORK

There are a large number of legislations directly or indirectly related to tourism. However the main ones pertaining to tourism are as follows.

Five Year Development Plans are prepared by the State Planning Organization and following the legal procedures they are put in effect when the bill is passed by Parliament. They are imperative for the public sector while they provide guidelines for the private sector. **Decree Law on The Organisation and Duties of the Ministry of Tourism No.355 came in force on 03 March 1989. (The Ministry was established in 1963 by Law Number 265) Travel Agencies and Union of Travel Agencies Law No.1618 was put in effect on 29 September 1972.**

Encouragement of Tourism Law No.2634 passed by Parliament on 12 March 1982 and replaced Law No.6086 which was in operation since early 1960’s. The basic philosophy has remained the same however more incentives were introduced and the Ministry was given more authority in certain areas. The law also introduced articles for special segments of industry expanding the scope of activities previously covered.

Incentives based on the new legislation and Government economic policies were:

- Allocation of public lands to investors on long term basis,
- Provision of main infrastructure by state,
- Long, medium and short term credit facilities for construction, furnishing and operation respectively,
- Preferential tariff rates for electricity, water, and gas consumption, in priority areas and centres,
- Priorities for communication installation,
- Foreign personnel employment in compliance with law up to 20 % of total,
- Some exemptions from customs tax,
- Encouragement premium,
- Investment allowance,
- Resource utilization support fund premium,
- Exemption of tax, duties and fees for long and medium term investment credits,
- Exemption from building construction duties,
- Postponement of value added taxes .

The basic concept of the first Tourism Encouragement Law was, to build up a new modern tourist industry, more specifically on accommodation industry and tourist facilities rather than controlling the existing ones and grading them. Thus the law did not necessarily cover the whole industry contrary to those in many other countries, but it set out certain standards through relevant regulations for those enterprises who might wish to enjoy certain incentives and encouragement measures introduced by law.

Facilities as such, used to be and are still licensed by The Ministry of Tourism provided that they conform to the terms and regulations of the said law as well as the nation-wide standards required.

Those facilities which did not conform to the standards or were unwilling to obtain a tourist license from the Ministry, remained under the control of local authorities namely Municipalities. However they can always obtain a license from the Ministry provided that they satisfy terms and conditions of the above mentioned legislation.

Important Regulations Pertaining to Tourism are;

- Regulations Pertaining to Travel Agencies.
- Regulations Pertaining to Association of Travel Agencies.
- Regulations concerning the Establishment of Tourism Training Centers
- Regulations on Basic Training Courses of Accommodation and Catering Establishments.
- Regulations on Professional Tourist Guides.
- Regulations on Inspection of Investments and Operations.
- Regulations on Allocation of Public Land for Tourism Investments.
- Regulations on the Qualifications of Tourism Investments and Operations.
- Regulations on Foreign Personnel and performing Artists in Licensed Tourism Establishments.
- Regulations, Pertaining to Preparation of Implementation Plans and Approval of Tourism Areas and Tourism Centers.
- Regulations on Yacht Tourism.

The legislation above includes important laws and regulations directly related to tourism.

There is a long list of other laws and regulations concerning tourism such as Coastal Law, Environmental Law, Forestry Law, Reconstruction Law, Turkish Commerce Law, Foreign Capital Investments Law, Tax Laws etc.

According to the 1994 Census of Business Establishments ,the total number of tourism establishments Hotel , Motel, etc is 6316 and the Small and Medium establishments comprises the 97.2 % . Restaurants, Cafes, Bars, etc. is 110826and 100 % of them can be categorized as Small and Medium establishments. The Table , gives the number and share of the Turkish small, medium and large tourism enterprises in terms of the total number of establishments, and the number of workers employed. It is clear from the Table , that ,Small and Medium Tourism Enterprises are predominant in Turkey , When the people who are not affiliated with social security organizations are taken into account , this ratio is evidently grow.

Table : Distribution of Business Establishments in Tourism Sector and Number of Employees for the Year of 1992

Distribution of Business Establishments in Tourism Sectors and Number of employees for the Year of 1992										
Sectors and Size of Businesses	Number of Business		Number of Employees		Owners and Partnes		Unpaid Family Worker		Total Employment	
Sector / Workers	Number	%	Number	%	Number	%	Number	%	Number	%
Hotel, Motel, etc.										
1-4	3.984	63.1	2.864	6.2	4.160	64.5	2.095	61.8	9.119	16.2
1-9	5.339	84.5	8.992	19.4	5.659	87.7	3.160	93.2	17.811	31.7
10-49	801	12.7	14.629	31.5	749	11.6	227	6.7	15.605	27.7
1-49	6.140	97.2	23.621	50.9	6.408	99.3	3.387	99.9	33.416	59.4
50-99	103	1.6	7.035	15.2	27	0.4	4	0.1	7.066	12.6
100+	73	1.2	15.765	34.0	15	0.2	-	0.0	15.780	28.0
TOTAL	6.316	100.0	46.421	100.0	6.450	100.0	3.391	100.0	56.262	100.0
Restaurants, Cafes, Bars, etc.										
1-4	99.451	89.7	46.968	42.5	100.939	88.2	35.790	80.1	183.697	68.1
1-9	109.058	98.4	85.787	77.7	112.102	98.0	43.640	97.7	241.529	89.6
10-49	1.737	1.6	22.343	20.2	2.268	2.0	1.046	2.3	25.657	9.5
1-49	110.795	100.0	108.220	97.9	114.370	100.0	44.686	100.0	267.186	
50-99	26	0.0	1.559	1.4	19	0.0		0.0	1.579	0.6
100+	5	0.0	787	0.7	2	0.0	1	0.0	789	0.3
TOTAL	110.826	100.0	110.476	100.0	114.391	100.0	44.687	100.0	269.554	100.0

However , if we consider the establishments licensed by Ministry of Tourism ;

Table : Accommodation establishments by types licensed by Ministry of Tourism(31.12 . 1998)

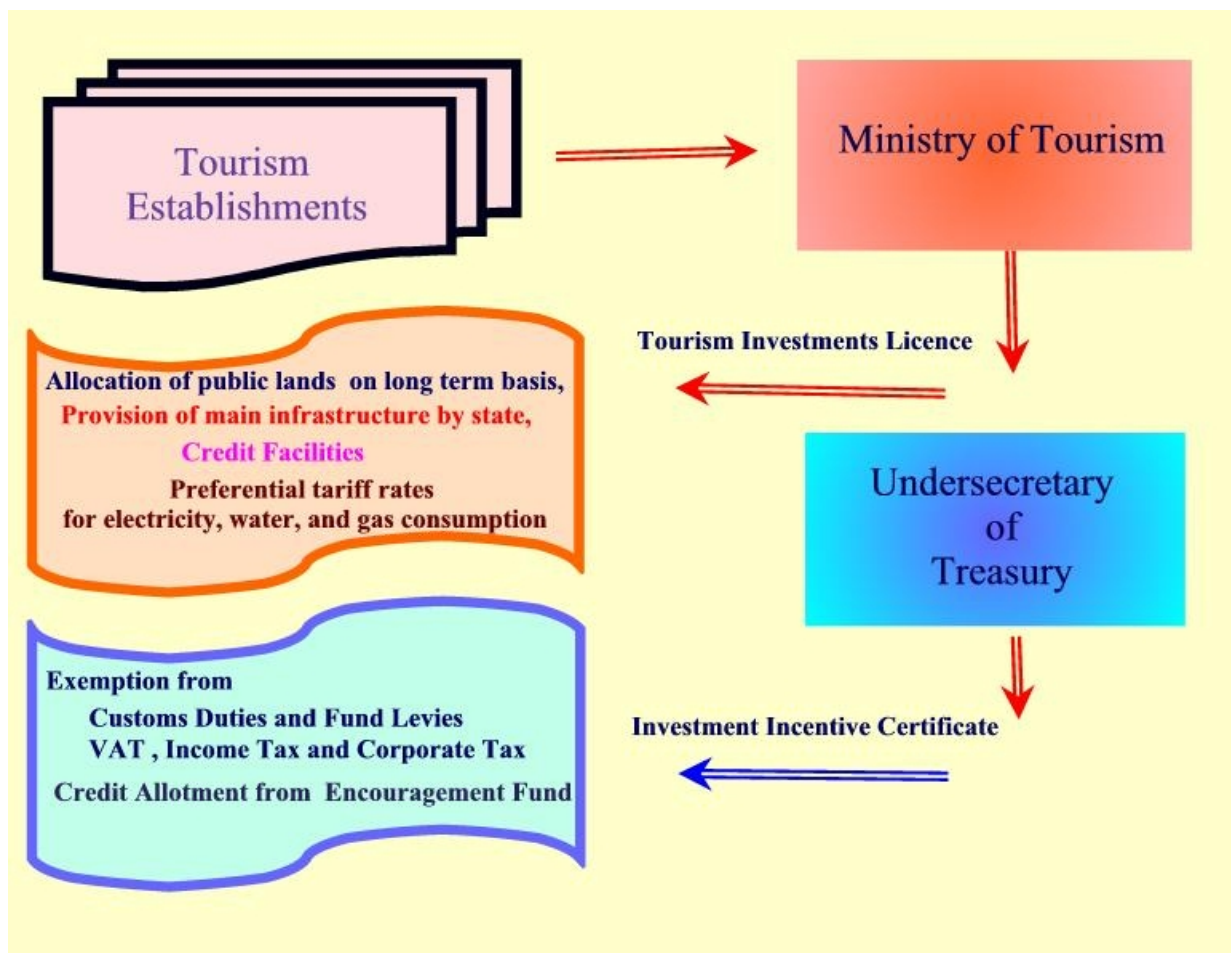
TYPE	CLASS	OPERATION LICENSED			INVESTMENT LICENSED		
		EST.	ROOMS	BEDS	EST.	ROOMS	BEDS
HOTELS	5*	99	27469	58051	67	18823	41061
	4*	176	23553	48216	135	22041	46320
	3*	448	35653	72261	356	29565	61213
	2*	606	25487	50175	441	19002	38605
	1*	189	6252	11885	83	2007	4057
MOTELS	1th & 2nd class	34	1173	2330	26	592	1146
HOLIDAY VILLAGES	1th & 2nd class	80	22420	48898	70	16443	35311
BOARDING HOUSE		182	3104	6070	145	2504	4893
CAMPINGS		17	1700	5090	9	987	2805
THERMAL HOTELS		16	1800	3656	-	-	-
APART HOTELS		36	1143	2964	-	-	-
SPECIAL LICENSED		72	2111	4834	16	289	600
GOLF EST.		3	484	1883	2	360	1058
TRAINING EST.		2	81	163	4	324	705
HOLIDAY INN		-	-	-	1	27	54
HOSTEL		-	-	-	1	40	137
CARAVAN		1	18	72	-	-	-
TOTAL		1961	152448	316548	1356	113004	237965

Table ; Distribution of accommodation establishments license by Ministry of Tourism according to the geographic regions (31.12.1998)

GEOGRAPHIC REGIONS	INVESTMENT LICENSED		OPERATION LICENSED	
	EST.	BEDS	EST.	BEDS
MARMARA	183	40 475	456	63 961
AEGEAN	546	92 309	602	96 196
MEDITERRANEAN	386	85 756	533	112 887

CENTRAL ANATOLIAN	76	10 035	172	23 193
BLACK SEA	82	9 899	98	8 983
8m 983EASTERN ANATOLIAN	53	6 135	49	4 797
SOUTHEASTERN ANATOLIAN	39	4 516	44	4 198
TOTAL	1365	249 125	1 954	314 215

STATE AIDS for INVESTMENT TO TOURISM SECTOR



Encouragement of Tourism Law No.2634 introduced articles for special segments of industry expanding the scope of activities previously covered.

Incentives based on the new legislation were:

- Allocation of public lands to investors on long term basis,
- Provision of main infrastructure by state,
- Long, medium and short term credit facilities for construction, furnishing and operation respectively,
- Preferential tariff rates for electricity, water, and gas consumption, in priority areas and centers,

- Priorities for communication installation,
- Foreign personnel employment in compliance with law up to 20 % of total,
- Some exemptions from customs tax,
- Encouragement premium,
- Investment allowance,
- Resource utilization support fund premium,
- Exemption of tax, duties and fees for long and medium term investment credits,
- Exemption from building construction duties,
- Postponement of value added taxes .

Also according to ,**DECREE CONCERNING STATE ENCOURAGEMENTS TO INVESTMENTS AND THE INVESTMENT ENCOURAGEMENT FUND ;There are two aspects of State aids for Investment in Tourism sector , First concerns the fund-based credits and the second covers the exemptions from VAT, customs taxes, stamp and duties and the investment allowances (tax holidays).**

In order to benefit from the elements of encouragement, it is necessary to obtain an investment encouragement certificate, for which the application principles are determined by the Undersecretariat of Treasury .In order to receive an encouragement certificate, **the investment must have a minimum amount of 25 Billion Turkish Lira (TL) (~ 50.000 \$) as fixed investment, if the investment is in the Priority Development Region, and a minimum amount of 50 Billion TL (100.000 \$)for investments in other regions.**

According to the investment incentive certificate The State aids are;

- Exemption from Customs Duties and Fund Levies: The machinery and equipment imported according to the Investment Incentive Certificate have exemption from Customs Duties and Fund Levies for 100%.
- Exemption from VAT: If the Investment Incentive Certificate has shown on the Customs both export and locally purchased machinery and equipment for production line have exemption from VAT.
- Exemption from Investment: Addition with the total price of the machinery and equipment and total amount of investment cost. The result should be subtracted from the taxable values.
- Exemption from the Taxes, Duties and Fees: The investors who commit to realize 10.000 US Dollars of exports upon the completion of the investment are granted exemption from the taxes, duties and fees.
- To benefit from the Encouragement Fund: The installment of the yearly taxes which have been paid to the government could be postponed. Because the payable tax amount will be used for the Investment Encouragement.
- Exemption from Income Tax and Corporate Tax: In First Priority and Extraordinary Situation Regions, the companies who are newly established and have more than 10 employees are exemption from Income Tax and Corporate Tax for five years.
- Other Taxes and Fees: In First Priority and Extraordinary Situation Regions, the companies who have the investment incentive certificate granted exemptions from housing taxes, stamp tax, bank tax, inheritance tax and other taxes which have to be paid to the Municipalities.
- Energy Incentives: This incentive measure enables the investors to benefit from a 50% reduction in their electricity expenses within the following city boundaries: Van, Diyarbakır, Siirt, Tunceli, Şırnak and Hakkari. This incentive shall be applied during the validity of the incentive certificate.

- Investment in the Developed Regions: The investments which might be granted the investment incentive certificate in the Developed Regions as follows:
 1. Electricity production
 2. Infrastructure investments
 3. Investments under the BOT and/or BOO scheme
 4. Investments related to R&D, design and producing new products or models
 5. Investments for environmental protection
 6. Priority technology investments determined by the Higher Council of Science and Technology
 7. Electronic sector investments
 8. Boat and yacht construction
 9. Shipyard investments
 10. Technopark, information technology, education, health, tourism telecommunication and certain service sector investments
 11. Capacity increase, modernization, quality improvement and integration investments
 12. Projects which are over 50 million US Dollars with at least one of the following requirements; high-tech, increasing employment, high level of value added and increasing tax revenues.
- Exception from the tax and fees: According to the temporary article 2, of 3505 numbered law, dated 3.12.1988; If an investor committed that he can make exportation for 10.000 US Dollars in two years after completion of the investment:
 - Establishment of a company
 - in the investment period, not to pass the total amount of the investment could be multiplying according to the investment incentive certificate
 - According to the investment incentive certificate, the credits granted from both international and the local banks. The credit amounts should be less than the foreign investment cost.
 - About the incentive certificated investments have a building/land etc. should be registered to the deed office as an own good of the investor.
- Credit Allotment from the Encouragement Fund: The frame of the instruction from the Undersecretariat of Treasury, investors may grant an allotment from the Encouragement Fund for R&D, technopark, environmental protection and KOBİ investments.
- Change of Investment Place and Investment Subject: It is necessary to inform to the Undersecretariat about investment place changes. The Undersecretariat takes the necessary action according to the law terms to prepare / un prepare new incentive certificate. If the old investment place have more state aid elements than the new place the Undersecretariat will take back some state aid elements from the investor. In the event of investment subject change, the investor has to provide a new information form to the Undersecretariat. According to the information form the Undersecretariat will take the necessary actions to revise the investment incentive certificate.
- Revising of the Incentive Certificate: The recorded elements on the investment incentive certificate never be finalized. They can be changed every step of the investment. Investors could be provided above mentioned changes to the Undersecretariat with the documentation any step of the investment. The investment value might be upgraded/downgraded 100% as well. In this case, the Undersecretariat will revise the investment incentive certificate appropriately.
- Time Extension: The investments have to be finished the foreseen timeframe on the investment intensive certificate. If the investments would not be completed foreseen

timeframe, the investor has to apply for time extension, 6 months before or 6 months after the expiration date either to the Chamber of Commerce or the Undersecretariat. If the time extension request approves by the Chamber of Commerce the documents will be forwarded to the Undersecretariat for the necessary procedures. On the investment incentive certificate foreseen time extension (including additional time) would be six (6) months. If the investment will not be completed during this timeframe the investment incentive certificate will be cancelled.

- Transfer, Sell and Import of the Certificate: According to the laws, Investment Incentive Certificate which completion visa has not given yet can be examined again by the Undersecretariat and can be provided the revised certificate to the investor.
- To import used Machinery Equipment and Facilities: The complex facility used according to the investment incentive certificate could be imported after studying the projects by the Undersecretariat. The used machinery and equipment could be imported according to the Importation Regime Decision. The used motor vehicles can not be imported.

Tourism investments (overnight encampment facilities) with an Investment Encouragement Certificate issued in accordance with the previous Decree No. 94/6411 dated 26.12.1994;

- must be confirmed by a report from the Turkish Emlak Bank, within a period of one year after the date of publication of this Decree, taking into account the escalated values, and indicating that the physical realization rate of the investment (including land), is at least 70%.
- must not have benefited from the Fund Sourced Credit, in relation with the previous provisions of the framework concerning Partially Completed Tourism Investments legislation (if the investment has partially benefited from the credit mechanism previously, the difference between the credit to be allocated in accordance with this Decree and previously used amount shall be taken into evaluation),
- must have the characteristics of a completely new investment.

The capacity increases realized after the publication of this Decree shall not be taken into consideration , With these conditions stated above, if an application is submitted to the Undersecretariat within one year after the publication of this Decree, in order to finance the incomplete portion of the investment, maximum 70% of the remaining investment can be credited from the Fund. This credit has 50% interest rate, having 2 years grace period, and 5 year maturity term.

Investments to be financed in this framework should be completed at the latest within one year period and application should be given to the Undersecretariat for the completion visa. Otherwise, the encouragement elements shall be taken back with sanctions.

SME's, in other words, the enterprises that qualify for the state aids are defined by the published in State Aids Decree as follows: “Businesses that employ a maximum of 150 workers, the net value of machinery and equipment, plants, vehicles, tools and appliances, furniture and fixed inventory excluding the land and buildings recorded in their legal books and documents is at most 100 billion TL.” However, of such businesses, the ones that operate in the services sector and tourism do not qualify. It is compulsory that they are in the manufacturing sector. The total net value of TL 100 billion of balance sheet and machinery and equipment is applicable until the end of this year. This figure will be increased every year

HALKBANK TOURISM CREDITS ;Halk Bank will carry out special loan program for tourism,

BENEFICIARIES OF THE CREDIT:	Hotel, Motel, Pension, Holiday Village, Camping, Rural Tourism Facilities (Plateau and Mountain Tourism or natural facilities (river , cave, etc.) , Thermal Tourism Facilities (hot spring, mud bain) and Yacht Management Firms with tourism certificate given by the Ministry, Tourism Offices or Municipalities .
TYPE OF THE CREDIT:	Credits are used by establishment and operation credits to cover fixed and furnitures and operating expenses of tourism firms.
GUARANTEE:	Personal guaranty, mortgage, commercial management warrant, commercial pledge, treasury bond warrant and other securities. It can be accepted Credit Guarantee Fund's guarantee in case of inability to give sufficient Guarantee.
LIMIT:	150 Billion TL(~ 300.000 \$). for the firms defined as SME by the bank. The stable limit is determined for other firms except SME definition according to the needs and depending on the project.
TERM:	For SMEs and Big-sized establishments, 2- 8 years in establishment credits, 2- 6 years in operation credits, It can be applied grace period up to 2 years when it is necessary.
INTEREST:	85 % for SMEs (75-85 % in monthly equal installments) 110 % for Large -Sized Enterprises (95-105 % in monthly equal installments)
BITT:	5 % (Bank Insurance Transaction Tax)
SFUC (Support Fund for Using Credit) :	3 % for Big-Sized Enterprises, it is not applied for SMEs.
COMMISSION:	2 %

EXIMBANK TOURISM MARKETING CREDIT

BENEFICIARIES OF THE CREDIT:	With the aim of promoting tourism sector and providing financial support for international marketing function of travel agencies; Tourism Marketing Credit is used by the bank for travel agencies with the certificate of Group A provided foreign exchange up to \$ 1.000.000 in a year.
LIMIT:	50 % of the total expenditures in proforma project is credited.(This amount should not exceed 250 Billion T.L. (510.000 \$) and 30 % of the previous year's sales of the travel agency.) This amount should not exceed; 5% of total foreign exchange amount in equivalent of Turkish

	Liras for the travel agency provided \$ 1-10 Million foreign exchange amount in a previous calendar year. 7% of total foreign exchange amount in equivalent of Turkish Liras for the travel agency provided over \$ 10 Million foreign exchange amount in a previous calendar year.	
TERM	max. 12 months.	
INTEREST (%)	TERM (Month)	INTEREST (%)
	4	67
	6	72
	9	75
	12	79

INPUT / OUTPUT ANALIS of TOURISM SECTOR **% of Input from Related Sectors to Tourism Sector**

1)Farming of Animals	13,40
2)Wholesaling and Retailing	11,79
3)Highway Transportation	9,84
4)Agriculture	8,91
5)Other Food Products	6,99
6)Individual and Professional Services	6,46
7)Alcoholic Beverages	4,37
8)Sugar Production	4,26
9)Banking and Insurance	3,08
10)Communication	2,57
11)Other Petroleum and Coal Products	2,35
12)Petroleum Refining	2,20
13)Non-alcoholic Beverages	2,16
14)Vegatable Oil and Fats	2,00
15)Ground Cereal Products	1,89
16)Fishing	1,68
17)Slaughterhouse Products	1,65
18)Paper and Paper Products	1,60

19)Electricity	1,50
20)Pharmaceutical Industry	1,46
21)Hotel, Restaurant, Cafe	1,35
22)Gas and Water	1,33
23)Chemical Fertilizer	1,11
24)Metal Products	0,92
25)Forestry	0,89
26)Textile	0,70
27)Tobacco	0,69
28)Printing,Publication and Bookbinding	0,68
29)Other Non-metallic Mineral Products	0,52
30)Vegatable and Fruit Processing	0,50
31)Coal Mining	0,41
32)Maritime Line Transportation	0,31
33)Plastic Products	0,17
34)Glass and Glass Products	0,11
35)Airway Transportation	0,07
36)Other Manufacturing Industry	0,05
37)Railway Transportation	0,04
TOTAL INPUTS	100

PROJECTS Of TURSAB for 2000

ANATOLIA 2000, NEW MILLENIUM CELEBRATIONS

Turkey has been the cradle of successive civilizations throughout its history, it has been homeland of many diverse cultures, religions, faiths which altogether created its unique heritage.

TÜRSAB, is at present working on a major project aiming to share all those values and the joy of the NEW MILLENIUM CELEBRATIONS with all the people of the world wishing for peace and happiness on the turn of the century and through the NEW MILLENIUM.

INTERNATIONAL MEETINGS & INCENTIVE TRAVEL EXCHANGE

Turkey has enjoyed a staggering increase in demand in a wide range of market segments. Meetings and incentive

travel is one particular area where demand falls well short of what it could have been, with regard to Turkey's share in the world, though Turkey offers excellent facilities and perfect services as witnessed in a number cases of international conventions and congresses.

TÜRSAB staged "International Meetings & Incentive Travel Exchange" in 1997 in Izmir and in 1998 in Antalya. The aim of the event is to prepare a ground to exchange of information and views, on this specific subject and promote Turkey to increase its share in incentive travel and meetings, convention market, by bringing buyers and trade members and all other concerned parties together. The third EXCHANGE will be held in Cappodocia between 14 – 17 October 1999.

EMITT'99 – VOYAGER

East Mediterranean International Tourism and Travel Exhibition

This year sees a major international event in Istanbul which brings the members of tourist trade and public together from all over the world.

EMITT Voyager 99, the most important fair of East Mediterranean area, realised by leading tourism organizations of Turkey provides opportunity to exchange views and information and to do business.

EMITT Voyager will continue to be the meeting place in coming years.

BLACK SEA TOURISM CO-OPERATION (BSTC) ; Black Sea: Destinations 2000's

1990s saw revolutionary changes; a part of Euro-Asian map has been redrawn, opening up a new world, new horizons. New vision, new hopes, new expectations, all around Black Sea, have created a desire for further co-operation in every sphere of life.

The aim of BSTC is to promote tourism to and in the Black Sea Area. BSTC Working Committee is now working on future plans and joint projects such as multi centre and special interest tours, Black Sea Cruise, Black Sea Art Festival.

On 10th March 1998 representatives of associates of travel agencies of five Black Sea Countries met to exchange view and ideas on co-operation in tourism upon invitation of the Association of Turkish Travel Agencies. On the second meeting held on 9th May 1998 in İstanbul, an agreement titled "Black Sea Tourism Co-operation (BSTC) Working Document of Participating Countries" was signed. Establishment procedures are still on progress with the aim of participation of travel agencies associations of eleven Black Sea Countries.

Source : TÜRSAB



For further information contact Mr Mehmet Atilla Sögüt, to whom you can send remarks and recommendations

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