

# THESIS

ROBERT COLLEGE GRADUATE SCHOOL  
BEBEK, ISTANBUL

PAGE

FOR REFERENCE

NOT TO BE TAKEN FROM THIS ROOM

LUXURY HOTEL ACCOMMODATIONS IN TURKEY

A Thesis

Submitted to

the Faculty of the Department of Business Administration  
Robert College

In Partial Fullfilment  
of the Requirement for the Degree  
Master of Arts

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by

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May 1967

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## PREFACE

Tourism is a growing industry in the world. Recently proper recognition has been given by the Turkish Government and by private enterprises to this industry. This study briefly discusses tourism in Turkey and the role that luxury hotels play in tourism. It also analyzes the profitability of selected luxury hotels in Turkey and compares their profitability with other investment alternatives.

The author wishes to express his gratitude to those who have helped him. He has received exceedingly valuable encouragement from Professor Louis Jordan of Columbia University, who has also improved the English with extraordinary precision and in a spirit of cooperation and interest which will be gratefully remembered.

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## CHAPTER I

### THE PROBLEM AND DEFINITIONS OF TERMS

Turkey is attempting to capture a larger share of the international tourist trade. For developing countries, where the need for increasing foreign exchange supply is pressing, any contribution of tourism is received with appreciation. In 1964 Spain, Portugal and Greece were among the countries that managed to have an excess inflow in their balance of payment statements, as far as traveling is concerned. (See Appendix<sup>I</sup>/A). In the future Turkey anticipates a favorable balance in this sector. The projections made in Chapter II indicate that the balance will be somewhere between 78 and 439 million dollars in 1972. The serious study of the issues related to tourism is a recent interest among businessmen and official organizations.

#### A. THE PROBLEM

Statement of the problem.--The purpose of this study is (1) to analyze the operations of luxury hotels; (2) to appraise their profitability in light of other alternative investment possibilities, such as second class hotels and vacation camps;

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and (3) to make suggestions to investors interested in luxury hotel accomodations.

Importance of the study.--The choice of tourism as the broad subject matter has two main reasons. Firstly, international tourism is getting greater recognition every year. The United Nations Conference on International Travel and Tourism held in Rome during the fall of 1963 indicated in its report that revenues generated from aggregate international tourism tops the revenues secured from any trade commodity. The volume, which was around 8 billion dollars in 1962, reached the level of 13 billion dollars by 1966. Since 1958 the growth

TABLE 1

## DEVELOPMENT OF INTERNATIONAL TOURISM

Years	Total Foreign Tourist Entries	Index	Total Revenue (million \$)	Index
1958	55,250,000	100	5,449	100
1959	63,000,000	114	5,847	107
1960	71,138,000	129	6,842	126
1961	75,281,000	136	7,284	134
1962	81,406,000	147	8,027	147
1963	93,756,000	170	8,834	162
1964	107,744,447	195	10,159	186
1965	115,892,595	210	11,633	213
1966	127,990,000	232	12,997	239

Source: International Union of Official Tourism Organizations.  
Yeni Gazete, 22 Nisan 1967, p.2

in the number of foreign tourist entries has been 232 percent.

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Turkey is in the infant stage of international tourism. As in the case of Freudian psychology, the study of this stage is worth while. The question of return on investment in different possibilities, in the absence of previous experience, becomes an important issue.

Secondly, the United Nations have designated 1967 as the International Tourist Year, on the ground that travel is

a basic and most desirable human activity deserving the praise and encouragement of all peoples and governments... Travel is a cultural catalyst, a sort of sociological mixmaster. It is an instrument of education, freedom, and peace. It stirs men to appreciate human diversity<sup>1</sup> and ventilates genuine differences within the diversity.

The author, who shares the goals of the United Nations, wishes to contribute to the International Tourist Year with the present study.

What has been written in the last two decades on tourism is far from a fair analysis of the problems relating to luxury hotel accommodations. The most significant contribution was made by the Special Committee of the State Planning Organization commissioned to report on tourism for the preparation of the Second Five-Year Plan. The five volume report makes a thorough study of tourism in which projections are included as well. This thesis will concentrate on the performance of the luxury hotels situated in the different provinces of Turkey.

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<sup>1</sup>William D. Paterson, "Agenda for Travel", Saturday Review, January 7, 1967, p. 24.

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An organization that has vast interest and experience in tourist accomodation is the Government Employee's Pension Fund. The Fund was established in 1950 with the objective of providing social security benefits to state employees. According to the articles of establishment the Fund is required to invest part of its accumulated funds in real estate. Its investment in hotel accomodations cover the major segment of the required 40% of the reserves to be invested in real estate. The fund is the owner of Istanbul Hilton, Grand Hotel Tarabya, Çelik Palas Hotel in Bursa, Grand Hotel Ephesus in İzmir, and Grand Hotel Ankara, all of which are luxury hotels.

This study will utilize the experiences of this institution. Mainly the operations of Istanbul Hilton, Bursa Çelik Palas, and İzmir Grand Hotel Ephesus will be analyzed. Grand Tarabya and Grand Ankara could not be included due to the fact that they were organized just recently. As other investment alternatives, various projects on second class hotels and summer vacation villages will be considered. In order to provide a perspective, the second chapter will concentrate on the development of tourism in recent years. This part is the product of research. The third chapter as indicated above will deal with the operations of the three hotels. The final chapter will contain conclusions and suggestions.

This thesis has shortcomings. It was intended to include the operations of privately owned luxury and second class hotels.

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Unfortunately the information needed for inclusion in this study is regarded as a confidential business matter by most of them.

Throughout this paper various terms will be used with a technical meaning. Consequently, it is essential that they be defined before proceeding further.

## B. DEFINITION OF TERMS

Tourist.--The term covers both foreign and domestic tourists. The League of Nations has provided a useful definition of "foreign tourist".

"Any person visiting a country, other than that in which he usually resides, for a period of at least 24 hours is a foreign tourist. The following are considered as tourists:

(a) persons travelling for pleasure, for domestic reasons, for health, etc;

(b) persons travelling to meetings, or representative capacity of any kind (scientific, administrative, diplomatic, religious, athletic, etc.);

(c) persons travelling for business reasons;

(d) persons arriving in the course of a sea cruise, even when they stay less than 24 hours.

The following are not regarded as tourists:

(a) persons arriving, with or without a contract of work, to take up an occupation or engage in any business activity in the country;

(b) other persons coming to establish a residence in the country;

(c) students and young persons in boarding establishments or schools;

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(d) residents in a frontier zone and persons domiciled in one country and working in an adjoining country;

(e) travellers passing through a country without stopping, even if the journey takes more than 24 hours."<sup>2</sup>

The definition of "foreign tourist" can be extended to apply also to the "domestic tourist". Then, a general definition of tourist is any person visiting a place for a period of at least 24 hours.

Luxury hotel.--The Ministry of Tourism and Information has issued a decree in which the minimum criteria for different classes of hotels are given. According to it luxury hotels must comply with the following conditions:

"1. Site of the hotel. (a) Must be around the center or proper place of the town. It must be on or very close to the main avenue. (b) Those outside the town must be built in places where the natural beauty or special touristic conditions are elements of justification.

"2. Entries. The guest, service and fuel entries must be separate. The latter two entries should be planned in such a manner that they will not disturb the guests. The luggage can be carried through the main guest entry, but it is preferable to have them separated.

"3. Park Place. A parking place at least equal to 25% of the area of the rooms is required. A maintenance shop to take care of the cars must be operated.

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<sup>2</sup> Tourism in C.E.C.D. Member Countries, 1964 (Paris, The Organization for Economic Co-operation and Development, 1964), pp. 3-4.

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## "4. Interior Organization of the Hotel.

A. Front Hall. (1) The reception, waiting lounge, PTT service, cashier and exchange counters, telephone cabins, key rack and safe boxes will be in this hall.

(2) If there is more than one story on each side of the main entrance, elevators are required. At least two elevators with capacity of carrying four people are suggested.

B. A cloak-room connected with the main hall is required.

C. Washing Rooms. For the lobbies, restaurants, and other public places separate rooms for gentlemen and ladies are required. The ladies room will contain a make-up stand as well.

"5. Administrative Bureaus. The departments that have a direct connection with customers will be located in the main entrance hall. The other departments can be located in places where space is available.

"6. Shops. Shops that sell souvenirs, magazines, flowers, cigars, sports equipment or other items that correspond with the special characteristics of the hotel are suggested. A barber shop, beauty parlor, shoe shining stand are compulsory.

"7. Lobbies. Lobbies appropriate for the number of rooms and the special characteristics of the hotel must be provided. Besides, two halls that can be used for receptions, tea parties, balls, exhibitions, or similar purposes must be available. Other than these, a night club, properly decorated, should be

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at the service of the customers. Open or closed terraces, dancing and orchestra platforms must be supplied by the hotel.

"8. Restaurant. A restaurant that will match the quality and the size of the hotel must be operated.

"9. Kitchen. The kitchen section will have to contain the following facilities: (a) storage places, (b) processing room, (c) main kitchen, (d) pastry section, (e) washing section for washing kitchen utensils, (g) distribution and service section, (h) dish washing section, where separate washing and drying equipment for china, glass and silverware will be operated, (i) food checking and control stand.

"10. Laundry and Ironing Department. Here the necessary equipment for washing, drying, ironing, and repairing will be installed.

"11. Repair and Maintenance Shop.

"12. Storage place for the inventories.

"13. A first aid room must be provided.

"14. Facilities for employees will contain the following: (a) separate change rooms for the male and females, (b) showers and washing rooms, (c) dining hall.

"15. Bed Rooms. The smaller side of the room will not be less than 3.20 meters, and the minimum room area will not be less than 16 square meters. This area does not include the entrance and the washing place within the room. The room will be furnished in an appropriate manner to provide two separate beds, comfortable chairs, mirrors and other amenities. The

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bed rooms will have a telephone and a selective loud-speaker broadcasting the Hotel's music program. The minimum number of rooms is set to be 100, those falling short of this requirement will need the approval of the Ministry. Special apartments must have more than one bed room, a living room and washing rooms. Single bed rooms can cover an area 15% less than the twin bed rooms, provided they possess the same luxury.

"16. Washing Rooms (in the bed rooms). Each room will have a top quality bath equipped with a shower. The walls will be covered by marble or ceramics up to the height of 2.25 meters. A toilet, articles of toiletry, and towels will be provided by the hotel.

"17. Service rooms must be kept on each floor.

"18. Stairways and corridors will have to be large enough to provide comfortable circulation. In any case their width should not be less than 1.5 meters. Every floor will have two stairways, one of which will be used for the purpose of service.

"19. At least one service elevator is necessary.

"20. Matters related to installation: (a) The bed rooms, public places, restaurants, lobbies must be air conditioned. (b) A spare generator large enough to meet the needs of the hotel is compulsory. (c) A light signal system for calling the valet, maid, waiter is required. (d) It is compulsory to have a music broadcasting center capable of transmitting through three channels.

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"21. It is compulsory to have a telephone center and to offer teletype service.

"22. An orchestra must be engaged to play.

"23. Older buildings with historical and aesthetic value may be entitled to receive touristic certificates provided they meet the requirements listed previously."<sup>3</sup>

The differences between luxury and first class hotels are the following: (1) parking space is equal to 20% of the area of the rooms, (2) bed rooms cover 14.5 meters square, (3) the minimum number of rooms is 75, (4) air conditioning of the bed rooms is optional, (5) ceramics in the wasing rooms cover 2 meters height, (6) teletype service is optional, (7) hotel music broadcast is carried through two channels, (8) the light signal system is limited to two calls. Of these differences the most important one is the air conditioning of the bed rooms.

These are the minimums on paper. In some cases the luxury hotels possess additional facilities. For instance, the Grand Hotel Ephesus has an appealing swimming pool and a conference hall equipped for making instantaneous translations. On the other hand, one will hardly find a parking place around the Grand Hotel Tarabya. The Ministry has been lenient because the project was in operation long before the issue of the decree.

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<sup>3</sup>Turizm Müesseselerine Ait Vasıflar Yönetmeliği, (Ankara, Başbakanlık Devlet Matbaası, 1965), pp. 9-22.

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In Turkey there are two groups of luxury hotels. Hotels in the first group receive their title of "Luxury" from the municipality authorities. Their standards are far more lenient. Those in the second group meet the standards of the Ministry and in return receive the certificate of tourism. In 1964 six luxury hotels had certificates of tourism issued by the Ministry compared with 79 which did not. (See Appendix I<sub>B</sub>). The advantage of acquiring the certificate is to have relative freedom in making price adjustments. Hotels that do not have the certificate are controlled by the municipalities and are expected to abide with the set prices. The municipality councils are conservative in making price adjustments. Because of this situation, the hotels either lose money or manage to make price increases that will not be detected by the authorities.

There are different types of hotels such as: transient, residential, American-plan, European-plan. The distinction between the first two comes from the permanency of their guests. A transient guest is one who is enroute; whereas, a terminal guest has reached his destination. It is true that hotels cater to both types to some degree, and the classification depends upon the major source of business. The hotels under study rely on transients for the bulk of their business.

The way the rates are set up creates another classification. The American-plan hotels have one price which includes both food and board. On the other hand the European-plan hotels

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fix the prices of the rooms separately so that the guests may either have their meals in the hotel restaurant or go to other places. The European-plan is the dominating feature of the Turkish hotels. Yet it is not rare to see various modifications. For instance one hotel manager said that group arrangements were accepted if they contained the provision of half pension.

The residential hotels can be described briefly as an apartment house with hotel service, and for this reason they are referred to as apartment hotels. Among the transient hotels one can find further possible classifications. Catering to the particular needs of certain guests give us the highway, suburban, airport and tourist hotels. The three hotels for which financial data were obtained are ready to meet the demands of various types of guests.

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## CHAPTER II

### RECENT DEVELOPMENT OF TOURISM IN TURKEY

Tourism has received recognition only since the Second World War. Prior to that time domestic tourism was confined to the travels of businessmen, movements to summer resorts, visiting the major cities, and going to the centuries old health resorts. Those who travelled in foreign countries were members of the Turkish minorities. In addition to them, the religious hadj visits took the pious Moslems to Saudi Arabia. Those who came to Turkey were usually either wealthy or on a special mission, such as archaeologists and missionaries.

The official organization of tourism was promoted in 1949 by the establishment of the Publication, Press and Tourism Directorate. Finally, in 1963 a ministerial responsibility to take care of tourism was created.

#### A. DOMESTIC TOURISM

Domestic tourism is an important element of the economy. In recent years the number of domestic tourists has increased. Although statistics are inadequate one can feel the upward trend. It has become the fashion of the day for government institutions and the private sector to provide summer camps along the Marmara coasts. Annual paid vacations have made it possible for the lower income brackets to participate in domestic tourism. Development of the highway network and inexpensive means of transportation has made traveling much easier. The famous springs and

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health resorts attract growing number of visitors looking for cure for rheumatism, intestinal complaints, and other troubles. The availability of transportation and accomodation facilities has encouraged the student body to explore the country. The emergence of tourism consciousness reflected in the organization of fairs, folklore festivals, and advertisements attracts tourists from far away provinces. Fans of the football teams do not like to let the players go along to other towns. It has become a usual sight for visitors to crowd the competitor's stadium.

The State Institute of Statistics should not be wholly blamed for the lack of statistics on domestic tourism. The Office attempted a survey in 1966 with the hope of providing information such as: the number of domestic tourists, their residence and marital status, occupancy, length of stay, level of income, the frequency of vacations, the means of transportation used, the reasons for preferring the vacation site, and their opinion on the services and the goods sold. The survey was conducted through mid July and September in İstanbul, İzmir, Antalya, Marmara, Aegean and Antalya regions. "Those forms returned were very few, and many of them had unanswered sections. The first attempt failed because of lack of participation which can be attributed to psychological barriers." <sup>4</sup>

The lack of statistics has been compensated for by an esti-

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<sup>4</sup> 11. Yüksek İstatistik Şurası, Turizm İstatistikleri, (Ankara 1967) pp. 9-14.

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mation made by the State Planning Organization. In 1964 an estimated 2,878,468 citizens travelled, of which 947,920 was qualified to be included under the heading of domestic tourists. Supposedly they slept 7,088,380 nights in available accomodation facilities. If we make an assumption that they spend 25 liras each day, their contribution to the economy would have totaled more than 178 million liras. It will be proper to go over the calculations that give the number of domestic tourists. (See Appendix II/A.)

Until 1964 no one knew the exact number of accomodation facilities. A campaign conducted by the Ministry of Information and Tourism took a nation wide inventory of accomodation facilities and other touristic interests, such as historical monuments, folklore, hunting possibilities, special dishes, and places worth of seeing. The inventory of accomodation facilities is the basis of the calculations. The third column of Appendix II/A is calculated by multiplying the first one by 365. The fourth column is borrowed from Appendix II/U which will be explained later. The sixth column on the rate of occupancy is an assumed one arrived at after taking into consideration the experiences of hotel managers. For Istanbul an occupancy rate of 70% is assumed. Ankara has 60%, and most of the other regions are assigned a rate of 30%. This rate indicates the level of occupancy all through the year. Similarly, the average nights slept by the domestic tourists in different regions is based upon the experiences of those engaged in the field. The regions that will keep the tourists for ten days are thought to have more entertaintment and touristic potentials.

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The number of domestic travellers is discounted to get the number of tourists. Needless to say, the discounting is subjective and may not give the true picture. Even though the analysis includes assumptions it gives a notion of the magnitude of domestic participation.

According to Appendix II/A Interior Anatolia, which has 29 provinces, is assumed to have hosted 26% of the domestic tourists in 1964. In the same year İstanbul by itself received 19% of the tourists. If İstanbul is combined with the Marmara region they become the leading tourist center.

## B. TURKS GOING ABROAD

Over the years foreign travel by Turkish nationals shows variations as indicated by the following table.

Table 2

Foreign Travel by Turkish Nationals <sup>5</sup>

<u>Year</u>	<u>Total Number</u>
1956	41,976
1957	44,368
1958	42,947
1959	49,357
1960	28,211
1961	34,794
1962	47,535
1963	41,833
1964	113,083
1965	186,520

Source: Appendix II/B

During the mid 1950's foreign travel was restricted due to the scarcity of foreign reserves. Especially strict restrictions

<sup>5</sup>Turizm Özel İhtisas Komisyonu Raporu, (Ankara: Devlet Planlama Teşkilatı, 1966), p. 121.

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were applied to those interested in the religious hadj pilgrimage. For instance, in 1958 only 13 were allowed; in the next two years 23 managed to go to Saudi Arabia.<sup>6</sup> The 1961 Constitution recognizes the right to travel as a fundamental right. Even though there are monetary regulations that tend to discourage going abroad, it can be said that traveling has become much easier.

Statistics on the departures of nationals help to draw fair conclusions. Nevertheless, it is risky to assume they represent facts. For instance in 1964 113,083 departures were recorded. For the same year the number of citizens who received passports was nearly 183,000. There is a discrepancy between the number of passports issued by the Police Organization and the actual departures.<sup>7</sup> The lag between the issue of passports and going abroad in the same year may explain a portion of the difference. The remaining portion is due to the loopholes in filing exit forms.

There has been a significant increase in the number of departures since 1963. The reason for the boom is explained in Appendix II/C. In 1963 the bulk of the travelers left with the hope of working in a foreign country. In 1963 those who had the purpose of working in a foreign country totaled 6,791. In 1964 the number jumped to 62,567, and in 1965 it reached the peak of 112,067. This trend reversed itself in 1966 because of the mild recession that is still going on in West Germany and other European countries. The other important development is in the number

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<sup>6</sup> Turizm Özel İhtisas Komisyonu Raporu, (Ankara: Devlet Planlama Teşkilatı, 1966), p. 121.

<sup>7</sup> Ibid.,

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of hadj participants. In 1964 only 3% of departed nationals went to Saudi Arabia, contrasted with 11.4% in the following year.

The ranking of the countries visited by Turks is shown in Table 3. Since 1960, with the exception of one year, Germany has ranked first in attracting Turkish citizens. Because of the need for importing Turkish workers, Belgium, Netherlands, Austria and Switzerland also have become important centers of attraction. The United States, United Kingdom, France and Italy have always appealed to Turks. The significant outflows to Greece, Israel, Lebanon, Syria, and Cyprus partially indicate the magnitude of departures visiting relatives. The Cyprus dispute has reduced the number of Turks going to the island, but it does not have a similar effect on those visiting Greece.

The number of departures that are classified as tourists is given in Appendix II /F. Taking 1963 as base the rate of increase has been increasing. In 1964 it was 50% and the following year 55%. On the other hand, expenditures do not increase proportionately. The amount of expenditure per tourist has fallen to \$369 in 1965 compared with the \$721 of 1963. One reason is associated with the increase of persons who get special treatment for the requirement to purchase \$200. The provision to purchase \$200 was put with the intention of discouraging those going abroad. Students are not obliged to buy \$200 if they prove they will be taken care of. Another reason may come from savings associated with official visits.

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Table 3

Ranking of Countries as Visited by Turkish Nationals

1960			1961		
COUNTRY	NUMBER OF NATIONALS	PER CENT	COUNTRY	NUMBER OF NATIONALS	PER CENT
Germany	5,918	20.9%	Germany	4,201	12.1%
Greece	3,773	13.4%	USA	2,601	7.5%
U. Kingdom	2,781	9.8%	USSR	2,227	6.4%
Italy	2,777	9.8%	Israel	2,071	5.9%
USA	2,668	9.8%	Greece	1,953	5.6%
France	2,106	7.4%	Italy	1,842	5.2%
Syria	1,671	5.9%	France	1,533	4.1%
Lebanon	1,459	5.1%	Cyprus	1,451	4.0%
Israel	1,142	4.0%	U. Kingdom	1,122	3.2%
Switzerland	991	3.5%	Lebanon	1,060	3.0%
Others	2,925	10.4%	Others	14,683	43.0%
Total	28,211	100.0%	Total	34,794	100.0%
1962			1963		
Germany	7,830	16.2%	Belgium	5,635	13.5%
S. Arabia	5,844	12.2%	Germany	5,506	13.2%
Greece	3,633	7.6%	S. Arabia	3,718	8.9%
USA	2,976	6.2%	Greece	3,688	8.8%
Italy	2,593	5.4%	USA	3,394	8.1%
France	2,215	4.6%	Italy	2,807	6.7%
Syria	2,168	4.5%	France	2,352	5.6%
Israel	1,835	3.9%	Israel	2,183	5.2%
Lebanon	1,633	3.4%	Cyprus	1,857	4.0%
Cyprus	1,591	3.3%	Lebanon	1,378	3.3%
Others	15,217	32.7%	Others	8,311	33.7%
Total	47,535	100.0%	Total	41,833	100.0%

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Table 3 (Continued)

1964			1965		
COUNTRY	NUMBER OF NATIONALS	PER CENT	COUNTRY	NUMBER OF NATIONALS	PER CENT
Germany	60,688	53.7%	Germany	108,251	58.1%
Belgium	9,229	8.1%	S.Arabia	21,393	11.4%
Greece	6,783	6.0%	Greece	8,935	4.8%
Netherlands	4,247	3.8%	Belgium	5,476	2.9%
USA	3,775	3.3%	Netherlands	5,060	2.6%
France	3,764	3.3%	France	4,694	2.5%
S.Arabia	3,349	3.0%	Italy	4,055	2.2%
Switzerland	3,129	2.8%	Austria	3,882	2.0%
Israel	2,982	2.6%	Israel	3,668	1.9%
Italy	2,743	2.4%	Switzerland	3,668	1.9%
Others	12,394	11.0%	Others	17,438	9.7%
<b>Total</b>	<b>113,083</b>	<b>100.0%</b>	<b>Total</b>	<b>186,520</b>	<b>100.0%</b>

Source: Appendix II/B.

## C. FOREIGN TOURISTS

The number of foreign tourist arrivals also show irregular fluctuations. (See Appendix II/E.) The significant point to observe is that 300,790 tourists arrived in 1965. In a single year the absolute increase is 132,736 and it corresponds to a 79% increase. The other important point is the change in the amount of receipts. It will be recalled that Turkey experienced a devaluation in 1958. The Turkish lira defining a dollar increased from 2.8 to 9. "The devaluations in France (1957-58), Spain (1959), and Yugoslavia (1960-61) have increased the foreign tourist receipts. In Spain and Yugoslavia during a three year period following the devaluation, the receipts increased by

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100%; whereas France witnessed a 40% improvement." <sup>8</sup>

Table 4

Receipts from Tourism and Number of Tourist Arrivals

Years	Receipts (\$ 000)	Number of Tourist Arrivals	Receipt per Tourist
1955	1,979	79,369	25
1957	1,495	100,803	10
1958	1,535	147,744	13
1959	4,756	126,690	38
1961	7,092	129,104	55

Source: Appendix II/E.

The 2.1 fold increase of receipts in 1959 over 1958 suggests the positive effect of devaluation. Even though the number of tourists declined in 1959, they exchanged their currency through the authorized institutions. Before the devaluation the black market offered a premium over the official rate.

Tentative statistics for 1966 indicate the number of foreign tourists has passed 350,000. Turkish statistics do not include the excursionists, persons arriving in the course of a sea cruise under the heading of foreign tourists. In 1965 171,103 such arrivals were reported.<sup>9</sup> If this component is added it is said that 470,000 foreign tourists visited Turkey in 1966.

The number of non-tourist arrivals were around 60,000 in 1964 and 1965; (see Appendix II/F). The bulk of the non-tourists is associated with the USA, and many of them are military personnel.

<sup>8</sup>Tunay Akoğlu, Turizm Gerçeklerimiz (Ankara: Ajans-Türk Matbaası, 1966) p. 127.

<sup>9</sup>Tourism Statistics, 1965 (Ankara: Saim Toraman Matbaası, 1966), p. 48.

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As far as the receipts and expenditures of international tourism are concerned the balance is against Turkey (Table 5).

Table 5

Balance of International Tourism

---

<u>Years</u>	<u>Deficit</u>
1958	11,265 dollars
1959	7,844
1960	2,302
1961	6,666
1962	9,683
1963	12,841
1964	13,489

---

Source: Appendix II/D and II/E.

The ranking of the countries as they send tourists to Turkey (Table 6) indicate Americans constitute the major portion. Their share in foreign tourists have been 30, 32.6, and 25.6 per cent through 1962-1964. German tourists are in second place. Those coming from Great Britain occupy the third place. It will be seen that the number of French tourists shows a regular inflow of around 11,000. In 1962 and 1963 Greece had the fifth place following France. In 1964 the number from Greece is so drastically reduced that she does not appear in the list. The reason obviously comes from the Cyprus crisis. Among our other neighbors Iran, Iraq and Syria sent a considerable number of tourists. The participation of Israel and Lebanon indicates reciprocal visits of relatives and friends of Turks. In 1964 a new name, Yugoslavia, enters into the list. It is now common to see Yugoslav groups wandering around.

Foreign tourist arrivals start to accelerate in April and they start to diminish by October.

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Table 6

RANKING OF COUNTRIES AS THEY SEND TOURISTS TO TURKEY

1962			1963		
COUNTRY	NUMBER OF TOURISTS	PER CENT	COUNTRY	NUMBER OF TOURISTS	PER CENT
U.S.A.	51,744	30.0%	U.S.A.	50,719	32.6%
Germany	18,957	11.0%	Germany	15,289	9.8%
U.Kingsom	15,023	8.7%	U. Kingdom	13,455	8.9%
France	11,900	7.0%	France	11,519	7.0
Greece	10,858	6.0%	Greece	6,407	3.9%
Italy	6,248	3.6%	Iran	5,435	3.5%
Austria	6,017	3.4%	Israel	4,938	3.1%
Israewl	4,391	2.5%	Syria	4,823	3.0%
Lebanon	4,213	2.4%	Austria	3,887	2.5%
Iraq	4,112	2.4%	Lebanon	3,705	2.4%
Others	39,404	23.0%	Others	34,646	23,3%
Total			Total		
	172,867	100.0%		154,832	100.0%
1964					
U.S.A.	43,040	25.6%			
Germany	21,452	12.8%			
U. Kingdom	14,000	8.4%			
France	11,702	8.0%			
Iran	10,613	6.0%			
Syria	6,523	3.8%			
Austria	6,007	3.5%			
Lebanon	5,404	3.2%			
Italy	5,140	3.0%			
Yugoslavia	4,739	2.8%			
Others	39,335	22.9%			
Total					
	168,054	100.0%			

Source: Appendix II/F

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Table 7

Foreign Tourist Arrivals Through April-October

<u>Year</u>	<u>Percent</u>
1962	79.6
1963	79.6
1964	78.2
1965	83.1

Source: Appendix II/G

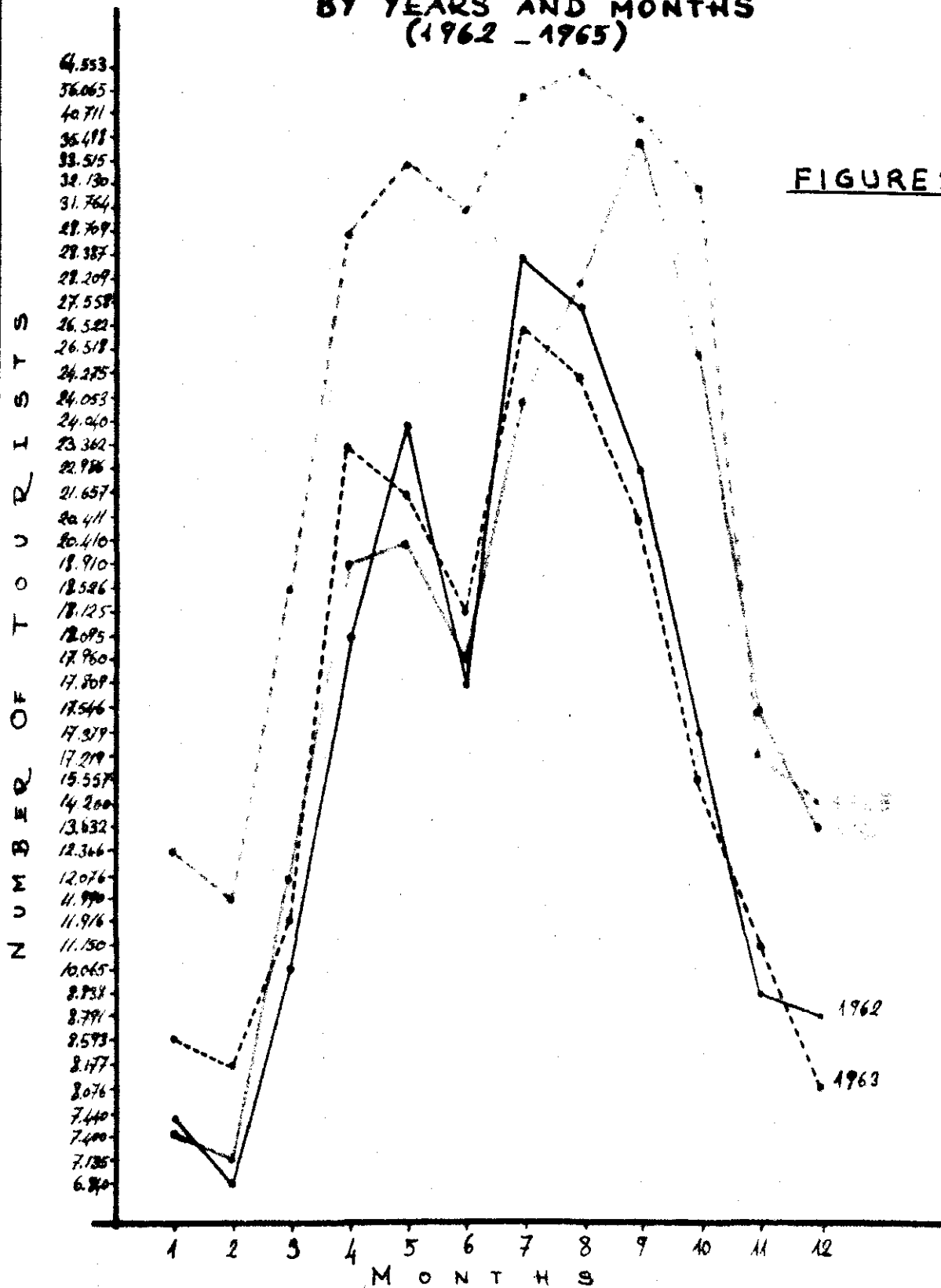
The months with the highest number of arrivals are July and August. (See Figure 1.)

The foreign tourists favored the motor vehicle as the means of transportation 1965 (Appendix II/H). Before that time planes were the first choice of the travellers. The number of tourists coming by trains shows a slight increase in 1965 over 1964, namely from 10.8 to 11.2%. The non-tourists have persistently preferred to take planes.

The bulk of the foreigners coming to Turkey are inspired with the motive of vacation and pleasure (Appendix II/I). The other important purposes are: education, visiting friends and relatives, and art. The majority of the foreigners arrange the trip by themselves (Appendix II/J); whereas, travel agencies arrange trips for one fourth of the visitors.

The average age of the visitors is around 34 years old (Appendix II/K), and males exceed female. The young age average can be attributed to the high inflow of the students (Appendix II/L). The average lengths of stay for various years is given in Appendix II/M. The average moves around four days. One important development is the increase in the number of foreigners who stay

NUMBER OF FOREIGN TOURIST AND NON-TOURIST  
 ARRIVALS  
 BY YEARS AND MONTHS  
 (1962 - 1965)



SOURCE : APPENDIX II/6

REPRODUCED FROM THE ORIGINAL SOURCE

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for a time interval of 4-15 days. This indicates the start of a trend of spending vacations in Turkey.

About half of the visitors stay in hotels. (Appendix II/N). The second type of accomodation is camp facilities. Motels and pensions are relatively unimportant.

İstanbul is visited by most of the foreign visitors. The ranking of the other places visited are: İzmir, Ankara, Bursa, and the Black Sea coasts. One can generalize that 95% of the visitors see İstanbul, 30% visit İzmir and vicinity, and about 18% go to Bursa, Ankara, and the Black Sea regions. (Appendix II/O).

Among the places and special features of interest the mosques are the focus of attention. The second one is natural scenery, followed by historical buildings. The fourth one is the museums. The Turkish kitchen is found to be a more important feature than beaches and festivals. (Appendix II/P).

If one makes a generalization from the results of the survey conducted on foreign visitors' opinion the impression towards the attitude of Turks is favorable. Restaurant services are rated "good" by the majority of the survey participants. Accomodation facilities are also rated "good". The behavior of the Turkish people in general is "good". It is interesting to note that foreign visitors are pleased with the custom procedures which is a course of complaint among Turks passing the boundaries. Similarly, the favorable treatment by officials is appreciated, and it is contrary to the experiences of the local people. The favorable attitude toward tourists from public and official institutions is an important element in capturing a larger share of

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international tourism. Visitors find the cost of food to be inexpensive; the same observation applies to means of transportation. The cost of souvenirs and accomodation are neither expensive nor cheap. (See Appendixes II/Q and II/R.)

Most of the foreign visitors are making their first trip to Turkey. Less than 10% of the visitors make a second visit. One third of the visitors are influenced on their decisions to come to Turkey by their relatives and friends. The various means of advertisements have not been very influential. The experiences of the previous tourists are counted more by the newcomers. A recent speech of the Minister responsible for tourism in budget discussions has indicated the modest level of advertisement expenditures. Furthermore, he has admitted the poor quality of advertisements. He has urged the participation of the private sector in advertising campaigns. An improvement in the quality of advertising could contribute much to the inflow of the foreign tourists. (See Appendixes II/S and II/T.)

The Distribution of Foreign Tourists in 1964. In making projections a starting point is needed. The projections on foreign tourists are based on the distribution of tourists among regions in 1964. (see Appendix II/U.) Arrivals into the regions are known; from that information an assumed number of tourists are forecast. To each region the inflows from other regions is estimated. It will be seen in column 7 that the turnover of the tourists is 1.43 times. The average length of stay in the region is a subjective estimation, varying from 10 to 3 days. The total nights slept was very close to 1,750,000 in 1964.

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Table 8

PROJECTION OF FOREIGN TOURISTS USING THE METHOD OF LEAST SQUARES

The Least Square Parabola is Used.

YEAR	X	Y	$X^2$	$X^3$	$X^4$	XY	$X^2Y$
1953	-6	70	36	-216	1,206	-420	2,520
1954	-5	71	25	-125	625	-355	1,775
1955	-4	79	16	-64	256	-316	1,264
1956	-3	99	9	-27	81	-297	891
1957	-2	101	4	-8	16	-202	404
1958	-1	148	1	-1	1	-148	148
1959	0	127	0	0	0	0	0
1960	1	94	1	1	1	95	94
1961	2	129	4	8	16	258	516
1962	3	173	9	27	81	519	1,557
1963	4	155	16	64	256	620	2,480
1964	5	168	25	125	625	840	4,200
1965	6	300	36	216	1,296	1,800	10,800
E X:0	E Y: 1,714	E X <sup>2</sup> : 182	E X <sup>3</sup> : 0	E X <sup>4</sup> : 4,550	E X Y: 2,393	E X <sup>2</sup> Y: 26,649	

Equations:

$$E Y: a_0 N + a_1 E X + a_2 E X^2$$

$$E X Y: a_0 E X + a_1 E X^2 + a_2 E X^3$$

$$E X^2 Y: a_0 E X^2 + a_1 E X^3 + a_2 E X^4$$

$$1,714: 13a_0 + 182a_2$$

$$2,393: 182a_1$$

$$26,649: 182a_0 + 4,550a_2$$

Trend Equations:  $a_0 + a_1 X + a_2 X^2$

$$Y: 113,937, + 13,148 X + .884 X^2$$

In the table Y stands for the foreign tourist arrivals.

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Table 8 Continued

COMPARISON OF TREND VALUE WITH THE ACTUAL VALUE

---

<u>YEAR</u>	<u>ACTUAL VALUE</u>	<u>TREND VALUE</u>
1953	70,055	66,873
1954	71,331	69,297
1955	79,369	75,489
1956	99,414	82,449
1957	100,803	91,177
1958	147,744	101,673
1959	126,690	113,937
1960	94,077	127,969
1961	129,104	143,769
1962	172,867	161,337
1963	154,823	180,673
1965	168,054	201,777
1966	300,790	224,649
1967		249,289
1968		275,497
1969		303,873
		333,817

---

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## D. PROJECTIONS

An attempt has been made to estimate the number of future foreign tourists, but the results have not been successful (Table 8). For instance, the actual number of 1965 is given for 1968. Till 1959 the trend values fall short of the actual ones. For the next three years the forecasts exceed the actual values. Then the projections show ups and downs.

Domestic Tourists. The projections are made under two alternatives. The first one assumes an annual 5% increase; the other takes an annual increase of 10%. For finding the share of the different regions a new assumption on the distribution of domestic tourists is made. (Appendix II/V). It is anticipated that the attraction of the Aegean and Mediterranean coasts will increase at the expense of Marmara and interior Anatolia. (Appendix II/W).

The annual increase of the domestic tourists is shown below:

Table 9  
Projected Increase of Domestic Tourists

<u>Years</u>	<u>Assuming 5 Percent</u>	<u>Assuming 10 Percent</u>
1964	947,920	947,920
1965	995,316	1,042,712
1966	1,045,082	1,146,983
1967	1,097,336	1,261,681
1968	1,152,203	1,387,849
1969	1,209,813	1,526,634
1970	1,270,304	1,679,297
1971	1,333,819	1,947,227
1972	1,400,510	2,031,950

Under the assumption of a 10% annual increase the number of domestic tourists will pass 2 millions by 1972. The distribution of the tourists among regions is given in Appendix II/V. If we

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take into consideration the high rate of population growth coupled with an increase in real income the assumptions are realistic.

Foreign Tourists. The number of foreign tourists is estimated in the same fashion. It is assumed that the minimum and maximum annual increases will be 25 and 50 percent. During 1950-64 the average increase in foreign tourists has been around 15 percent. The anticipation of 25-50 percent increase may seem unrealistic. However, during this period tourism had been left by itself. The First Five-Year Plan has not been successful in making coordinated movements. Furthermore, the private sector had not committed itself to investments because of unstable political conditions. The expected inflow of foreign tourists is given below.

Table 10

Projected Increase of Foreign Tourists

<u>Years</u>	<u>Assuming 25 Percent</u>	<u>Assuming 50 Percent</u>
1964	168,054	168,054
1965	210,067	252,081
1966	262,584	378,122
1967	328,230	567,183
1968	410,288	850,775
1969	512,860	1,276,163
1970	641,075	1,914,245
1971	801,344	2,871,368
1972	1,001,680	4,307,052

By 1972 the number of foreign tourists may be about 4.3 millions, assuming 50 percent annual increase. The Special Committee of the State Planning Organization has based its projections on the assumed annual increases of 25 and 50 percent.

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The number will be around 1 million under the later assumptions. Appendix II/V shows the projected distribution of the foreign tourists among regions. It is assumed that foreign tourists will be interested more in the Aegean and Mediterranean regions. The share of each region is shown in Appendix II/X<sub>1</sub>.

The combined demand projection is illustrated in Figure 2.

Four variations have been considered: they are

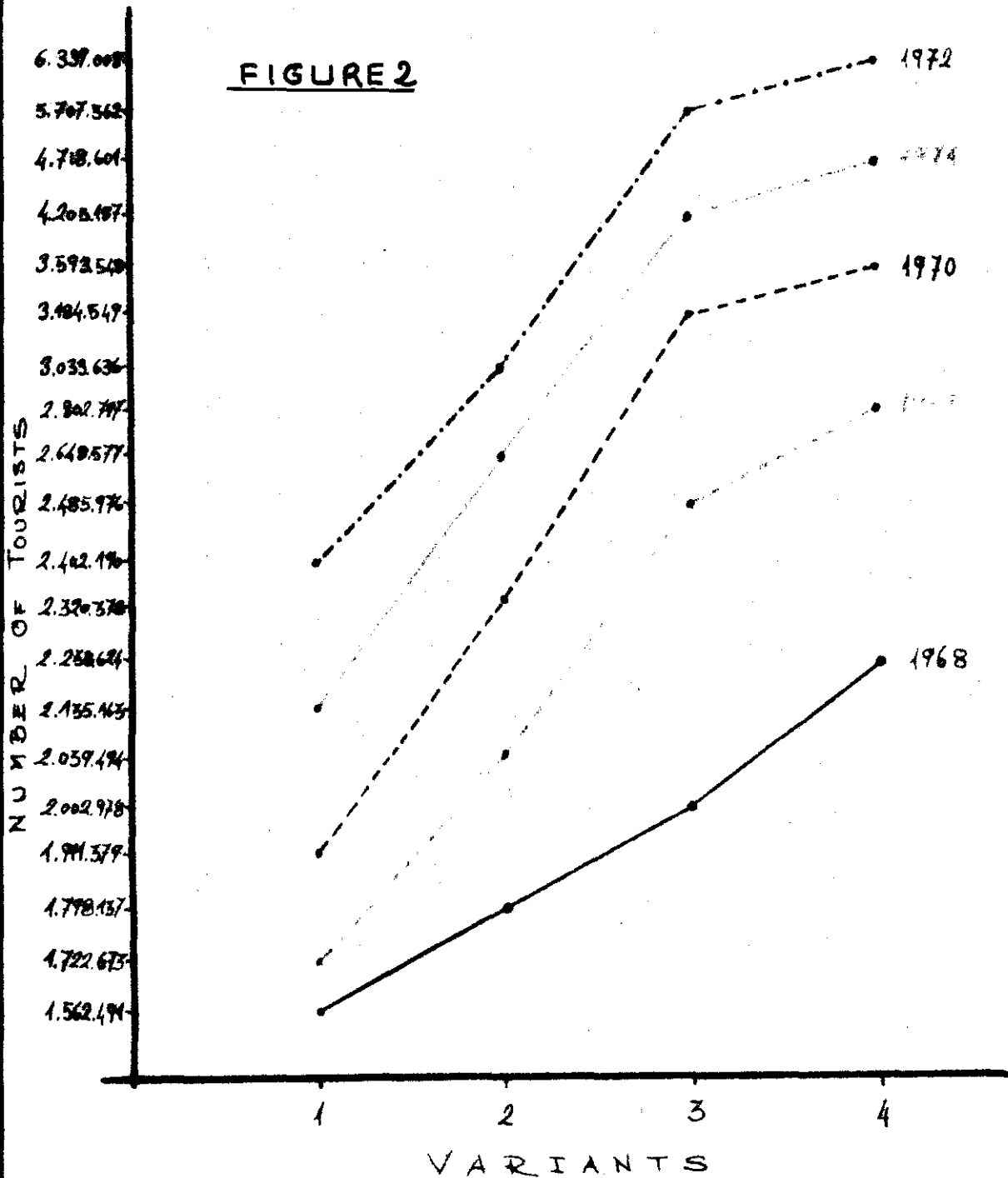
- (1) 5% increase in domestic tourists +25% increase in foreign tourists.
- (2) 10% increase in domestic tourists +25% increase in foreign tourists.
- (3) 5% increase in domestic tourists +50% increase in foreign tourists.
- (4) 10% increase in domestic tourists +50% increase in foreign tourists.

In 1972 the lowest figure for the total tourists is 2.4 millions, and the highest expectation is around 6.4 millions. Although the Marmara region is assumed to lose a portion of the traffic, it still has the bulk of the tourists.

Projected Revenue from Tourists. It is not known how much a Turkish domestic tourist spends. The lack of statistics necessitates the use of assumptions. The Planning Organization is expecting that 40 liras will be spent per day by domestic tourists in 1968 and 1969. The estimate is 50 liras in 1970, 1971 and 1972. In case of the foreign tourists 8 dollars will be spent in 1968 and 1969. In 1970, 9 dollars is expected to be spent, and in 1971-72 10 dollars is the estimate. Thus, in 1968 revenues coming from tourism is expected to vary between 652 and 1,052 million liras. In 1972 it will be within a range of 1,462 and 4,796 million liras (Appendix II/X<sub>3</sub>). One dollar is taken as 9 liras. Any deva-

# PROJECTION OF DOMESTIC AND FOREIGN TOURISTS

FIGURE 2



SOURCE : APPENDIX II/X<sub>2</sub>

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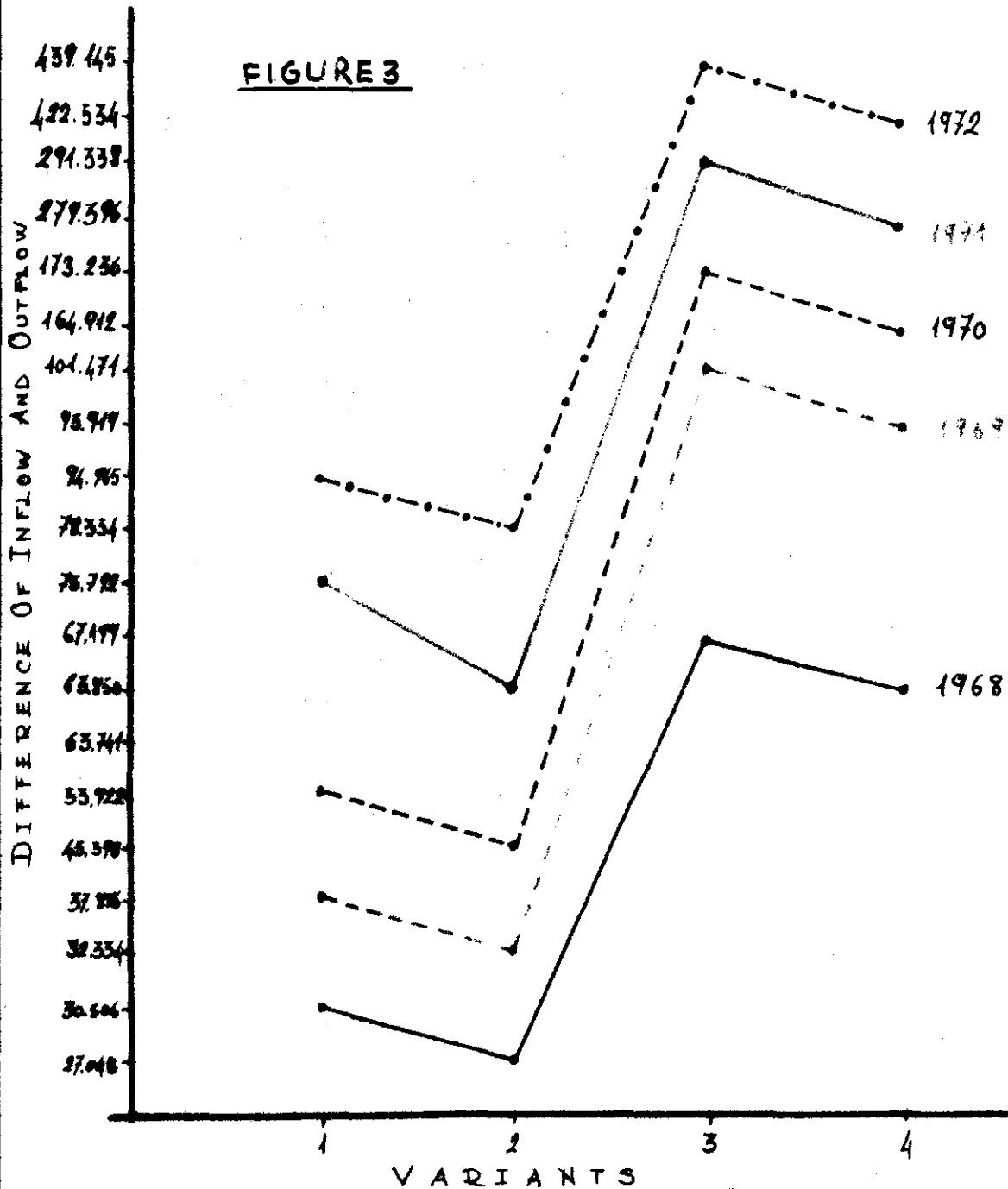
luation in the future may cause higher returns.

Projected Foreign Exchange Receipts from Travellers. The foreign exchange consumed by Turkish travellers was 13,028,000 dollars in 1964. Two alternative assumptions are made on the behavior of Turkish travellers. In one case a 10% increase in the outflow of foreign exchange is anticipated, while in the other alternative the rate is 20%. The inflows were explained above. In 1968 Turkey expects to have a favorable balance on tourism. At the end of that year inflows are expected to exceed outflows by 8.7 million dollars. The balance may increase to 420 million dollars by the end of 1972 (Appendix II/X<sub>4</sub>). The balance of international travel may go up to 439 million dollars in 1972. (Figure 3).

Projected Beds Needed. According to the inventory taken in 1964, 2,647 hotels were operated in Turkey (Appendix I/B). They provided 42,241 rooms with 90,279 beds. Only 104 hotels had certificates of tourism. They provided only something close to one tenth of the total beds. The number of the second class hotels exceed the other classes. But the first class hotels provide the major segment of beds.

In 1968 the number of additional beds may vary from 22,200 to 52,094 (Appendix II/X<sub>8</sub>). The number of additional beds is calculated in the following fashion. First, the number of nights to be slept by domestic and foreign tourists is calculated (Appendixes II/X<sub>6+7</sub>). They are derived from the figures presented in Appendix II/A. The projections for the domestic tourists are made under the alternatives of 5 and 10 percent annual increases.

PROJECTED INFLOW AND OUTFLOW OF  
FOREIGN EXCHANGE FROM TRAVELERS  
(in 1000 Dollars)



SOURCE : APPENDIX II/x5

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The nights to be slept by foreign tourists is calculated for 25 and 50 percent annual increases. The figures presented are somewhat different from the projected figures of Appendix II/A.

The reason for the differences seems to be related to the adjustments made in defining the regions. Second, the annually occupied days for different regions are estimated for the time period covering 1968-1972. The Mediterranean region is assumed to be fully occupied for 240 days each year. The Aegean and Marmara regions will have 210 carrying days. All of the other regions will entertain guests for six months, and for the rest of the year they will have no tourists. The projected number of nights to be slept is divided by the carrying days in order to get the number of beds needed. They are shown for the four different combinations of alternatives (Appendix II/X<sub>8</sub>). In 1964 the number of domestic travellers was 2,878,522 (Appendix II/A). If we add the foreign tourists of that year (168,054) we get the number of total travellers, which equals to 3,046,522. In that year the number of beds available were 116,329. The number of domestic and foreign tourists equalled to 1,115,974 (sum of 168,054 + 947,920). It means that only a portion ( $1,115,974 / 3,046,522$ ) of the 116,329 beds were available to the tourists. Then the number of beds at the service of tourists was 41,878.

The investments carried through 1965-1966 have contributed the following number of additions.

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Table 11

Increase in Accomodation Facilities

<u>Year</u>	<u>Hotel</u>			<u>Motel</u>			<u>Others</u>		
	<u>No.</u>	<u>Room</u>	<u>Bed</u>	<u>No.</u>	<u>Room</u>	<u>Bed</u>	<u>No.</u>	<u>Room</u>	<u>Bed</u>
1965	172	8,625	14,671	18	533	1,169	2	42	149
1966	477	16,872	29,727	31	958	2,045	3	53	151
Total			44,398	+		3,214	+		300
	47,912								

Source: 1967 Yıllık Programı, (Ankara, Devlet Planlama Teşkilatı, 1967), p. 338.

It seems that by the end of 1967 the number of beds required by the extreme alternative will be accomplished. But the number of foreign tourists has been growing at a high rate. The Minister of Tourism and Information has estimated the number of foreign tourists to be around 600,000 in 1967.<sup>10</sup> The projections will be surpassed if this estimation is realized. The projected number of beds will have to be adjusted in case the present trend continues.

The projection of different types of accomodation facilities in terms of beds is shown in Appendix II/X<sub>9</sub>. The assumptions on the share of each type in the demand are subject to question. It is anticipated that luxury hotels will share only 3% of the need. On the other hand, second and third class hotels are expected to serve a greater ratio.

<sup>10</sup> News item in Aksam, April 24, 1967.

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## CHAPTER III

### LUXURY HOTEL ACCOMMODATIONS

In the preceding chapter the anticipated additional luxury hotel beds were discussed. Here we shall distinguish the need for luxury hotels from the rate of return from such investments and concentrate on the later one. In addition, a few alternative investment possibilities will be discussed for making prudent decisions.

#### A. BACKGROUND

Before 1955 tourists could find only a few hotels that provided luxury accommodation. If they were lucky they could stay at the Park Hotel or at the Ankara Palas Hotel. These two hotels were about the only luxury hotels in the country. The opening of Istanbul Hilton on July 10, 1955 was the most important event of the Turkish hotel industry. It will not be erroneous to claim that its opening was equally significant on the international level. Elaboration on these points is deferred to the following section. In 1956 the Divan Hotel with 98 rooms started its operation, as the third luxury hotel in Istanbul. The other luxury hotels registered by 1964 were Bursa Çelik Palas, Büyük Efes and Çınar Hotels. Recently two additions were made to this list: Grand Tarabya and Grand Ankara. These nine hotels provide 1,505 rooms and 2,552 beds for their guests.

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Istanbul Hilton Hotel. In late 1940s the hotel business witnessed a novel experience. The Governor of Puerto Rico asked the leading American hotel magnates which among them would like to operate a hotel in San Juan. The unique offer was frowned on by the conservative operators. Conrad Hilton, shortly after the consolidation of his holdings into Hilton Corporation, seriously considered the proposal. In 1950 the successful Carabine Hilton started operations, Istanbul Hilton was the third international Hilton, following the Castellene Hilton of Spain. Upon these three, a globe-circling chain of hotels was organized. Hilton International operated 35 hotels in 1966, with a total of 12,397 rooms (see Appendix IIIA ). During the same year eleven hotels were under construction and nine hotels in the development stage, which altogether adds 4,815 rooms.<sup>11</sup>

Hilton International made a 34 percent return on investment in 1965, (see Appendix III B) before taxes. This performance can be explained in terms of: (1) Hilton International moves into places where the need for modern hotel facilities is deeply felt. Usually international centers are chosen, but the new and under-developed countries that are ripe for the development of tourism and commerce are also considered. (2) By comparison with the United States, labor costs are lower. (3) Avoid chain image.

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<sup>11</sup>

Jim Pearson, "Hilton International," Hotel Management Review, August, 1966, p.32.

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Esthetically, Hilton International hotels are not standardized. Each hotel reflects the heritage and culture of the country where it is located. In addition to international cuisine, local dishes are featured in each hotel. (4) Capital risk and cost are minimum. In most instances, the hotels are owned by other parties. Hilton International only operates the hotels. The capital provided by Hilton is large enough to meet the working capital. Secondly, the risks related to war scares is quite low because of geographical diversification. The 35 hotels that were operated in 1966 were scattered in four continents and 24 countries. (5) They are able to attract youth and brains. The employees in foreign countries enjoy a high status. Furthermore, the promotion to higher positions takes less time for the able.

The International Hilton Corporation has the policy of leasing the hotels for a period of 20 years, and in return pays 2/3 of the gross operating profit as rental after the provision for renewals and improvement depreciation.

In case operations for any year only break even, the lessor gets no rental. On the other hand, this policy lets the lessor participate in earnings. Besides, the serious lessee will be induced to increase the earnings of the concern. The fear of getting no rental has no adverse effect on the Pension Fund because of the public law covering such risks.<sup>12</sup>

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<sup>12</sup> Veysel Güldez, "Turizmin Hızlı Bir Gelişmeye Ulaştırılması Hakkında Basit Rapor", (Unpublished paper by the manager of the Grand Hotel Ephesus, 1966), p.12

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Article 30 of public law numbered 6086 provides that during the construction of the hotel 6 percent interest will be paid to the Employees' Fund from the special fund provided by the Government on the basis of total expenditures. After the completion of the hotel, if the rental is less than 6 percent return on investment the difference will be compensated from the fund. This concession applies only to the operations of Istanbul Hilton and it reflects the encouragement given by the government for participation in a new experiment. The provision has not been used until now because of satisfactory operations. The provision for a 6 percent return on investment requires elaboration. It must be interpreted in the context of return on investment before depreciation. If it applies to return on investment after depreciation and other expenses, the provision would be used.

Istanbul Hilton, in addition to offering luxury accommodations, has become a major source in supplying skilled personnel to similar organizations. It has become the headquarter of international and local activities.

Grand Hotel Ephesus and Bursa Celik Palas Hotel. The construction of Grand Hotel Ephesus started in late 1957, and it was ready to serve the public by June of 1964. Before construction, following the example of Istanbul Hilton, the hotel was leased to Herr Max Billing, owner and operator of the Grand Hotel Continental of Munich. The initial cost of construction was estimated to be around 11 million liras. However,

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the actual cost exceeded 90 million liras. The vast difference has been attributed to three things: (1) the project was organized in a poor manner, (2) the devaluation of 1958 increased the cost of imported facilities three fold, (3) the construction period was longer than planned.

The poorness of the initial estimate reveals itself by comparison with the cost of construction of Istanbul Hilton. The first part of Hilton had cost 35.5 million liras when the project was in blue print. At least a similar cost should have been estimated for Büyük Efes. The cost of imported equipment and facilities reached 21.5 million liras.<sup>13</sup> The devaluation of 1958 automatically increased the cost by 14 million liras. The 1960 revolution administration held up the public investments for review. The delay increased the cost of fixed commitments such as interest expenses and salaries.

The contract with Billing guaranteed a return of 4 percent on investment. The lower limit of liability was fixed around 400,000 liras assuming the validity of the projected cost. The higher limit of rental was set at 10 percent of the gross operating revenue, which was estimated at 14 million liras. The ex post conditions brought the lower limit of liability to around 3.6 million liras per year. In fact the lower limit of liability became the upper one.

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<sup>13</sup> Turizm Özel İhtisas Komisyonu Raporu, (Ankara: Devlet Planlama Teşkilatı, 1966), p.483

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The change in conditions forced a reconsideration of these points. A satisfactory compromise could not be reached, and four months after the start of operations the contract between the Billing firm and the Turkish Pension's Fund was terminated.

The Pension's Fund was obliged to operate the hotel on its own account. The hotel was operating, and it had to continue; in addition, there was no other interested party to take over the hotel under favorable conditions. The Fund had the controlling shares of the Emek Construction Corporation. The firm has specialized in frame construction and devoted its operations to the orders of the Pension Fund. The firm commissions other firms in completing special requirements. The Hilton annex, the Grand hotels of Tarabya and Ankara have been some of the responsibilities transferred to the firm. The Fund could not operate the hotel under its jurisdiction because of the simple reason that salaries of Fund employees were fixed by the public law. The top salary given to a state officer would not induce a cook to work. The foundation articles of the Construction firm were changed in 1964 to cover many activities. The Grand Hotel Ephesus has been operated by this Corporation since late 1964.

The other hotel that is operated by the same corporation is the Bursa Çelik Palas Hotel. Unlike the other hotels this one was not originally built by the construction firm affiliated with the Pension Fund. It was sold to the Pension Fund for

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22.5 million liras in late 1964. Previously, it was privately owned.

The two hotels are leased by the Pension Fund for a rental equal to 95 percent of the net income. This is a high requirement. The Fund is interested in getting as high a return as possible from its affiliate for two reasons: (1) a lower return will let the other stock owners participate in the earnings from the operations of the hotel, (2) the firm may use the funds less carefully.

## B. SERVICES AND FACILITIES

"In addition to furnishing food and lodging to its guests, a modern hotel provides many luxuries of urban living, all under one roof"<sup>14</sup> The guest can frequently have a suit pressed or clothing laundered, telephone friends, have his hair cut or his shoes cleaned, and arrange transportation without leaving the hotel. Depending upon size hotels offer an even wider variety of facilities, such as gift shops, beauty parlors and ticket agencies. Other facilities such as tennis courts, swimming pools, touring cars, playing rooms, and garage service are also offered. These facilities may occasionally be without specific charge, but generally they are operated on a fee or rental basis.

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<sup>14</sup>Ernest Horwarth, Louis Toth, and John Lesure, Hotel Accounting (New York: The Ronald Press Company, 1963), p.3.

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Of course, no one expects to find all of these conveniences in every hotel. Each establishment decides what services should be provided, based upon public demand and class of patronage. Some of the services may not be under the direct control of the hotel management. For example, gift shops, city tours, and barber shops are usually provided by specialized firms that rent space from the hotel. The departments leased by the hotel are referred to as concessions. The concessionaries operate these departments entirely independent of the hotel's management supervision, so long as they conform to its policies. Rarely do they pay the hotel a certain part of the sales, but it is customary to agree on a fixed compensation to the hotel.

Some of the extra services, such as music broadcasting, is rendered directly by the hotel free of charge to its guests. Other services are rendered for extra compensation. Telephone service is an example. The charge for extra services cover their costs and contribute to the net income of the hotel. "Even though most of these extra services produce income, they cannot be viewed in the same light as the selling departments of a department store which, within certain limitations, can be developed or discontinued quite independently of other departments. The principal business of the hotel is the furnishing of lodging and food, and the extra services are merely necessary adjuncts. Nor is the income from them essential to the success of the average hotel, except in the case of rent from stores,

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which often reduces the carrying charges of the building... Although a substantial amount of wine and liquor sales may contribute materially to the hotel's income, the financial success of a hotel is in proportion to its success in filling its guest rooms."<sup>15</sup>

The departments that make up a hotel organization may be divided into two categories: (1) those that produce revenue directly, and (2) those that do not produce revenue directly. The first group covers the two major revenue-producing departments, rooms and restaurant, and minor departments, such as telephone, news stand, valet, porter, barber shop, and others. The second group consists of only two main departments: accounting and engineering. The later is responsible for the heating and power, as well as the maintenance of building and equipment.

The accounting department provides information about the business by collecting, summarizing, analyzing, and reporting the relevant data. In addition to the objective of giving information to the parties outside the business, it also provides information to the management. Because of the nature of the business hotel accounting has special problems. "There is hardly any other business in which the amount involved in each individual transaction is so small and where these transactions,

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<sup>15</sup>  
Ibid., p. 5.

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cash or credit, follow each other with such rapidity. A guest may arrive and take a room, have his baggage delivered, use the telephone and valet service, have his meal, send a telegram, purchase cigars, all within little more than an hour... All this must be done with such rapidity that the account is up to the minute, day or night, for the guest may ask for his bill at any moment and leave the hotel."<sup>16</sup>

Istanbul Hilton. Istanbul Hilton operates ten revenue departments. They are: room, food, beverage, telephone, dry cleaning, guest laundry, barber, transportation, sports and flower departments. Before 1966 a beauty parlor was under operation, but due to the financial burden it has been left to a concessionaire. The relative contribution of various departments to gross operating income is shown in the following schedule:

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Ibid., p. 7.

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<u>Departments</u>	<u>Percent of Gross Operating Income</u>			
	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>
Room	69.8	73.5	76.5	72.6
Food	6.4	3.6	4.0	5.0
Bevarage	16.0	14.0	12.2	13.0
Telephone	.07	(.14)	(.1)	(.08)
Dry Cleaning	2.5	2.4	1.7	2.1
Guest Laundry	.9	.9	.76	.9
Barber	.75	.6	.5	.43
Beauty Parlor	.6	.36	.04	-
Transportation	.1	.08	(.09)	.014
Flower Shop	.075	.12	.8	.13
Other Income	2.7	3.25	3.54	4.0

It will be seen that the rooms department is the most important contributor to gross operating income, followed by the bevarage and food departments. Together they accounted for 92.2, 91.1, 92.7, 90.6 percent of gross operating income for the years 1963 to 1966, respectively. Among the minor departments dry cleaning, laundry and barber are important departments. The constituents of the Other Income are rentals from conference rooms, showcases, commissions from foreign exchange, interest earned and other items. In 1966 646,384 liras were reported under Other Income; the share of the constituents are:

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Rentals	200,996
Showcases	250,600
Sundry	194,788
Comission on Foreign Exchange	38,788
Interest Earned	141,081
Others	14,919

The departments that have negative balances are led by the telephone department. Occasionally, transportation vehicles offered to the service of guests accompany the telephone department. The first one suffers loss because of high fixed costs. Transportation facilities are in the red, if enough calls are not made to cover the fixed expenses.

The operations of Istanbul Hilton for the last four years can be summarized in terms of net sales.

<u>Year</u>	<u>Percent of Net Sales</u>					
	<u>Net Sales</u>	<u>Cost of Sales</u>	<u>Payroll + Related Ex.</u>	<u>Other Ex.</u>	<u>Gross House Profit</u>	<u>Net Profit</u>
1963	100	16.7	24.84	26.9	31.6	6.23
1964	100	15.87	29.8	27.6	27.09	5.27
1965	100	16.08	29.04	25.62	28.99	5.6
1966	100	16.18	28.0	24.38	31.48	6.19

The return to net sales has varied between 5.2 and 6.23 percents. Since 1964 there has been an improvement in relative profits in terms of net sales, although they have not reached the level of 1963.

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The cost of sales has been quite stable around 16 percent. Declines in payroll and other expenses have yielded higher gross house profits.

The 1966 operations of the departments are analyzed in the following pages. The room department has yielded the highest profit, 80.23 percent of the net sales. The major expenses applied to the department are the payroll expenses, salaries and wages. The provision for replacement of china, glassware, and linens amount to 235,827 liras (  $15,479,427 \times 0.0152$  ).

In the food department the cost of goods sold is around 38 percent of the revenues. Along with salaries and payroll taxes music and entertainment is an important expense item. The departmental profit is 8.78 percent of sales.

The Beverage department has a profit of 53.41 percent of sales. Cost of beverage sold is about 1/5 of the sales price. Music and entertainment is the leading expense item, corresponding to 488,000 liras.

The telephone department is in the red. First of all, cost of calls is high, 63 percent of the revenues. Secondly, the fixed costs like salaries, payroll taxes and others approach 40 percent of the sales.

The valet department presses guests' clothing. The performance of the department is satisfactory. The guest laundry provides 40 percent of its sales as profits.

The barber shop has a profit margin of 42.94 percent of sales. The major expense item is salaries and wages.

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Fuel expenditure is the leading item of transportation facilities. This may be attributed partially to the Cadillacs. The department loss is around 7 percent of the revenues.

Next to the rooms department the swimming pool and sports have the highest profit percentage. The 74.39 percent return is matched with expenses of 25.61 percent, of which salaries and wages is around 2/3 of the expenses.

The profitability of the flower shop is 31.33 percent of sales. On the other hand, the cost of flowers is equal to 1/3 of the sales price.

The undistributed operating expense covers: administrative and general, payroll taxes and employee relations, advertising, promotion, heat-light-power, and repairs and maintenance. In the last four years the administrative and general expenses show increases. They have jumped from 1,583,818 to 2,236,214 liras which is 41.1 percent higher. Heat-light-power and repairs and maintenance costs both show an upward trend. Advertising and promotion expenses show irregular fluctuations. Within the last four years the highest advertising occurred in 1965. In 1964 promotion activities were at their peak.

The shop rentals contributed 229,000 liras in 1963, and in three years they have improved by 42,000 liras. The increases are due to rental adjustments after the termination of contracts.

The provision for depreciation of leasehold improvements has increased to 34,503 from 7,375 liras in 1966. The rent

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that is given to the lessor, the Pensions Fund, amounts to 66 2/3 percent of the gross operating income before rent. The other one third of the gross profit after interest expenses, institution and income taxes is left to the operators of Istanbul Hilton.

It will be worth while to examine the rooms department which has a heavy weight in the success of the hotels. In the preceding discussion the construction of the annex was mentioned. The original number of rooms of Istanbul Hilton was limited to 277. In 1965 additions from Part of the annex increased the number to 361. Since 1966 the capacity has been 417 rooms.

### Statistics

	<u>1963</u>	<u>%</u>	<u>1964</u>	<u>%</u>	<u>1965</u>	<u>%</u>	<u>1966</u>	<u>%</u>
Number of Rooms								
Available per Year	99,779		98,097		134,377		152,205	
Number of Rooms								
Sold per Year	88,327	88.52	81,910	83.5	101,214	75.32	109,107	71.68
Uncharged Rooms	755		76	.89	1,067	.79	1,405	.92
Rooms Occupied by the Adminis.	1,926	1.93	2,176	2.22	2,458	1.83	2,111	1.30
Unoccupied Rooms	8,771	8.79	13,134	13.39	29,638	23.06	39,582	26.01

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Before the additions to the rooms the occupancy rates were above 80 percent. The additional rooms have lowered the rate to 75.32 and 71.68. The revenue per room has been 116.68, 128.14, 132.04 and 141.87 liras for the respective years. The number of guests staying in the hotel were 125,078, 118,529, 151,989 and 163,355 in this period. The revenue per guest has been 82.4, 88.55, 88.51, and 94.76 liras. The amount of revenue per room can be attributed to the occupancy of different types of rooms and to price increases. The percentage of the rooms with twin-beds to the number of rooms sold has been 41.61, 44.71, 49.18 and 47.72. The increased revenue per room for 1964 can be attributed to price adjustments and more use of twin-bed rooms. The 1965 increase is the result of the mix in favor of twin-bed rooms. The 1966 increase is due to price adjustments.

The rate of occupancy per month follows the general tourist inflow. The hotel has higher occupancy rates for the period covered from April to October. The nationality of the individuals who have resided in Istanbul Hilton shows the following picture:

<u>Nationality</u>	<u>Percentage of Individuals</u>		
	<u>1963</u>	<u>1964</u>	<u>1965</u>
American	63.22	56.15	56.11
Turk	5.92	6.21	6.60
German	8.49	5.10	1.29
British	3.47	5.60	4.79
Dutch	2.31	4.26	4.37

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<u>Nationality</u>	<u>Percentage of Individuals (Cont'd.)</u>		
	<u>1963</u>	<u>1964</u>	<u>1965</u>
Sweden	.04	.05	3.71
Italy	1.83	2.33	3.07
Lebanon	1.41	2.54	1.88
Swiss	.75	1.54	1.38
Israel	.80	1.19	1.31
Mexico	.96	.91	1.00
Canada	.75	.88	1.01
Others	<u>11.25</u>	<u>12.24</u>	<u>13.48</u>
Total Number of Individuals	48,200	43,080	50,260

It can be said that the hotel is patroned mainly by foreigners, who account for 94.08, 93.79, and 93.4 percent of the total guests from 1963 to 1965. Among the foreigners, American citizens have the dominating share, followed by German, British, French and Dutch.

During the period 1955-59, 30 percent of the guests arranged reservations by themselves. In 1966, this ratio has fallen to 22 percent. Group arrangements are advantageous in cost saving and in offering orderly tours. But individual autonomy is lost.

The Grand Hotel Ephesus. Departments operated by this hotel are: room, food, beverage, laundry and dry cleaning, swimming pool, and telephone. The return on sales has been improving each year.

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<u>Years</u>	<u>Percent of Sales</u>				
	<u>Gross Sales</u>	<u>Personnel Expenses</u>	<u>Cost of Goods Sold</u>	<u>Other Expenses</u>	<u>Profit</u>
1964 (since Oct.)	100	51.1	26.2	27.7	(5.0)
1965	100	30.2	19.4	49.5	0.9
1966	100	30.7	21.3	44.1	3.9

Source: Financial Statements.

The payroll expenses have been stable over the last two years. The cost of goods sold has increased in contrast with the other expenses.

The share of the departments in the gross operating income is presented in the following table:

<u>SHARE OF DEPARTMENTS IN GROSS OPERATING INCOME</u>		
<u>Departments</u>	<u>1965</u>	<u>1966</u>
Rooms	73.9	70.4
Food	(4.5)	(.04)
Beverage	12.0	9.9
Laundry and Dry Cleaning	10.3	11.8
Telephone	(.77)	(.33)
Swimming Pool	4.7	5.4
Others	4.4	2.6

Source: Financial Statements.

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As expected the rooms department makes the major contribution to gross operating income. The laundry and dry cleaning department shares second place with the beverage section, which is normally second. The food department has a negative balance, but it has been decreased significantly. The telephone department operates at a slight loss. The swimming pool contributed more in 1966 because of favorable weather conditions.

Undistributed operating expenses accounted for 43.8 percent of the total expenses in 1965. The ratio has been lowered to 42.3 in 1966.

An analysis of the departments for 1966 will follow. The rooms department has operated with a profit margin of 75.8. The main expense item for this department is laundry. In the food department the cost of food sold is around 41 percent of the revenues. Salaries and wages, music and entertainment are the leading expenses. This department as a whole operates at a loss.

The cost of beverage sold is equal to  $1/4$  the sales price. Music and entertainment is around 18 percent of sales. Similar to the room department, a charge has been made for the replacement of china, glass and silver ware. The department profit of 35 percent is the fourth highest.

Laundry and dry cleaning is the second important department in terms of magnitude and third in relative contribution. The cost of laundry is low and equal to 7 percent of the sales value.

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However, the salaries and wages, depreciation and other expenses lower the department profit to 56 percent. In addition to meeting the demands of the hotel and guests orders from outsiders are accepted.

The departmental loss of telephones is above 5 percent of sales. The fixed commitments like cost of calls and salaries make up 97 percent of the sales.

The swimming pool has the highest ratio of profits to sales with its 89 percent. The only major expense item is salaries and wages.

The net profit on sales has been negligible. The rate was .04 percent in 1963, and in the subsequent year it was improved to .18.

## Data on the Rooms Department

	<u>1966</u>	<u>Percent</u>	<u>1965</u>	<u>Percent</u>
Rooms Available per Year	107,980	100	108,356	100
Rooms Sold	51,263	47.37	55,684	51.27
Free of Charge	1,416	1.32	1,826	1.57
Used by Administra.	1,237	1.14	899	.83
Under Revision	1,847	1.61	843	.76
Empty Rooms	52,552	48.56	49,706	45.57
Number of Guests Days	86,075		96,734	
Guests per Day	236		265	
Revenue per Room	87.8 liras		77.7 liras	
Revenue per Guest	52.3 "		44.7 "	

Source: Financial Reports

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The occupancy rate of rooms shows deterioration. The fall is partially explained by the opening of a guest hotel catering to NATO personnel. There is, however, an improvement in the revenue per room. This is explained by the decision to abolish lower rates for rooms viewing the rear of the hotel. That is, price differentiation based upon the view of the rooms has been ruled out. The increase in revenues has also improved the revenue per guest.

In 1966 the hotel registered 25,860 guests. Turks accounted for 49.48 percent of the total. Among foreigners the share of American and Swedish guests were 19.74 and 6.36 percent, respectively.

Bursa Çelik Palas Hotel. The Çelik Palas Hotel has not been financially successful. The operations of two years indicate that only the rooms department has been profitable. In 1965 beverages and in 1966 the play room have yielded favorable balances. Other departments, food, night club, bath, laundry, and telephone have been in the red. In this case all of the operating income comes from the revenues of the rooms department. The undistributed expenses of 1965 and 1966 were 45.7 and 36 percent of gross operating income. The loss for 1965 was more than 300,000 liras. This was increased by another 17,000 liras in the following year. However, the ratio of loss to sales has decreased from 13 to 9 percent.

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## Data on Rooms Departments

	1966	<u>Percent</u>
Number of Rooms Available	48,910	100.00
Rooms Occupied by Guests	27,144	55.50
Rooms Occupied Free of Charge	1,964	3.89
Rooms Occupied by Administration	1,896	3.88
Rooms under Revision	495	1.01
Rooms Unoccupied	17,471	35.72

Source: Financial Statements

The occupancy rate of 43.4 percent for 1965 was increased by 12.1 percent in 1966. In 1966 47,546 guests were accommodated. The patronage of Turks has been more than 77 percent. The foreign guests had 22.86 percent of the total. The shares of American, German, French, and Italian guests have been respectively: 5.49, 3.71, 3.28, and 2 percent.

## Data on Operations of 1966

Total Sales	3,378,150	100.00%
Cost of Sales	801,207	23.72
Salaries and Wages	567,486	16.80
Music	299,078	8.85
Profit of Departments	872,196	25.82
Other Revenues	35,344	1.05

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## Data on Operations of 1966 (continued)

Gross Operating Profit	907,541	26.87
General and Administrative Expenses	1,244,881	36.26
Net Loss	317,240	9.39

Source: Financial Statements

General and administrative expenses are the largest expense item, followed by cost of goods sold, salaries and wages, and music. In the following page the departments are analyzed for 1966 operations.

The rooms department has the highest rate of profit ( 74.81% ). The important charges of the department are salaries and wages, laundry and depreciation. The food department is unprofitable, primarily because of the high cost of goods sold. Music and entertainment expenses constitute the second important item. It is disappointing to see a conventionally profitable department operating at a loss. One reason for the loss is related to the expenses covered under Employee Relations. In 1966 the hotel reconsidered employee standards and agreed to dismiss some of the undesirable employees. They were compensated for the dismissal, and each department is charged according to its share in the compensation paid.

The operations of the night club covers the period after October 15. Fixed commitments on music and entertainment have

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been the prime reason for incurring loss. The participation of the inhabitants of Bursa is limited to the week-ends and holidays. The youth has been indifferent to the price-reduced afternoon teas.

Summary. Analysis of the operations of the three hotels show the contribution of various departments to operating income. In all cases the rooms department is the leading item. For hotels under 400 rooms with an assumed occupancy rate it is expected to have a departmental profit of 87 percent. The hotels under review have been under this target because of the lower occupancy rate. In Istanbul Hilton and the Grand Hotel Ephesus the patrons are foreigners. The same thing has been experienced in the Divan Hotel. Among the foreigners the share of the American guests has been outstanding. They are followed by the nationals of Europe. The Çelik Palas is dominated by Turkish guests. The occupancy rates of the hotels, with the exception of the Hilton, have been low.

In case of the Grand Hotel Ephesus a decline is observed. This is attributed to the following factors: (1) The number of foreigners coming to İzmir area is not sufficient. Among those who happen to come it is rare to find wealthy tourists who can afford to spend more than \$.8 on boarding. The middle class tourists are inclined to spend \$ 5 for food and accommodations, (2) the hotel is far away from the sea and those who want to benefit from the sea are forced to go to other spots. This is

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a disadvantage for all of the İzmir hotels because it is impossible to enjoy the İzmir Bay. (3) The number of single-bed rooms is 101, and they cannot be converted into double-bed rooms. In case of demand pressure as in the Fair Period, many couples are disappointed.

Usually the Beverage department is the second important contributor to operating income. Beverages usually have a high mark up.

The food department makes modest or no contribution to the income. The explanation can be summarized: (1) the market cost of goods shows marked seasonal fluctuations and the listed prices are not changed often. Furthermore, the trend in the cost of goods is upward. (2) the processing interval is costly, because many parties are involved. Utility expenses are considered high. Lack of supervision creates more spoilage and waste.

The number of departments operated is not limited. Among the basic departments are telephone and laundry. The first one is not operated with the intent of profit making. The second one can become a major source of profit, as in the case of the Grand Hotel Ephesus. Swimming pools or baths with a pool are provided by the hotels. In addition to hotel customers the local people also use the facilities. They make fair contributions to the operating income. Among the special departments operated the play room, flower shop and transportation facilities can be mentioned. The success of these departments

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depend upon their connection with outsiders. For instance, the pastry shop of the Divan Hotel is next to the main avenue. The shop is among the main revenue departments. A similar shop operated by the Grand Hotel Tarabya has not achieved a similar performance, for most of the months that corner of Istanbul is deserted.

In 1966 receipts from tourists in terms of foreign currency was \$ 13,759,000. The shares of Istanbul Hilton and the Grand Hotel are \$ 2,069,525 and \$ 144,000; they contribute 16 percent of the total.

Bursa is well known for its springs that help cure rheumatism. Hotels there must operate a bath with the naturally warm water. The department shows loss because of the compensation paid to the previous employees. The same thing is true for the laundry department.

The telephone department has a high cost of calls and fixed commitments which together result in an unfavorable balance.

The play room is a newly operated section and has a profit rate of 71.32 percent.

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Exhibit 1  
Istanbul Hilton

Profit and Loss Statements

For the Years Ending December 31, 1963, 1964, 1965, 1966

	<u>1963</u>
<u>Operated Departments:</u>	<u>Net Revenue</u>
Rooms	8,672,536
Food	797,717
Beverages	1,772,292
Telephone	8,723
Dry Cleaning	310,293
Guest Laundry	113,359
Barber	90,821
Beauty Parlor	72,937
Transportation	12,694
Sport Fields	215,021
Flower Shop	9,444
Total	<u>12,075,844</u>
Other Income	346,191
Gross Operating Profit	<u>12,422,036</u>
<u>Undistributed Operating Expenses:</u>	
Administrative and General	1,583,818
Payroll Taxes and Employee Relations	-
Advertising	231,495
Promotion	196,023
Heat, Light and Power	1,930,890
Repairs and Maintenance	<u>1,100,248</u>
Total	<u>5,042,477</u>
GROSS OPERATING INCOME	7,379,558
Shop Rentals	<u>229,000</u>
GROSS OPERATING INCOME AFTER SHOP RENTALS	7,608,558
Vacation pay for Workers	<u>553,018</u>
GROSS OPERATING INCOME BEFORE RENEWALS	7,055,540
Provision for Renewals	<u>382,755</u>
GROSS OPERATING INCOME BEFORE IMPROVEMENT DEPRECIATION	6,672,784
Depreciation for Improvement	7,375
GROSS OPERATING INCOME BEFORE RENT	6,665,408
Rent	<u>4,443,605</u>
GROSS OPERATING INCOME BEFORE INTEREST EXPENSE	2,221,802
Interest Expense	57,049
NET PROFIT BEFORE INCOME AND INSTITUTION TAXES	<u>2,278,851</u>
Provision for Institution Tax	456,600
NET PROFIT BEFORE INCOME TAX	<u>1,822,251</u>
Income Tax	365,280
NET PROFIT	<u>1,456,971</u>

Source: Financial Statements of Istanbul Hilton.

Note: Totals may be incorrect because of rounding.

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<u>1964</u>	<u>1965</u>	<u>1966</u>
<u>Net Revenue</u>	<u>Net Revenue</u>	<u>Net Revenue</u>
8,568,432	10,909,276	12,419,684
417,404	487,726	844,796
1,616,503	1,737,021	2,179,013
(16,064)	(14,170)	(15,657)
280,445	244,744	357,592
104,334	118,681	153,293
69,148	73,209	72,993
38,711	4,550	-
9,089	(12,725)	(2,619)
160,315	174,223	212,818
14,369	11,571	21,345
<u>11,280,693</u>	<u>13,734,109</u>	<u>16,243,278</u>
380,450	509,156	646,384
<u>11,662,142</u>	<u>14,243,265</u>	<u>16,889,663</u>
1,837,606	2,085,891	2,236,214
-	-	-
357,131	371,975	345,694
292,157	237,321	198,511
1,776,776	2,082,077	2,375,879
<u>1,209,565</u>	<u>1,474,859</u>	<u>1,679,398</u>
5,478,263	6,252,126	6,835,698
6,188,905	7,991,139	10,053,964
241,000	242,750	271,000
<u>6,249,905</u>	<u>8,233,889</u>	<u>10,324,964</u>
-	1,044,172	1,031,059
6,249,905	7,189,716	9,293,904
956,889	-	-
5,473,015	7,189,716	9,293,904
7,375	7,375	34,503
5,465,641	7,182,340	9,259,401
<u>3,643,752</u>	<u>4,788,227</u>	<u>6,172,934</u>
1,821,889	2,394,113	3,086,467
64,700	72,437	14,367
1,886,580	2,466,551	3,100,834
381,000	497,800	623,570
<u>1,505,580</u>	<u>1,968,751</u>	<u>2,477,264</u>
304,800	398,240	498,860
<u>1,200,780</u>	<u>1,570,511</u>	<u>1,978,404</u>

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Exhibit 2  
Istanbul Hilton  
Analysis of Departments for 1966

Rooms Department:

Net Revenue	100%
Expenses:	
Salaries and wages	3.49%
Payroll Taxes	4.68%
Employee Meals	1.53%
Laundry	1.05%
Provision for Replacement of: China, Glassware and linen	1.52%
Other expenses	7.50%
Total Expenses	<u>19.77%</u>
Departmental Profit	80.23%

Food Department:

Net Revenue	100%
Cost of Goods Sold	51.40%
Less: Employee Meals	12.94%
Cost of Goods Sold	38.46%
Gross Profit	61.54%
Sundry Income	1.29%
Total Gross Profit	62.83%
Expenses:	
Salaries and Wages	17.76%
Payroll Taxes and Emp. Relations	10.60%
Employee Meals	6.31%
Fuel	.95%
Laundry	.80%
Dry Cleaning	.01%
Menus	.33%
Music and Entertainment	7.71%
Provision for Replacement of: Linen, China Glass and Silverware	3.35%
Others	6.93%
Total Expenses	54.05%
Departmental Profit	8.78%

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## Istanbul Hilton

### Analysis of Departments for 1966

#### Beverage Department:

Net Revenue	100%	
Cost of Beverage Sold		21.49%
Gross Profit		78.51%
Sundry Income		.10%
Gross Profit		78.61%
Expenses:		
Salaries and Wages		3.66%
Payroll Taxes and Emp. Relations		3.88%
Employee Meals		1.59%
Licenses and Inspections		.90%
Music and Entertainment		11.96%
Provision for Replacement of Glassware		1.88%
Others		1.33%
Total Expenses		25.20%
Departmental Profit		53.41%

---

#### Telephone Department:

Net Revenue	100%	
Cost of Calls		63.14%
Gross Profit		36.86%
Expenses:		
Salaries and Wages		26.46%
Payroll Taxes and Emp. Relations		7.64%
Others		5.61%
Total Expenses		39.71%
Departmental Loss		2.89%

---

#### Valet Department:

Net Revenue	100%	
Expenses:		
Salaries and Wages		19.86%
Payroll Taxes and Emp. Relations		6.36%
Others		9.92%
Less: Employee's Valet		4.65%
Total Expenses		31.99%
Departmental Profit		68.01%

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## Istanbul Hilton

### Analysis of Departments for 1966

#### Guest Laundry:

Net Revenue	100%	
Cost of Laundry		59.84%
Departmental Profit		40.16%

---

#### Barber Shop:

Net Revenue	100%	
Expenses:		
Salaries and Wages		33.19%
Payroll Taxes and Emp. Relations		9.72%
Others		14.15%
Total Expenses		57.06%
Departmental Profit		42.94%

---

#### Transportation:

Net Revenue	100%	
Expenses:		
Payroll Taxes and Emp. Relations		24.00%
Employee Meals		10.00%
Fuel		56.00%
Others		17.00%
Departmental Loss		7.00%

---

#### Swimming Pool and Sports Area:

Net Revenue	100%	
Expenses:		
Salaries and Wages		14.13%
Payroll Taxes and Employee Relations		4.11%
Others		7.37%
Total Expenses		25.61%
Departmental Profit		74.39%

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Istanbul Hilton  
Analysis of Departments for 1966

**Flower Shop:**

Net Revenue	100%	
Cost of Sales		33.56%
Gross Profit		66.44%
Expenses:		
Salaries and Wages		24.19%
Payroll Taxes and Employee Relations		7.75%
Others		3.17%
	Total Expenses	35.11%
Departmental Profit		31.33%

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Exhibit 3  
Grand Hotel Ephesus  
Profit and Loss Statements  
For the Years Ended December 31, 1965 and 1966

	<u>1965</u>	<u>1966</u>
	<u>Net Revenue</u>	<u>Net Revenue</u>
<u>Operated Departments:</u>		
Rooms	3,459,578	3,414,348
Food	(211,435)	(2,175)
Beverages	561,825	483,476
Laundry and Dry Cleaning	483,939	574,749
Swimming Pool	222,459	265,363
Telephone	(36,387)	(15,749)
<b>T O T A L</b>	<b>4,477,983</b>	<b>4,720,013</b>
Other Income	<u>204,109</u>	<u>127,666</u>
<b>GROSS OPERATING INCOME</b>	<b>4,682,092</b>	<b>4,847,680</b>
<u>UNDISTRIBUTED OPERATING EXPENSES:</u>		
Administrative and General	1,274,021	3,409,929
Heat, Light and Power	759,472	787,073
Repairs and Maintenance	229,691	374,634
Advertising	230,029	187,237 <sup>1</sup>
Insurance Premium	354,408	- <sup>2</sup>
Fund for Replacement of Equipment	385,756	- <sup>3</sup>
Fund for Replacement of Furniture	851,633	- <sup>3</sup>
<b>NET INCOME BEFORE RENT</b>	<b>103,024</b>	<b>428,066</b>
Rent	<u>97,873</u>	<u>407,613</u>
<b>NET PROFIT</b>	<b>5,151</b>	<b>21,453</b>

Source: Financial Statements of the Hotel.

1

Starting in 1966 the Fund will take over the insurance premium.

2

They have been charged to various departments.

3

The depreciation expense for furniture (851,000) is included under Administrative Expense.

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Exhibit 4  
Grand Hotel Ephesus  
Analysis of Departments for 1966

Rooms Department:

Net Revenue	100%	
Expenses:		
Salaries and Wages		6.6%
Employee Meals		2.2%
Laundry		7.5%
Provision for Replacement of China		
Glassware and Linen		4.3%
Others		3.6%
Total Expenses		24.2%
Departmental Profit		78.8%

---

Food Department:

Net Revenue	100%	
Cost of Goods Sold		49.0%
Less: Employee Meals		7.8%
Gross Profit		58.8%
Expenses:		
Salaries and Wages		20.0%
Employee Meals		3.0%
Social Insurance		2.9%
Music and Entertainment		14.2%
Others		18.8%
Departmental Loss		.05%

---

Beverage Department:

Net Revenue	100%	
Cost of Beverage Sold		25.00%
Gross Profit		75.00%
Expenses:		
Salaries and Wages		5.00%
Employee Meals		3.40%
Music and Entertainment		18.00%
Provision for Replacement of Glassware		4.60%
Others		9.00%
Total Expenses		40.00%
Departmental Profit		35.00%

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## Laundry:

Net Revenue	100%	
Cost of Laundry		7.0%
Gross Profit		93.0%
Expenses:		
Salaries and Wages		25.0%
Employee Meals		3.0%
Provision for Replacement		4.0%
Others		5.0%
	Total Expenses	37.0%
Departmental Profit		56.0%

---

## Telephone:

Net Revenue	100%	
Cost of Calls		70.0%
Gross Profit		30.0%
Expenses:		
Salaries and Wages		27.0%
Employee Meals		1.5%
Others		6.6%
	Total Expenses	35.1%
Departmental Loss		5.1%

---

## Swimming Pool:

Net Revenue	100%	
Expenses:		
Salaries and Wages		7.0%
Others		4.0%
	Total Expenses	11.0%
Departmental Profit		89.0%

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Exhibit 5  
Çelik Palas Hotel  
Profit and Loss Statement  
For the Years Ended December 31, 1965 and 1966

<u>Operated Departments:</u>	<u>1965</u> <u>Net Revenue</u>	<u>1966</u> <u>Net Revenue</u>
Rooms	826,695	1,025,339
Food	(61,249)	(44,099)
Beverages	10,949	(12,265)
Bath	(3,042)	(14,536)
Night Club	--	(30,327)
Laundry	(10,141)	(28,570)
Telephone	(23,060)	(35,399)
Play Room	--	12,054
T O T A L	742,151	872,196
Other Income	<u>43,557</u>	<u>35,344</u>
GROSS OPERATING INCOME	785,708	907,541
UNDISTRIBUTED OPERATING EXPENSES	<u>1,086,483</u>	<u>1,224,881</u>
NET LOSS	300,775	317,340

Source: Financial Statements of Çelik Palas Hotel.

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Exhibit 6  
Celik Palas Hotel  
Analysis of Departments for 1966

Rooms Department:

Net Revenue	100%
Expenses:	
Salaries and Wages	4.94%
Employee Relations	4.57%
Employee Meals	1.87%
Laundry	5.84%
Provision for Replacement	5.54%
Others	2.43%
Total Expenses	25.19%
Departmental Profit	74.81%

---

Food Department:

Net Revenue	100%
Expenses:	
Cost of Goods Sold	47.24%
Salaries and Wages	19.90%
Employee Relations	7.27%
Employee Meals	2.99%
Laundry	3.22%
Music and Entertainment	12.52%
Others	10.23%
Total Expenses	103.37%
Departmental Loss	3.37%

---

Beverage Department:

Net Revenue	100%
Expenses:	
Cost of Beverage Sold	34.63%
Salaries and Wages	24.87%
Employee Relations	8.40%
Employee Meals	3.64%
Laundry	4.00%
Music and Entertainment	14.07%
Others	13.33%
Total Expenses	103.34%
Departmental Loss	3.34%

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## Celik Palas Hotel

### Analysis of Departments for 1966

#### Night Club:

Net Revenue	100%	
Expenses:		
Salaries and Wages		1.28%
Music and Entertainment		115.57%
Cost of Beverages		19.98%
Others		4.09%
	Total Expenses	141.92%
Departmental Loss		41.92%

---

#### Bath:

Net Revenue	100%	
Expenses:		
Salaries and Wages		66.64%
Employee Relations		39.72%
Employee Meals		9.59%
Laundry		29.61%
Others		12.63%
	Total Expenses	158.19%
Departmental Loss		58.19%

---

#### Laundry:

Net Revenue	100%	
Expenses:		
Salaries and Wages		57.37%
Employee Relations		32.00%
Employee Meals		7.94%
Others		20.75%
	Total Expenses	117.76%
Departmental Loss		7.76%

---

#### Telephone:

Net Revenue	100%	
Expenses:		
Salaries and Wages		41.82%
Cost of Calls		88.64%
Others		30.62%
	Total Expenses	161.08%
Departmental Loss		61.08%

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Çelik Pallas Hotel  
Analysis of Departments for 1966

Play Room:

Net Revenue	100%	
Operating Expenses		28.56%
Departmental Profit		71.32%

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## CHAPTER IV

### RETURN ON INVESTMENT

#### A. RETURN ON SELECTED HOTELS

In the previous discussions it was mentioned that the construction of Hilton and the Grand Hotel Ephesus was financed by the Pension Fund. The Çelik Palas was purchased by the Fund. In this Chapter the return on investment in each will be analyzed.

Istanbul Hilton. The hotel cost the Fund 91 million liras. The share of land is 3.9 million liras. The Fund is responsible for insuring the building; the insurance cost was 238,000 liras in 1966. The depreciation charge for the same year has been 1,370,000 liras.

Rent revenue from the hotel was 6,173,000 liras in 1966. Thus, income to the Fund was  $6,173,000 - (1,370,000 + 238,000)$ , or 4,565,000. Rate of return is income of 4,565,000 divided by an investment of 91 million. For 1966 the rate of return on investment was 5.01 percent.

The annex was not fully available for use during 1965. The rate of return for 1965 may be misleading. For 1963 and 1964 the amount of investment is estimated to be 40.5 million liras, of which the value of land is 2.5 million liras. Expenses charged to the operations by the Fund for 1963 are 760,000 liras for depreciation and 150,000 liras for insurance; rental revenues were 4,444,000. The rate of return for 1963 is 8.7 percent  $(4,444 - 910 / 40.5 \text{ million})$ . The rate has fallen to 6.7 percent in 1964  $(3,644 - 910 / 40.5 \text{ million})$ .

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The American Accounting Association has issued a statement on the accounting of depreciation. "Depreciation reflects the estimated expiration of the service potential of the asset... Income from ordinary operations should represent, in current dollars, which in the absence of catastrophic loss or discovery of assets, is available for distribution outside the firm without contracting the level of its operating capacity. Depreciation must be based upon the current cost of restoring the service potential consumed during the period. The measurement problems are greater in the case of depreciation, however..the conceptual need for current cost depreciation in the determination of income from ordinary operations cannot be denied."<sup>16</sup>

If one complies with this scholarly advice the rates of return on investment will be lower. In 1963 the cost of constructing a similar building is estimated by construction authorities to be 2.5 times the 1955 cost. That is, the building could be erected for 95,680,000 million liras in 1963. The depreciation charges then would be around 1.9 million liras. Together with insurance expenses they would total 2.05 million liras. The rate of return would be equal to 2.7 percent (2.4 m./95.7 m. + the cost of land, 2.5 m.). The 2.4 million is the difference between the current revenue and expenses.

---

16

"Accounting for Land, Buildings, and Equipment. Supplementary Statement No.1", The Accounting Review, 1964 July, p.696.

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The return for 1966 can be calculated in the following manner. The cost of the annex will reflect current replacement cost. What must be adjusted is the initial cost of construction. We estimated it to be 95,680,000 liras. The cost of the annex is 49 million liras. The cost of the building comes very close to 145 m. liras. The cost of land with additional purchases has been recorded to be 3,8 m. liras. The depreciation charge will be 3.9 m. ( 2% of cost ). Together with the insurance expense current expenses will be approximately 4.3 liras. The rate of return will be equal to 1.2 percent (  $6,173 - 4,300 / 145$  m.)

The Grand Hotel Ephesus. The total cost of the hotel was 97,676,280 liras. The cost of land included in the total is 3.5 million liras. The Fund does not pay for insurance of the building. Besides, the rents from the shops are channeled to the share of the Pension Fund. The rate of return for the last two years has been negative. In 1966 the Fund received 443,000 liras from the shop rentals and 407,000 liras from the operations of the hotel. However, the inflow of revenues totaling 850,000 liras is far from matching the depreciation expense of 1,645,000 liras.

The situation of the Çelik Palas Hotel is similar. The hotel was purchased for 22.5 million liras and has operated at a loss for two years. The depreciation expense of 122,000 liras is not matched with revenue inflow.

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## B. ALTERNATIVE INVESTMENT POSSIBILITIES

The proper thing to discuss in this part would be the actual experiences of various touristic investments. Twenty questionnaires were sent to various hotels for making comparisons. Only three -Çırağan, Gezi and King- hotels were cooperative in giving partial answers. The questionnaire is disclosed at the end of the appendixes. What has been done here is to review some of the projects that are going to be carried by the Pension Fund.

Ankara Stad Hotel. The second class hotel entitled to the certificate of tourism is near completion. The 200 room hotel is expected to start its operations by the end of this year. It is expected that the occupancy rate of the hotel will not be less than 70 percent. The charge for the single-bed and double-bed rooms will be 35 and 45 liras. It is assumed that half of the guests will dine in the hotel restaurant for 10 liras which will cost 5 liras. Estimated contributions of various departments are shown in the summary provided on the following page. The projected rate of return on investment before taxes is 6.7 percent.

Macka Hotel. The construction of this second class hotel started recently. When it is completed 200 rooms with double-beds will be available for 60 liras. The rate of occupancy is assumed to be 70 percent. The revenue departments are: rooms,

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food, pastry shop, night club, garage and telephone. Data on the hotel project are disclosed in the following pages. The rate of return on investment is estimated at 9.75 percent. This rate of return before taxes should be taken with precaution. The value of land shown at 982,000 liras is at historical cost. The value of similar land would be much more.

Fıstıklı Hotel. This is, also, a second class hotel project which is in process of approval by the State Planning Department. The hotel will be built in Ortaköy, and upon completion will provide 200 rooms with double-beds. It is observed that the tourist groups come in groups of around 400, and they want to spend their three week vacations in different places. The Fıstıklı Hotel will be the start of a chain. The tourists after staying a week in Istanbul will be taken to the vacation villages, (discussed below) on the Aegean coast. After a week they will have the opportunity of visiting the Antalya region in similar accommodation facilities. The daily cost of boarding for a couple will be 70 liras. In the project the net contribution of the food and beverage departments are shown. The rate of return on investment is calculated to be 7%. The value of land is shown to be 300,000 which is less than the present value. Using current value decreases the rate of return.

The Aegean summer vacation villages and the Akdeniz Resort Hotel on the Mediterranean Sea are expected to have an occupancy rate of 80 percent. A couple will be able to stay in the resort hotel for 65 liras. The vacation village will cost 50 liras per

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couple. In calculating revenues beverages and soft drinks are reported with their net contribution. The rate of return on the resort hotel is calculated to be 5.7 percent. The rate of return on the summer village that can accommodate 800 tourists is 6.3 percent.

Vacation villages have the characteristic of catering to middle-income class tourists. They are usually built along the sea shores. Tourists come to the villages by chartered planes. Each bungalow has two beds, bath room and shower. The public places include restaurant, bar, sport fields, and beach.

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## Exhibit 7

### Projected Rate of Return on Ankara Stad Hotel

#### Cost of the Project:

Construction	15,076,000
Installation	2,350,000
Furniture	3,500,000
Preliminary expenses	794,000
Land	2,310,735
<b>TOTAL</b>	<b>24,010,725 T.L.</b>

#### Expected Revenue: (Net of Expenses)

Rooms	2,058,125
Food	373,150
Beverage	100,000
Laundry	-
Telephone	(20,000)
Rental	604,000
<b>TOTAL</b>	<b>3,155,275</b>

#### General Expenses:

Administrative and General	351,500
Advertisement and Promotion	100,000
Heat, light, water	80,000
Depreciation	811,000
<b>TOTAL</b>	<b>1,502,500</b>

Rate of Return:  $\frac{3,155,275 - 1,502,500}{24,010,725} : \frac{1,612,775}{24,010,725} : 6.7\%$

Source: The report prepared by the Fund.

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Exhibit 8  
Projected Rate of Return on Maçka Hotel

**Cost of the Project:**

Land	982,000
Preliminary expenses	800,000
Construction and Installation	17,094,000
Furniture	3,700,000
	<hr/>
<b>TOTAL</b>	<b>22,576,000 T.L.</b>

**Expected Revenue: (Net of Expenses)**

Rooms	2,904,500
Food	860,000
Pastry Shop	106,505
Night Club	191,510
Garage	44,285
Telephone	2,120
	<hr/>
<b>TOTAL</b>	<b>4,109,280 T.L.</b>

**Expected Expense:**

Administrative and General	566,030
Advertisement	82,000
Heat, light and power	200,000
Repairs and Maintenance	103,000
Depreciation	803,000
Insurance	40,000
	<hr/>
<b>TOTAL</b>	<b>1,794,030 T.L.</b>

**Rate of Return:**

<u>4,109,280 - 1,794,030</u>	:	<u>2,315,250</u>	:	9.75%
22,576,000		22,576,000		

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Source: The report submitted to the Fund.

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## Exhibit 9

### Projected Rate of Return on Fıstıklı Hotel

#### Cost of the Project:

Construction	9,965,000
Installation	7,600,000
Furniture	1,935,000
Preliminary expenses	1,000,000
Land	300,000
Others	100,000
<b>TOTAL</b>	<b>20,900,000 T.L.</b>

#### Expected Revenue: (Net of Expenses)

Rooms ( 200 x 365 x .7 x 70 T.L. )	3,660,000
Food ( 400 x 365 x .7 x 2.5 T.L. )	265,500
Beverage (400 x 365 x .7 x 1 T.L. )	102,200
Shop rent	33,000
Laundry	25,000
<b>TOTAL</b>	<b>4,085,700 T.L.</b>

#### Expected Expense:

Maintenance and Repairs (19,1 m. x .006)	144,000
Depreciation:	
Building ( 9,965 m. x .02)	199,000
Installation ( 7,6 m. x .06)	456,000
Furniture ( 1,935 m. x .06)	116,000
Personnel ( 150 x 700 x 12 )	1,260,000
Electricity	250,000
Water	50,000
Fuel-oil	100,000
Insurance	75,000
<b>TOTAL</b>	<b>2,620,000 T.L.</b>

Rate of Return:  $\frac{4,085,700 - 2,620,000}{20,900,000}$  : 7%

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## Exhibit 10

### Projected Rate of Return on Akdeniz Resort Hotel

#### Cost of the Project:

Construction	9,965,000
Installation	7,600,000
Furniture	1,935,000
Preliminary expenses	1,000,000
Land	300,000
Allowances	100,000
	<hr/>
TOTAL	26,900,000 T.L.

#### Expected Revenue:

Pension ( 400 x 200 x .8 x 65 T.L. )	4,160,000
Soft Drinks ( 64,000 x .5 x 5 T.L. )	160,000
Beverage ( 64,000 x 2 T.L. )	128,000
Rental	30,000
	<hr/>
TOTAL	4,478,000 T.L.

#### Expected Expense:

Food and Beverages	1,600,000
Maintenance ( 19,100,000 x .006 )	114,000
Depreciation:	
Building ( 9,965,000 x .02 )	199,000
Installation ( 7,600,000 x .06 )	456,000
Furniture ( 1,935,000 x .06 )	116,000
Heat, light and power	300,000
Personnel	420,000
Insurance	75,000
	<hr/>
	3,280,000

Rate of Return:  $\frac{4,478,000 - 3,280,000}{20,900,000} : 5.7\%$

Source: The report submitted to the Fund.

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## Exhibit 11

### Projected Rate of Return on Summer Vacation Village

#### Cost of the Project:

Construction	11,510,000
Installation	4,665,000
Furniture	2,225,000
Preliminary expenses	1,000,000
Land	500,000
Allowance	100,000
	<hr/>
TOTAL	20,000,000 T.L.

#### Expected Revenue:

Pension ( 800 x 200 x .8 x 50 T.L. )	6,400,000
Soft drinks ( 128,000 x .5 x 2.5 T.L. )	160,000
Beverage ( 128,000 x 1 T.L. )	128,000
Rental	50,000
	<hr/>
TOTAL	6,738,000 T.L.

#### Expected Expense:

Food	3,200,000
Maintenance ( 18,400,000 x .006 )	184,000
Depreciation:	
Buildings ( 11,510,000 x .02 )	230,000
Installations ( 4,665,000 x .06 )	279,000
Furniture ( 2,225 x .06 )	133,000
Personnel	840,000
Heat, light and power	580,000
Insurance	100,000
	<hr/>
TOTAL	5,466,000 T.L.

Rate of Return:  $\frac{6,738,000 - 5,466,000}{20,000,000} : 6.3\%$

20,000,000

Source: The report submitted to the Fund.

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## CHAPTER V

### CONCLUSIONS

The recent development of tourism in Turkey has been encouraging. In 1965 and 1966 the number of foreign tourists have increased by more than optimistic expectations. Investments in infrastructure, offer of touristic credits, provision of various types of facilities, advertisements, decreased formalities and increase of the week-end to two days will make favorable contributions to Turkish tourism. It is the feeling of the experts that tourists are bored with Spain, France and Italy. Turkey with her favorable climate, natural beauty, historical and cultural attractions can become a favorite vacation country. If the number of tourists increases 50 percent each year Turkey will be able to secure more than 400 million dollars. If it is kept in mind that Turkey's exports fluctuate around 400 million dollar, the contribution of tourism may ease many of the country's foreign exchange difficulties.

What should investors interested in tourism consider first? Should a luxury hotel which appeals to ego satisfaction be preferred to others possibilities? In the preceding chapter these questions have been analyzed. It is observed that the public sector was under the spell of constructing luxury hotels. The Pension Fund, the most important investor in tourism, has been responsible for the construction of Istanbul Hilton, the Grand Tarabya, Ephesus, and Ankara hotels.

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The Çelik Palas Hotel has been added to the line of luxury hotels through purchase. The operations of the Grand Tarabya and Ankara have not exceeded a years experience. However, the preliminary data on the Grand Tarabya Hotel indicates it will follow the footsteps of the Ephesus and Çelik Palas hotels. These two hotels have been unable to offer a positive return to the Pension Fund. Their main problem is lack of guests. The rooms department which determines the success or failure of hotels works under its capacity. The occupancy rates of the two hotels move around 50 percent. The fixed expenses charged to the other departments make them contribute negligible amounts. In these provinces the domestic population and tourists combined are not sufficient to support luxury hotels. The managements hope that in the near future inflow of tourists who can afford more than 180 liras for accommodations will make the hotels operate with sufficient profits.

The operations of the Hilton Hotel have been satisfactory. The rate of return on investment fluctuates between 5 and 6 percent. As far as the Pension Chest Fund is concerned this is about equal to what it can get from time deposits. It can justify even lower rates of return on grounds of full employment and contribution to national income.

Alternative investment possibilities in tourism give rates on return from a range of 5.7 to 9.75 percent. These are all projections and may have elements of bias. Most of them assume that they will be 70 percent occupied at least.

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The operations of Gezi, Çınar, and King hotels have indicated occupancy rates in excess of 70 percent. These are second and third class hotels with certificates of tourism. The assumption on the occupancy rate seems to be valid. Should these second class hotels and summer villages be preferred to luxury hotels because of financial considerations? The second class hotels seem to yield a return around 6 percent which may go down to 4.5 - 5 percent after taxes. Then the return will be quite close to the Hilton figure.

It is unwise to insist on luxury hotels for several reasons: (1) the performance of Hilton is the result of years experience and goodwill, (2) the unfortunate experiences of the other hotels should be kept in mind. Cities other than Istanbul do not seem to be able to support a luxury hotel. Even in Istanbul market research is necessary. The place of construction is vital to the success of operation, (3) the operation of a luxury hotel requires around 400 skilled personnel, and in Turkey there is a shortage.

What has been said thus far has been speculations. But there is convincing information for preferring the vacation camps to luxury hotels. A new luxury hotel with 400 rooms will be constructed in Taksim square. Recently the world famous hotel operators were asked to give bids for taking the operation of the new hotel. The three appealing proposals were:

1. The rent to be paid to the owners will be 75 percent of the gross operating profit. The term of the contract will be

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20 years. Technical assistance will be offered during the construction.

2. In case of profit a minimum rent of 8 percent return on investment will be paid. Two percent of the profits will be separated for administrative expenses. If there is excess profit after paying the 8 percent return on investment and the administrative expenses, 70 percent of it will be channeled to the owners.

3. The rent will be equal to 80 percent of the net profit. For five years a minimum rent of 2 percent on 100 million liras will be guaranteed. The contract will be for 20 years.

Two summer villages are going to be opened this summer. They will cater to 800 tourists. They have been rented to two well known operators: the Club Européan de Tourisme and the Club Méditerranée. The two clubs have guaranteed the minimum rate of return of 8 percent on the investments. Furthermore, after 50,000 nights of sleep the Pension Fund will receive 90 cents per night. The clubs have booked their places for 6 months. The middle class tourists have shown interest in the moderately priced vacation villages. Assuming full capacity operations for six months, the participation of the lessor in additional earnings will be 94,000 nights of sleep x 8.1 liras or 761,400 liras. Assuming the investment to be 20 million liras, the extra return is 3.3 percent ( $761,400 / 20,000,000$ ). The gross rate of return on investment will then be equal to 11.3.

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The highest rate of return is offered by the vacation villages. A minimum 8 percent on investment has been guaranteed. With additional participation in earnings the chances of increasing it to 11 percent are high. On the other hand, no firm guarantee has been given to the luxury hotel under construction. If the operations turn to be profitable then 70 or 80 percent of it is offered as rent. The only sound offer is 2 percent return for the first five years taking the investment value to be 100 million liras.

The most profitable investment opportunity of the present time is the vacation village. Although the return from a successful luxury hotel is similar to a modest second class hotel, the latter is less risky.

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## Appendix 1/A

### Travel Exchange Inflow and Outflows of Various Countries (in millions of dollars)

<u>Countries</u>	<u>Years</u>					
	<u>1 9 6 2</u>		<u>1 9 6 3</u>		<u>1 9 6 4</u>	
	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>	<u>Debit</u>
Austria	354	74	423	110	503	118
Belgium and Luxembourg	6.8	9	7.9	11.1	8.7	12.1
Canada	562	605	609	585	662	712
Cyprus	3.5	2.7	4.5	2.9	1	2.4
France	265	223	286	231	361	242
Greece	76	21.8	95.4	27.5	90.9	38.6
India	155	121	163	101	23	104
Italy	847.3	123.6	937.6	182.8	1,035.4	208.7
Japan	48.3	47.9	53.6	65.4	62.0	78.2
Netherlands	180	174	213	214	241	265
Portugal	56	28	79	36	127	57
Spain	513	47	679	68	918	66
Turkey	8	18	8	21	8	22
UK	512	588	527	675	532	731
USA	1,194	1,235	1,301	1,363	1,420	1,435

Source: International Statistics. U.N. Balance of Payments Collection.

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## Appendix 1/B

### Hotels With and Without Tourism Certificate

(In 1964)

	<u>Hotels With Certificate</u>			<u>Hotels Without Certificate</u>			<u>T O T A L</u>		
	Number of <u>Hotels</u>	Number of <u>Rooms</u>	Number of <u>Beds</u>	Number of <u>Hotels</u>	Number of <u>Rooms</u>	Number of <u>Beds</u>	Number of <u>Hotels</u>	Number of <u>Rooms</u>	Number of <u>Beds</u>
<b><u>CLASS</u></b>									
Luxury	6	939	1,587	79	2,048	3,579	85	2,987	5,184
First	9	510	897	886	15,782	31,840	895	16,292	32,737
Second	20	1,061	1,699	899	11,777	27,303	919	12,838	29,002
Third	63	2,402	4,294	525	5,525	14,176	588	7,926	18,470
Fourth	1	23	45	27	439	1,114	28	462	1,159
Fifth	5	535	878	127	1,201	2,849	132	1,736	3,727
<b>TOTAL</b>	104	5,470	9,400	2,543	36,771	80,879	2,647	42,241	90,279

Source: Ministry of Tourism and Information, Tourism Statistics, p. 68

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## Appendix 11/A

### Distribution of Domestic Tourists Among Regions in 1964

Regions and Provinces <u>(1)</u>	Total Bed Number <u>(2)</u>	Annual Bed Capacity <u>(3)</u>	Nights Slept by Foreign Tourists <u>(4)</u>	Annual Difference <u>(5)</u>	Occupancy Rate <u>(6)</u>
1. İSTANBUL	15,805	5,768,825	703,626	6,065,199	70%
2. MARMARA	23,773	8,677,145	240,860	8,436,285	30%
3. AEGEAN	11,159	4,073,035	425,730	3,674,305	40%
4. MEDITER- RANEAN	8,385	3,060,525	183,236	2,877,289	30%
5. INTERIOR ANATOLIA	28,767	10,499,955	30,000	10,496,955	30%
6. ANKARA	11,882	4,336,930	115,000	4,221,930	60%
7. EASTERN ANATOLIA	3,998	1,459,270	19,089	1,440,181	30%
8. S. EASTERN ANATOLIA	3,274	1,195,010	17,367	1,177,643	30%
9. EASTERN BLACK SEA	9,286	3,389,390	15,000	3,374,390	30%
<b>T O T A L</b>	<b>116,329</b>	<b>42,460,085</b>	<b>1,749,905</b>	<b>40,710,180</b>	

Source: Turizm, Özel İhtisas Komisyonu Raporu, p. 443.

#### Explanation of Columns:

- (2) Total number of beds in the region according to the inventory taken in 1964.
- (3) Column 2 x 365.
- (4) See Appendix 11/U.
- (8) Column 5 x 6/7 x 100.
- (11) Column 10 x 7.

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Average Nights Slept By Domestic Tourists	Domestic Travelers	Percent- age of Domestic Tourists	Number of Domestic Tourists	Nights Slept by Domestic Tourists	% Dis- tribut- ion among Regions	Number of Provinces
(7)	(8)	(9)	(10)	(11)	(12)	(13)
10	354,564	50%	117,282	1,772,820	19	1
10	253,088	70%	117,162	1,771,620	19	8
10	145,882	60%	87,535	875,950	9	5
8	137,917	45%	58,736	432,565	6	6
5	1,256,395	20%	251,279	1,256,395	26	29
5	506,632	20%	101,326	506,630	11	1
5	86,411	30%	25,923	129,615	3	5
5	70,659	40%	28,264	141,320	3	5
5	202,063	20%	40,413	202,065	4	7
	<u>2,878,468</u>		<u>947,920</u>	<u>7,088,380</u>		<u>67</u>

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## Appendix II/B

### Number of Nationals Departed by Country Visited and Years (1960-1965)

Countries	Years					
	1960	1961	1962	1963	1964	1965
Afganistan	41	13	10	12	17	10
Argentina	48	48	32	28	68	47
Albania	8	10	10	58	29	156
Austria	437	374	479	386	1,937	3,822
Australia	33	48	19	15	35	1,223
Federal Germany	5,918	4,201	7,830	5,506	60,688	108,251
Belgium	273	118	262	5,635	9,229	5,476
United States	2,668	2,601	2,976	3,394	3,775	3,571
Brazil	24	32	8	49	22	124
Bulgaria	146	22	185	71	538	1,264
Czechoslovakia	23	10	42	56	37	89
China (Taiwan)	6	8	12	24	16	11
China (Red)	1	1	7	2	5	3
Denmark	37	53	98	99	152	161
East Germany	-	-	3	1	-	2
Indonesia	4	-	3	3	6	10
Philippines	-	-	-	-	-	38
Finland	28	31	27	20	17	92
France	2,106	1,583	2,215	2,352	3,764	4,694
South Africa	4	12	11	8	28	13
India	27	32	18	35	52	36
Netherlands	324	257	313	368	4,247	5,060
United Kingdom	2,781	1,122	1,454	1,356	1,986	2,326
Iran	247	198	198	226	933	1,134
Ireland	6	2	2	4	-	13
Israel	1,142	2,071	1,835	2,183	2,982	3,668
Sweden	137	63	134	95	675	622
Switzerland	991	637	1,082	1,142	3,129	3,668

Iraq	174	100	194	129	90	283
Spain	51	62	129	143	150	255
Italy	2,777	1,842	2,593	2,807	2,743	4,055
Japan	52	173	81	141	64	71
Canada	98	108	99	135	185	271
Cyprus	-	1,451	1,591	1,857	176	97
Lebanon	1,459	1,060	1,633	1,378	1,577	1,853
Hungary	26	14	37	44	82	95
Mexico	11	198	12	84	4	2
Egypt	466	196	124	114	135	151
Norway	192	57	30	33	32	44
Pakistan	52	44	52	68	104	103
Poland	5	7	44	43	33	67
Portugal	12	28	27	27	35	57
Romania	61	63	52	84	168	344
USSR	127	2,227	1,319	144	165	331
Sudan	2	2	3	4	3	7
Saudi Arabia	67	32	5,844	3,718	3,349	21,393
Syria	1,671	1,029	2,168	1,087	1,240	1,858
Chile	10	2	1	-	-	7
Jordan	39	63	61	24	79	106
Yemen	-	-	1	-	-	6
Yugoslavia	43	32	75	34	639	827
Greece	3,773	1,953	3,633	3,688	6,783	8,935
Other Countries	227	235	813	462	277	109
Unknown	<u>24</u>	<u>10,260</u>	<u>8,233</u>	<u>2,068</u>	<u>423</u>	<u>83</u>
<b>T O T A L</b>	<b>28,211</b>	<b>34,794</b>	<b>47,535</b>	<b>41,833</b>	<b>113,083</b>	<b>186,520</b>

Source: State Institute of Statistics.

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## Appendix 11/C

### Number of Nationals Departed By Purpose of Travel and Year (1960-1965)

<u>Purpose of Travel</u>	<u>Y e a r s</u>					
	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>
Business	2,917	1,679	2,850	2,733	4,201	5,342
Visiting Relatives	13,276	10,119	19,620	17,246	28,178	31,864
Health	611	303	266	253	333	367
Sports and Recreation	1,032	535	742	1,042	686	919
Education	1,414	830	1,055	891	2,385	2,912
Study and Research	1,883	1,699	2,009	2,110	2,450	2,785
Official Visit	5,054	3,829	4,404	5,386	6,893	6,487
Work for an International Office	207	1,224	958	365	232	171
Other Work in a Foreign Country	780	1,187	2,173	6,791	62,567	112,067
Immigration	265	3,518	1,667	534	654	863
Hadj	20	-	5,635	3,595	2,361	21,778
Other Purposes	729	523	473	473	1,105	964
Unknown	<u>23</u>	<u>9,348</u>	<u>5,696</u>	<u>411</u>	<u>138</u>	<u>1</u>
<b>T O T A L</b>	<b>28,211</b>	<b>34,794</b>	<b>47,535</b>	<b>41,833</b>	<b>113,083</b>	<b>186,520</b>

Source: State Institute of Statistics. Tourism Statistics, p. 53.

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## Appendix 11/D

### Foreign Exchange Gone to Tourism (In thousands of dollars)

<u>Years</u>	<u>Expenditure</u>	<u>Turkish Tourists</u>	<u>Expenditure per Tourist</u>
1958	12,800	31,429	407
1959	12,600	42,889	293
1960	8,300	21,882	379
1961	13,758	15,688	784
1962	18,000	32,637	551
1963	20,500	28,356	721
1964	21,808	42,599	512
1965	24,310	65,967	369

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Source: Ministry of Finance. Tourism Statistics, p. 3.

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## Appendix 11/E

### Foreign Exchange Receipts from Tourism

(In thousands of dollars)

<u>Years</u>	<u>Receipts</u>	<u>Tourist Arrivals</u>	<u>Receipts per Tourist</u>
1952	2,287	38,837	59
1953	2,350	70,055	34
1954	1,771	71,331	25
1955	1,979	79,369	25
1956	1,495	99,414	15
1957	1,041	100,803	10
1958	1,535	147,744	13
1959	4,756	126,690	38
1960	5,998	94,077	64
1961	7,092	129,104	55
1962	8,317	172,867	48
1963	7,659	154,822	49
1964	8,317	168,054	49
1965	13,759	300,790	46

Source: Ministry of Finance. Tourism Statistics, p. 3.

**Number of Foreign Tourist and Non-Tourist Arrivals by  
Nationality and Years  
(1962-1964)**

<u>Nationality</u>	<u>Foreign Tourist</u>			<u>Non-Tourist</u>		
	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>
Afganistan	68	90	209	13	37	97
Argentina	447	337	568	31	51	74
Albania	37	14	34	2	4	22
Austria	6,017	3,887	6,007	188	602	852
Australia	760	632	1,205	16	79	128
Federal Germany	18,957	15,289	21,452	1,404	3,369	4,799
Belgium	2,031	1,793	2,355	96	240	401
United States	51,744	50,719	43,040	15,841	22,030	26,877
Brazil	332	391	339	11	38	46
Bulgaria	374	149	380	35	21	313
Czechoslovakia	120	99	96	22	116	168
China (Taiwan)	90	57	82	14	8	28
China (Red)	3	3	11	1	3	1
Denmark	1,265	714	1,361	54	150	226
East Germany	2	1	1	1	-	20
Indonesia	17	7	17	5	-	23
Philippines	60	27	58	2	-	7
Finland	438	356	532	40	140	210
France	11,900	11,519	11,702	614	1,351	2,204
South Africa	674	764	663	12	28	46
India	309	264	349	34	77	130
Netherlands	1,732	1,216	2,168	172	334	859
United Kingdom	15,023	13,445	14,099	1,356	3,031	4,137
Iran	2,278	5,435	10,613	180	1,201	2,183
Ireland	86	104	142	6	14	17
Israel	4,391	4,938	3,434	276	694	892
Sweden	2,991	1,734	1,722	52	157	386
Switzerland	3,912	3,464	3,289	220	575	825
Iraq	4,112	2,790	3,094	217	394	825
Spain	760	691	800	67	141	283
Italy	6,248	5,050	5,140	665	1,360	1,748
Japan	649	667	893	133	390	394
Canada	1,938	1,816	2,112	144	255	413
Cyprus	2,535	3,240	427	559	321	471
Lebanon	4,213	3,705	5,404	363	789	1,538
Hungary	138	83	65	20	87	110
Mexico	814	743	1,088	38	70	52
Egypt	190	208	190	9	68	104
Norway	313	230	333	60	89	225
Pakistan	862	927	1,448	156	273	513
Poland	107	97	137	69	144	168
Portugal	130	189	163	15	32	61
Romania	989	472	213	32	56	267
USSR	249	200	144	122	103	270
Sudan	32	17	40	4	5	29
Saudi Arabia	916	636	769	115	118	141
Syria	4,008	4,823	6,523	548	1,451	3,473
Chile	81	44	92	1	2	18
Jordan	2,689	2,471	3,917	268	727	1,340
Yemen	1	-	5	4	-	1
Yugoslavia	710	288	4,739	61	93	992
Greece	10,858	6,407	1,870	769	1,569	1,172
Stateless	130	103	82	7	17	48
Other Countries	2,525	1,453	2,412	175	1,080	455
Unknown	603	24	25	6	4	165
<b>T O T A L</b>	<b>172,867</b>	<b>154,823</b>	<b>168,054</b>	<b>25,361</b>	<b>44,018</b>	<b>61,293</b>

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## Appendix 11/G

Number of Foreign Tourist and Non-Tourist Arrivals  
By Years and Months  
(1962-1965)

<u>Months</u>	<u>Foreign Tourist</u>				<u>Non-Tourist</u>			
	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>
Jan.	7,379	5,528	4,129	6,709	61	3,065	3,271	5,657
Feb.	6,808	4,608	3,388	7,047	32	3,569	3,747	4,943
March	10,030	8,293	7,664	13,617	35	3,623	4,412	4,919
April	17,663	19,206	14,028	23,015	432	4,156	4,882	5,694
May	21,687	17,813	15,796	28,701	2,353	3,844	4,614	4,814
June	14,883	14,374	12,734	27,249	2,926	3,751	5,226	4,515
July	25,147	23,019	19,210	50,079	2,760	3,503	4,843	5,986
August	24,627	20,696	22,019	58,769	3,411	3,306	6,190	5,784
Sept.	19,294	15,500	28,173	35,198	3,693	4,911	7,325	5,513
Oct.	14,037	12,366	19,457	27,149	3,342	4,241	7,061	4,981
Nov.	5,996	7,834	13,199	12,964	2,842	3,316	5,347	4,255
Dec.	<u>5,316</u>	<u>5,343</u>	<u>8,257</u>	<u>10,293</u>	<u>3,475</u>	<u>2,733</u>	<u>4,375</u>	<u>3,907</u>
<b>T O T A L</b>	172,867	154,823	168,054	300,790	25,361	44,018	61,293	60,968

Source: State Institute of Statistics, Tourism Statistics, p. 2.

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## Appendix 11/H

Number of Foreign Tourist and Non-Tourist Arrivals By  
Means of Transport  
(1962-1965)

<u>Means of Transport</u>	<u>Foreign Tourist</u>				<u>Non-Tourist</u>			
	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>
Ship	42,242	51,938	44,694	65,801	12,438	2,109	3,110	2,042
Meter Vehicle	20,112	15,828	45,260	103,970	475	2,259	9,075	11,640
Plane	94,205	77,203	59,983	86,234	11,514	37,464	44,777	39,885
Train	16,308	9,850	18,207	44,785	933	2,186	4,316	7,401
Unknown	-	4	-	-	1	-	-	-
<b>T O T A L</b>	<b>172,867</b>	<b>154,823</b>	<b>168,054</b>	<b>300,790</b>	<b>25,361</b>	<b>44,018</b>	<b>61,293</b>	<b>60,968</b>

Source: State Institute of Statistics, Tourism Statistics, p. 40.

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## Appendix 11/I

### Number of Foreign Visitors by Purpose of Visit

<u>Purpose of Visit</u>	<u>Number of Visitors</u>
TOTAL	2,471
Transit	151
Visiting Friends and Relatives	118
Health	25
Art	108
Vacation and Pleasure	1,758
Employment	18
Business	59
Religious	18
Meeting	6
Education	120
Others	58
Not Specified and Unknown	32

## Appendix 11/J

### Number of Foreign Visitors by Type of Arrangement of Trip

TOTAL	Myself	Travel Agency	Religious Group	A Scientific Organization	Others	Unknown
2,471	1,509	658	40	114	134	16

Source: Survey Results of Foreign Visitors' Opinion, 1965.

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## Appendix 11/K

### Number of Foreign Visitors by Age Groups and Sex

<u>Age Groups</u>	<u>Total</u>	<u>Male</u>	<u>Female</u>	<u>Unknown</u>
T O T A L	2,471	1,773	623	75
15-19	181	125	56	-
20-29	998	729	262	7
30-39	390	297	90	3
40-49	338	263	75	1
50-59	279	206	68	4
60+	152	114	36	2
Unknown	133	39	36	58

Source: Survey Results of Foreign Visitors' Opinion, 1965.

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## Appendix 11/L

Number of Foreign Visitors By Occupation and Amount of  
Money Spent in Turkey  
(In Turkish Liras)

OCCUPA- TION	TOTAL	Number of Visitors by Money Spent									
		1 to 100	101 to 250	251 to 500	501 to 750	751 to 1000	1001 to 1250	1251 to 1500	1501 to 2500	2501 and More	Un- known
<b>Total</b>	<b>2,471</b>	95	267	441	294	236	131	112	230	185	480
Business- man	358	10	16	45	38	41	21	20	61	51	55
Student	708	40	123	171	88	71	22	25	26	22	120
Government Officials	430	12	36	67	62	44	36	20	48	29	76
Retired	67	2	5	7	3	5	1	4	10	9	21
Profes- sional	330	11	32	53	44	32	17	21	29	23	68
Others	479	18	48	79	55	39	27	21	51	46	95
Unknown	99	2	7	19	4	4	7	1	5	5	45

Source: Survey Results of Foreign Visitors' Opinion, 1965.

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## Appendix 11/K

### Departures of Foreign Persons by Length of Stay and Years (1960-1965)

<u>Length of Stay</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>
Less than 24 hrs.	166	856	12,037	18,236	21,337	37,327
1 to 3 days	44,562	54,285	72,889	57,646	70,220	99,427
4 to 7 days	16,837	23,915	35,540	32,402	44,622	67,340
8 to 15 days	14,207	11,630	12,485	12,534	26,327	42,213
16 to 30 days	10,312	10,293	12,150	12,767	17,365	28,088
31 to 60 days	5,760	4,631	5,161	4,849	7,297	8,300
61 to 90 days	5,118	4,341	4,459	6,289	3,915	4,083
91 to 180 days	6,650	4,215	4,710	5,444	3,173	4,326
180 + more days	18,501	17,360	16,675	16,491	18,935	22,369
Unknown	60	24	563	43	1,172	1,021
<b>T O T A L</b>	<b>122,173</b>	<b>131,550</b>	<b>176,669</b>	<b>166,701</b>	<b>214,263</b>	<b>314,503</b>

### M E D I A N

7.36 days

5.26 days

3.88 days

4.44 days

4.98 days

4.74 day

Source: State Institute of Statistics. Tourism Statistics, p.43.

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## Appendix 11/N

### Number of Foreign Visitors by Type of Accommodation

<u>Type of Accommodation</u>	<u>Number of Visitors</u>
Hotel	1,295
Motel	195
Pension	185
Camp	614
Others	603
Not Specified	107

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## Appendix 11/O

### Number of Foreign Visitors by Places Visited

<u>Places Visited</u>	<u>Number of Visitors</u>
Istanbul	2,387
İzmir (Ephesus)	905
Antalya (Side)	366
Çanakkale (Troy)	541
Konya	339
Bursa	652
Ankara	682
Ürgüp (Göreme)	250
Manisa (Sardes)	121
Antakya	198
Black Sea Coasts	638
Others	712

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Source: Survey Results of Foreign Visitors' Opinion, 1965.

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## Appendix 11/P

### Number of Foreign Visitors by Special Features of Interest

<u>Special Features of Interest</u>	<u>Number of Visitors</u>
Scenery	1,398
Museums	1,085
Mosques	1,781
Historical Buildings	1,273
Folklore-Festivals	501
Beaches	401
Food	544
Sport Events	27
Others	316
Not Specified	61

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Source: Survey Results of Foreign Visitors' Opinion, 1965.

# T H E S I S

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## Appendix 11/Q

### Observations of Foreign Visitors on Services

<u>Services</u>	<u>Number of Visitors</u>				
	<u>Total</u>	<u>Good</u>	<u>Normal</u>	<u>Bad</u>	<u>Not Specified</u>
Restaurants	2,427	1,293	721	122	291
Accommodations	2,427	751	853	220	603
Entertainment	2,427	446	494	275	1,212
People in General	2,427	1,907	284	63	173
Taxi Drivers	2,427	677	553	477	720
Transport	2,427	697	575	243	912
Guides	2,427	845	307	118	1,157
Travel Agencies	2,427	473	243	122	1,589
Roads	2,427	398	1,035	645	349
Custom Formalities	2,427	1,486	370	168	403
Officials	2,427	1,226	270	123	808
Porters	2,427	540	240	88	1,559
Not Specified	44				44

## Appendix 11/R

### Number of Foreign Visitors by Their Opinions on Cost of Services

<u>Services</u>	<u>Total</u>	<u>Number of Visitors</u>			
		<u>Inexpensive</u>	<u>Reasonable</u>	<u>Expensive</u>	<u>Not Specified</u>
Accommodations	2,312	522	1,002	283	505
Food	2,312	1,095	865	98	254
Transport	2,312	988	529	92	703
Entertainment	2,312	267	588	288	1,169
Souvenirs	2,312	341	1,094	499	378
Not Specified	159				159

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## Appendix 11/S

### Major Influences on Visitors' Decision to Come to Turkey

<u>Major Influences</u>	<u>Number of Visitors</u>
TOTAL	2,471
Magazine or Newspaper Publicity	21
Magazine or Newspaper Articles	125
Tourist Publications and Posters	165
Radio	16
Television	33
Travel Agencies	202
Motion Pictures	130
Friends and Relatives	746
Others	924
Not Specified and Unknown	109

## Appendix 11/T

### Number of Foreign Visitors by Number of Visits

	<u>Number of Visitors</u>
TOTAL	2,471
First Visit	1,947
Second Visit	282
Third Visit	91
Fourth Visit	44
Fifth Visit	19
Sixth Visit	11
Seventh or More Visit	34
Unknown	43

Source: Survey Results of Foreign Visitors' Opinion, 1965.

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## Appendix 11/U

### Distribution of Foreign Tourists Among Regions in 1964

Regions and Provinces (1)	Arrivals into the Region (2)	Transit Tourists (3)	Residing Tourists (4)	Tourists Coming from Other Regions (5)	TOTAL (6)
1. İSTANBUL	66,518	5,000	55,518	45,000	100,518
2. MARMARA	44,086	35,000	9,086	15,000	24,086
3. AEGEAN	32,573	2,500	30,073	12,500	43,573
4. W MEDITER- RANEAN	693	-	693	8,000	8,693
5. E MEDITER- RANEAN	11,051	5,000	6,051	10,000	16,051
7. ANKARA	3,951	951	3,000	20,000	23,000
8. INTERIOR ANATOLIA	-	-	-	10,000	10,000
9. EASTERN BLACK SEA	1	1	-	5,000	5,000
10. EASTERN ANATOLIA	8,363	5,000	3,363	3,000	6,363
11. S EASTERN ANATOLIA	6,788	5,000	1,788	4,000	5,788
<b>TOTAL</b>	<b>168,054</b>	<b>58,452</b>	<b>109,572</b>	<b>132,500</b>	<b>242,072</b>

Source: Turizm, Özel İhtisas Komisyonu Raporu, p. 116.

Distribution Among <u>Regions</u> (7)	Average Length of Stay in <u>the Region</u> (8)	Total Nights Slept in <u>the Region</u> (9)	Number of <u>Provinces</u> (10)
59.8%	7 days	703,626	1
14.2%	10 "	240,860	8
25.4%	10 "	425,730	5
5.1%	10 "	86,930	3
9.5%	6 "	96,306	3
13.6%	5 "	115,000	1
5.9%	3 "	30,000	29
2.9%	3 "	15,000	7
3.7%	3 "	19,089	5
3.4%	3 "	17,364	5
143.0%	6 days	1,749,905	67

Appendix 11/V

Projected Distribution of Domestic Tourists Among Regions  
(Assuming 5 and 10 percent annual increase)

<u>Regions</u>	<u>Percent</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>
Marmara	5%	437,837	447,631	457,309	466,837	476,173
	10%	527,383	564,854	604,547	646,529	690,863
Aegean	5%	126,742	145,178	165,140	186,734	210,077
	10%	152,663	183,196	218,308	258,611	304,793
Mediterranean	5%	192,176	108,883	127,030	146,720	168,061
	10%	111,028	137,397	167,930	203,195	243,834
Interior Anatolia	5%	403,271	411,336	419,200	426,822	434,158
	10%	485,747	519,056	554,168	591,113	629,904
Eastern Anatolia	5%	23,044	24,196	25,406	26,764	28,010
	10%	27,757	30,533	33,586	36,945	40,639
Southeastern Anatolia	5%	23,044	24,196	25,406	26,764	28,010
	10%	27,757	30,533	33,586	36,945	40,639
Eastern Black Sea	5%	46,088	48,393	50,813	53,178	56,021
	10%	55,514	61,065	67,172	73,889	81,278
T O T A L	5%	1,152,203	1,209,813	1,270,304	1,333,819	1,400,510
	10%	1,387,849	1,526,634	1,679,297	1,847,227	2,031,950

Source: Turizm, Özel İhtisas Komisyonu Raporu, p. 447.

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## Appendix 11/W

### Projected Distribution of Domestic Tourists Among Regions

<u>Regions</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>
Marmara	38	37	36	35	34
Aegean	11	12	13	14	15
Mediterranean	8	9	10	11	12
Interior Anatolia	35	34	33	32	31
Eastern Anatolia	2	2	2	2	2
Southeastern Anatolia	2	2	2	2	2
Eastern Black Sea	4	4	4	4	4
T O T A L	100%	100%	100%	100%	100%

## Appendix 11/X<sub>1</sub>

### Projected Distribution of Foreign Tourists Among Regions

<u>Regions</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>
Marmara	50	48	46	44	42
Aegean	21	22	23	24	25
Mediterranean	13	15	17	19	21
Interior Anatolia	10	9	8	7	6
Eastern Anatolia	2	2	2	2	2
Southeastern Anatolia	2	2	2	2	2
Eastern Black Sea	2	2	2	2	2
	100%	100%	100%	100%	100%

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## Appendix 11/X<sub>2</sub>

### Projection of Domestic and Foreign Tourists

<u>Regions</u>	<u>V.</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>
Marmara	v.1	642,981	693,804	752,203	819,428	896,879
	v.2	735,527	811,027	899,443	999,443	1,111,571
	v.3	863,224	1,060,189	1,337,862	1,730,239	2,285,135
	v.4	952,771	1,177,412	1,485,102	1,909,934	2,449,827
<hr/>						
Aegean	v.1	212,902	258,007	312,587	379,057	460,497
	v.2	238,823	296,025	365,756	450,936	555,213
	v.3	305,405	425,934	605,416	875,862	1,286,840
	v.4	331,326	463,952	658,585	947,741	1,381,556
<hr/>						
Mediterranean	v.1	145,513	185,812	236,013	298,975	378,413
	v.2	164,356	214,326	276,913	355,450	454,187
	v.3	202,777	300,308	452,452	692,281	1,072,542
	v.4	221,629	328,822	493,352	748,756	1,148,316
<hr/>						
Interior Anatolia	v.1	440,301	457,494	470,485	482,916	494,258
	v.2	526,776	562,214	605,455	647,209	690,007
	v.3	488,350	526,101	572,339	627,818	692,581
	v.4	570,825	633,911	707,309	792,110	880,330
<hr/>						
Eastern Anatolia	v.1	31,250	34,453	38,791	42,791	48,044
	v.2	35,963	40,790	46,408	52,972	60,673
	v.3	40,059	49,719	63,691	84,191	114,151
	v.4	44,772	56,056	71,871	94,372	126,780
<hr/>						
Southeastern Anatolia	v.1	31,250	34,453	38,228	42,791	48,044
	v.2	35,963	40,790	46,790	52,972	60,673
	v.3	40,059	49,719	63,691	84,191	114,151
	v.4	44,772	56,056	71,871	94,372	126,780
<hr/>						
Eastern Black Sea	v.1	54,294	58,650	63,635	69,205	76,055
	v.2	63,720	71,322	79,995	89,916	110,312
	v.3	63,103	73,916	89,098	110,605	142,162
	v.4	72,529	86,588	105,458	131,315	167,419
<hr/>						
T O T A L	v.1	1,562,491	1,722,673	1,911,379	2,135,163	2,402,190
	v.2	1,798,137	2,039,494	2,320,378	2,648,577	3,033,636
	v.3	2,002,978	2,485,976	3,184,549	4,205,187	5,707,562
	v.4	2,238,624	2,802,797	3,593,548	4,718,601	6,339,008

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## Appendix 11/X<sub>3</sub>

### Projected Revenue From Domestic and Foreign Tourists

<u>Year</u>	<u>Percent Increase</u>	<u>Revenue in thousand Turkish L.</u>
1968	5 + 25	652,241
	10 + 25	772,726
	5 + 50	982,478
	10 + 50	1,052,963
-----		
1969	5 + 25	746,369
	10 + 25	841,134
	5 + 50	1,318,634
	10 + 50	1,413,399
-----		
1970	5 + 25	1,015,657
	10 + 25	1,168,577
	5 + 50	2,089,483
	10 + 50	2,242,403
-----		
1971	5 + 25	1,249,681
	10 + 25	1,441,640
	5 + 50	3,189,595
	10 + 50	3,381,554
-----		
1972	5 + 25	1,462,256
	10 + 25	1,698,447
	5 + 50	4,559,976
	10 + 50	4,796,067

Source: Turizm, Özel İhtisas Komisyonu Raporu, p.460.

# T H E S I S

ROBERT COLLEGE GRADUATE SCHOOL  
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## Appendix 11/X<sub>4</sub>

**Projected Inflow and Outflow of Foreign Exchange  
from Tourists  
(In thousands of dollars)**

<u>Year</u>	<u>Percent Increase</u>		<u>Inflow</u>	<u>Outflow</u>	<u>Difference</u>
	<u>Inflow</u>	<u>Outflow</u>			
1968	25%	10%	34,173	19,599	+ 14,579
	25%	20%	34,173	25,444	+ 8,734
	50%	10%	70,871	19,599	+ 51,272
	50%	20%	70,871	25,444	+ 45,427
-----					
1969	25%	10%	42,722	21,559	+ 21,163
	25%	20%	42,722	30,533	+ 12,189
	50%	10%	106,307	21,559	+ 84,748
	50%	20%	106,307	30,533	+ 75,774
-----					
1970	25%	10%	60,078	23,715	+ 36,363
	25%	20%	60,078	36,640	+ 23,438
	50%	10%	179,392	23,715	+155,077
	50%	20%	179,392	36,640	+142,752
-----					
1971	25%	10%	83,442	26,087	+ 57,355
	25%	20%	83,442	43,968	+ 39,474
	50%	10%	298,998	26,087	+272,901
	50%	20%	298,998	43,968	+255,020
-----					
1972	25%	10%	104,302	28,696	+ 75,606
	25%	20%	104,302	52,762	+ 51,540
	50%	10%	448,482	28,696	+419,786
	50%	20%	448,482	52,762	+395,720
-----					

Source: Turizm, Özel İhtisas Komisyonu Raporu, p. 463.

# T H E S I S

ROBERT COLLEGE GRADUATE SCHOOL  
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## Appendix 11/X<sub>5</sub>

### Projected Inflow and Outflow of Foreign Exchange from Travelers (In thousands of dollars)

Year	Percent Increase		Tourism Inflow	Other Inflow <sup>1</sup>	Total	Outflow	Net Inflow
	Inflow	Outflow					
1968	25%	10%	34,178	15,927	50,105	19,599	30,506
	25%	20%	34,178	18,314	52,492	25,444	27,048
	50%	10%	70,871	15,927	86,798	19,599	67,199
	50%	20%	70,871	18,314	89,185	25,444	63,741
1969	25%	10%	42,722	16,723	59,445	21,559	37,886
	25%	20%	42,722	20,145	62,867	30,533	32,334
	50%	10%	106,307	16,723	123,030	21,559	101,471
	50%	20%	106,307	20,145	126,452	30,533	95,919
1970	25%	10%	60,078	17,559	77,637	23,715	53,922
	25%	20%	60,078	22,160	82,238	36,640	45,598
	50%	10%	179,392	17,559	196,951	23,715	173,236
	50%	20%	179,392	22,160	201,552	36,640	164,912
1971	25%	10%	83,442	18,437	101,879	26,087	75,792
	25%	20%	83,442	24,376	107,818	43,968	63,859
	50%	10%	298,988	18,437	317,425	26,087	291,338
	50%	20%	298,988	24,376	323,364	43,968	279,396
1972	25%	10%	104,302	19,359	123,661	28,696	94,965
	25%	20%	104,302	26,814	131,116	52,762	78,354
	50%	10%	448,482	19,359	467,841	28,696	439,145
	50%	20%	448,482	26,814	475,296	52,762	422,534

1

Other inflow is assumed to increase at an annual rate of 5 and 10 percent.

Source: Turizm, Özel İhtisas Komisyonu, p. 464.

# T H E S I S

ROBERT COLLEGE GRADUATE SCHOOL  
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## Appendix 11/X<sub>3</sub>

### Projected Nights to be Slept by Domestic Tourists

<u>Regions</u>	<u>Percent</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>
Marmara	5%	3,274,069	3,347,305	3,419,679	3,490,922	3,560,740
	10%	3,943,677	4,223,886	4,520,699	4,834,637	5,166,155
-----						
Aegean	5%	947,757	1,085,612	1,234,884	1,396,369	1,570,915
	10%	1,141,591	1,369,909	1,632,475	1,933,855	2,279,186
-----						
Mediterranean	5%	689,278	814,209	949,911	1,933,855	2,279,186
	10%	830,247	1,027,432	1,255,750	1,519,457	1,823,349
-----						
Interior Anatolia	5%	3,015,590	3,075,902	3,134,705	3,191,700	3,246,557
	10%	3,632,334	3,881,408	4,143,974	4,420,239	4,710,318
-----						
Eastern Anatolia	5%	172,319	180,935	189,982	199,481	209,455
	10%	207,562	228,318	251,150	276,265	303,891
-----						
Southeastern Anatolia	5%	172,319	180,935	189,982	199,481	209,455
	10%	207,562	228,318	251,150	276,265	303,891
-----						
Eastern Black Sea	5%	344,638	361,871	379,964	398,962	418,911
	10%	415,124	456,636	502,300	552,530	607,783
-----						
T O T A L	5%	8,615,970	9,046,769	9,499,107	9,974,062	10,472,765
	10%	10,378,097	11,415,907	12,577,498	13,813,248	15,194,572

Source: Turizm, Özel İhtisas Komisyonu Raporu, p. 455.

# T H E S I S

ROBERT COLLEGE GRADUATE SCHOOL  
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## Appendix 11/X<sub>7</sub>

### Projected Nights To Be Slept By Foreign Tourists

<u>Regions</u>	<u>%</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>
Marmara	25	2,136,114	2,536,337	3,070,665	3,671,447	4,380,703
	50	4,428,448	6,378,406	9,168,959	13,155,462	18,836,231
-----						
Aegean	25	897,168	1,174,863	1,535,332	2,002,607	2,607,561
	50	1,860,368	2,923,436	4,584,480	7,175,707	11,212,043
-----						
Interior Anatolia	25	427,223	480,625	534,029	584,094	625,815
	50	885,890	1,195,951	1,594,602	2,092,914	2,690,890
-----						
Mediterranean	25	555,389	801,043	1,134,811	1,585,397	2,190,352
	50	1,151,657	1,993,252	3,388,528	5,680,768	9,418,116
-----						
Eastern Anatolia	25	85,445	106,806	133,507	166,884	208,605
	50	177,178	256,767	398,650	597,976	896,963
-----						
Southeastern Anatolia	25	85,445	106,806	133,507	166,884	208,605
	50	177,178	265,767	398,650	597,967	896,963
-----						
Eastern Black Sea	25	85,445	106,806	133,507	166,884	208,605
	50	177,178	256,767	398,650	597,976	896,963
-----						
T O T A L	25	4,272,229	5,340,286	6,675,358	8,344,197	10,430,246
	50	8,858,897	13,288,346	19,932,519	29,898,779	44,848,169

Source: Turizm, Özel İhtisas Komisyonu Raporu, p. 465.

# T H E S I S

ROBERT COLLEGE GRADUATE SCHOOL  
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Appendix 11/X<sub>8</sub>

## Annual Bed Projection for Tourists

Year	V.	Total Bed Projection	Number of Beds in 1964	Annual Additions	Number to be Provided
1968	1	64,078	41,878	22,200	22,200
	2	73,672	41,878	31,194	31,194
	3	85,068	41,878	43,190	43,190
	4	93,972	41,878	52,094	52,094
-----					
1969	1	71,160	41,878	29,282	7,082
	2	83,102	41,878	41,224	10,034
	3	107,700	41,878	65,822	22,632
	4	119,556	41,878	77,678	25,584
-----					
1970	1	79,390	41,878	37,512	8,230
	2	94,770	41,878	52,892	11,668
	3	140,400	41,878	98,522	37,700
	4	155,780	41,878	113,902	36,224
-----					
1971	1	89,612	41,878	47,734	10,222
	2	108,864	41,878	66,968	14,076
	3	188,432	41,878	146,554	48,032
	4	207,666	41,878	165,788	51,886
-----					
1972	1	101,652	41,878	59,774	12,040
	2	126,932	41,878	85,054	18,086
	3	259,142	41,878	217,264	71,710
	4	284,422	41,878	242,544	76,756

Source: Turizm, Özel İhtisas Komisyonu Raporu, p. 471.

# T H E S I S

ROBERT COLLEGE GRADUATE SCHOOL  
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## Appendix II/X<sub>0</sub>

### Annual Bed Projection for Different Types of Accommodation Facilities

<u>Accommodations</u>		<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>
<b>Hotels:</b>						
Luxury (8%)	V.1	666	213	247	306	361
	V.2	936	302	350	422	542
	V.3	1,296	679	981	1,441	2,121
	V.4	1,563	768	1,087	1,556	2,302
-----						
Second (10%) Class	V.1	2,220	708	823	1,022	1,204
	V.2	3,119	1,003	1,117	1,408	1,809
	V.3	4,318	2,263	3,270	4,803	7,071
	V.4	5,209	2,558	3,622	5,189	7,676
-----						
Third (30%) and Fourth Class	V.1	6,660	2,124	2,468	3,066	3,612
	V.2	9,358	3,010	3,500	4,222	5,436
	V.3	12,958	6,790	9,810	14,410	21,214
	V.4	15,628	7,776	10,868	15,566	23,026
-----						
Motels (20%)	V.1	4,440	1,416	1,646	2,044	2,408
	V.2	6,228	2,006	2,234	2,816	3,618
	V.3	8,638	4,526	6,540	9,606	14,142
	V.4	10,418	5,676	7,244	10,378	15,352
-----						
Pensions (10%)	V.1	2,220	708	823	1,022	1,204
	V.2	3,919	1,003	1,117	1,408	1,809
	V.3	4,319	2,263	3,270	4,803	7,071
	V.4	5,209	2,558	3,622	5,189	7,676
-----						
Camps (12%)	V.1	2,064	850	988	1,227	1,445
	V.2	3,744	1,214	1,400	1,689	2,170
	V.3	5,183	2,716	3,924	5,764	8,485
	V.4	6,252	3,070	4,347	6,226	9,211
-----						
Others (15%)	V.1	3,330	1,062	1,234	1,533	1,806
	V.2	4,679	1,505	1,750	2,111	2,713
	V.3	6,479	3,395	4,905	7,205	10,607
	V.4	7,814	3,838	5,434	7,783	11,513

Source: Turizm, Özel İhtisas Komisyonu Raporu, p. 473.

# T H E S I S

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## Appendix III/A

### International Hilton Hotels in Operation, Accurate to June 1966

<u>Hotels Operating (35)</u>	<u>Rooms</u>	<u>Opening</u>	<u>Date Opened</u>
Acapulco, Mexico- Acapulco Hilton	260		4/9/62
Amsterdam, Holland, Amsterdam Hilton	276		7/10/62
Aswan, UAR- M.S. Osiris	51	1964	4/15/65
Athens, Greece- Athens Hilton	480		4/21/63
Bangkok, Thailand- Hotel Rama	180	1961	7/1/65
Berlin, Germany- Berlin Hilton	347		11/29/58
Cairo, URA- M.S. Isis	51	1964	2/6/65
Cairo, URA- Nile Hilton	400		2/22/59
Dorado, Puerto Rico- Dorado Hilton	222	1963	7/1/63
Dorval, P.Q., Canada- Montreal Aéroport Hilton	288		9/26/63
Guadalajara, Mexico- Guadalajara Hilton	222		7/31/64
Hong Konk, Hong Konk Hilton	836		6/13/63
Honolulu, Hawaii- Kahala Hilton	300		1/25/64
Istanbul, Turkey- Istanbul Hilton	417		6/10/55
Jamaica- Jamaica Hilton	176	1957	7/12/63
London, England- London Hilton	510		4/17/63
Madrid, Spain- Castellene Hilton	322		7/14/53
Mayaguez, Puerto Rico- Mayaguez Hilton	150		6/12/64
Mexico City, Mexico- Continental Hilton	403		12/11/56
Montreal, Canada- Queen Elizabeth Hotel	1,200		4/15/58
Panama, R.P. - El Panama Hilton	269	1951	11/1/57
Paris, France- Orly Hilton	274		10/1/57
Paris, France- Paris Hilton	493		4/24/66
Port-of-Spain, Trinidad- Trinidad Hilton	261		5/15/62
Rome, Italy- Cavalieri Hilton	398		6/6/63
Rotterdam, Holland- Rotterdam Hilton	263		5/30/63
San Juan, Puerto Rico- Caribe Hilton	461		12/7/48
San Juan, Puerto Rico- San Jeramino Hilton	338	1963	11/23/64
Santiago, Chile- Hotel Carrera	364	1941	1/1/61
St. Thomas, U.S.V.I. - Virgin Isle Hilton	211	1950	7/1/60
Teheran, Iran- Teheran Hilton	261		1/21/63
Tel Aviv, Isreal- Tel Aviv Hilton	428		8/1/65
Tokyo, Japan- Tokyo Hilton	478		6/19/63
Tunis, Tunisia- Tunis Hilton	245		8/15/65
Vancouver, Canada- Hotel Vancouver	562		1/1/64

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Total Number of Rooms

12,397

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Source: Hotel Management Review and Inkeeping, August 1966, p. 35.

# THESIS

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## Appendix III/B

### International Hilton Hotels Operating Results

<u>Operating Results</u>	<u>1965</u>	<u>1964</u>	<u>1963</u>
Gross Revenue	94,055,036	80,281,806	60,598,012
Operating Costs	69,864,436	61,201,526	45,929,181
Lease Rentals	14,813,302	11,662,737	9,388,151
Depreciation and Amortization	502,722	425,629	362,271
Additions and Replacements	1,036,368	826,406	565,286
Interest Expense	301,008	264,090	144,886
Property Taxes	935,266	907,087	665,903
Corporate Expenses	1,092,430	901,575	745,804
Profit Before I.T.	5,509,603	4,092,756	2,796,530
Income Taxes	1,804,674	1,543,267	1,057,641
Net Income	3,704,939	2,549,489	1,738,889
Earnings per Share	2.09	1.44	.98

---

### Financial Position

Current Assets	23,529,138	21,016,456	14,544,191
Current Liabilities	17,418,609	14,121,388	14,784,598
Working Capital	6,110,529	6,895,158	(240,407)
Long-term Debt	14,450,640	7,430,920	652,992
Stockholders' Equity	16,033,849	12,328,920	9,779,431
Equity per Share	9.05	6.96	5.52

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Source: Hotel Management Review and Inkeeping, August 1966, p. 33.

# THESIS

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## Appendix IV/A

### The Questionnaire Sent to Various Hotels

1. Name of the hotel -----.
2. Class:----- . Does it have touristic certificate? -----
3. Number of Rooms: ----- . Number of beds: -----.
4. Occupancy Rate:

1964

1965

1966

Share of each month in 1966

January -----

February -----

March -----

April -----

May -----

June -----

July -----

August -----

September -----

October -----

November -----

December -----

5. What is the ratio of the foreign guests?

1964

1965

1966

6. What is the contribution of the following departments to the profits?

1964

1965

1966

- a. Rooms
- b. Food
- c. Beverage
- d. Telephone
- e. Laundry
- f. Others

7. What is the amount of foreign currency exchanged?

1964

1965

1966

# THESIS

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8. What is the ratio of guests coming in groups?  

<u>1965</u>	<u>1966</u>
-------------	-------------
9. What is the price structure?
  1. Normal season -----
  2. Off season -----
10. What is the ratio of the fixed expenses? -----
11. Do you have additional facilities?
12. Do you make advertisements? -----
  1. In Turkey -----
  2. Abroad -----
13. What is the approximate rate of return on investment? -----