



Turkish Civil Aviation Market Report 2010-2011

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SUMMARY

The report emphasizes the spectacular growth of the Turkish civil aviation market, import procedures for aerospace goods and also updates previous statistical reports. The statistics of this report are for 2009 and are the official figures given by DHMI-State Airport Authority (latest full year figures available). The report also highlights future projects and opportunities in the market for U.S. exporters in 2010-2011.

Turkey, a large country with a growing economy, is the size of Texas and is strategically located on both the European and Asian continents. Given its large size and growing population base, Turks have come to rely on domestic and international air service increasingly over the past years. International and domestic passenger numbers in 2009 in Turkey totaled 85 million. An important growth factor for the aviation industry is the growth of the overall economy- expected at 7-8% for 2010. Simply said, Turks have more money to travel. Turkey's per capita gross national income more than tripled between 2002 and 2009, to \$8,730, according to World Bank figures.

DHMI, the State Airport Authority is under the umbrella of the Ministry of Transportation. The Directorate is responsible and has the final authority for licensing, tendering, building and operating of airports, air traffic management and control, airport management, ground services, airlines and air safety.

Presently, there are 44 commercial airports in operation. With a work force of more than 7,500 employees, DHMI is the largest procurement authority with respect to air traffic control (ATC) equipment, navigation aids, airside airport infrastructure, and airport security systems. Turkey's strategic location ensures unrivaled advantages in airline, MRO, cargo and air taxi services in the region.

With the addition of Ordu and Mersin airports, civil airports in Turkey will increase to 46 in 2010. Istanbul is considering adding a 3rd international airport. Currently there are 19 airlines (including 3 cargo airlines) and 61 air taxi operation companies are active as of 2009. The increase of regional airlines will ensure further growth in the industry.

Domestic traffic increases each day. A good comparator is that in 2002 there were flights only to 25 points by the then monopoly Turkish Airlines from two centers with annual domestic passenger numbers around 8.7 million. Today from 7 centers, over 16 passenger airlines are carrying 41 million domestic passengers and 44 million international passengers; figures show the diversification and increase of the civil aviation market. This rapid growth presents immediate and long-term opportunities for U.S. firms. Compared to 2002, there has been a 372% increase in domestic passengers, an increase of 77% in international passengers and an increase of %153 in total (including domestic & international).

There are a total of 329 private airline companies working within Turkish aerospace, 17 of which are Turkish. These airlines are creating demand for airplane parts (new and used) as well safety equipment, training and management. A fine example of airline growth in Turkey is Turkish Airlines. Turkish Airlines growth has been on average 15%-20% over the past 10 years. Currently Turkish Airlines is the 4th largest airline in Europe with 142 aircraft (64 new aircraft orders included), 159 destinations (38 domestic + 121 international).

DHMI expects to procure safety security equipment, ground control equipment, perimeter security, communications, runway and landing lighting as well as ILS systems (automated landing systems). Specifically mentioned are bomb detection equipment by smell, nuclear and chemical detection equipment, x-ray machine upgrades, next generation door detectors, fingerprint access to restricted areas and perimeter technology based security of the airports.

Sabiha Gokcen Airport / Istanbul - Regional MRO Hub

Sabiha Gokcen located on the Asian side of Istanbul, is a privately managed airport with 6.5 million passenger traffic in 2009. There are plans to make the airport into a cargo and

and MRO hub combining cargo from the Middle East, NIS countries and Africa as well as building a technopark at the airport. The Sabiha Gokcen Airport will be at the center of the Sabiha Gokcen Technology Park, which will also have fair grounds, research and development facilities and a university annex. The project is expected to be completed by 2020. Estimated investment for the technology park is 800 million USD.

Sabiha Gokcen is to host a number of technical service stations and is on its way to becoming a regional MRO hub. With the opening of the \$150 million Pratt&Whitney/Turkish Technic facility in early 2010 as well as another \$5 million JV with Goodrich Systems (expected total investment to reach \$20 million in time), THY Technic has strategically placed Istanbul Sabiha Gokcen Airport as a regional MRO center.

Ismail Demir, CEO of THY Technic, recently stated that the firm is focusing on servicing planes of low cost carriers given the strong demand and that have no facilities of their own. Mr. Demir also stated that THY Technic is seeking further technology partnerships to widen their investment and operate on a global level.

Istanbul offers competitive prices compared to other MRO hubs in the region such as France, U.K. and Singapore. In addition to MRO services, increased demand in the industry is expected to increase the demand for air-taxi's (planes and helicopters), pilot and radar/flight control training, business jet and light jet sales as well ground support equipment.

Cargo

Due to the fact that Turkey is becoming a regional transportation hub, several airports are seen to have increased their cargo traffic significantly. Corlu Airport (near Istanbul): increased by 60% compared to the previous year as cargo traffic is now being redirected from Istanbul Ataturk. Gaziantep and Hatay airports in southeastern Turkey focus on this region and Iraq, with major increases in cargo.

Best Prospects

- **Regional Airlines**
- **MRO services**
- **Parts, refurbishing of parts**
- **Air Taxi (airplanes and helicopters)**
- **Pilot Training**
- **Radar and flight control personnel training**
- **Airport ground support systems**

With the development of regional airlines such as Atlasjet, Anadolu Jet, Pegasus, Turkuaz, Sun Express, MNG Airlines, Onur Air, and Bora Jet, the number of aviation customers has increased, which has in turn increased demand for parts, service requirements, technology upgrades, security equipment and maintenance requirements.

Turkish Airlines is the largest fleet in Turkey is and already working with nearly 100% U.S. certified spare parts dealers and expects demand to grow as the fleet expands. THY Technic, the service company of THY, is looking to buy modern testing equipment in 2011, but no tenders have yet been announced. U.S. exporters should contact the U.S. Commercial Service in Turkey for up to date information.

Onur Air stated that the airline requires a steady supply of certified spare parts, but is also interested in paperless cockpit (EFB) with interest expressed from several European firms. TAV, a major airport operator, stated that they do not have any specific future projects but are constantly looking to upgrade their terminals with new safety and security equipment. IC Holding, a major airport operator, stated that they are looking for partners to form a joint venture or investors for a cargo airport. They are also looking to establish an entity to service airplanes, again with a partner.

Market Access

Almost all civil aviation equipment is imported from the United States, Europe or Japan. The U.S. air traffic control equipment manufacturers will find traditional rivals in the

Turkish market. Companies including Thales and Selex compete for air traffic control and Siemens and Heimann for x-ray technology that can often be found at Turkish airports.

Equipment, if required, should have a CE mark. The CE mark is required on all items that require a CE mark within Europe. Most Turkish civil aviation products fall under the CE marking requirement. All electronic goods, electrical goods and any product emitting radio transmission frequencies are such items. Software and other mechanical items do not require a CE marking. FAA or ICAO second hand certified parts and re-furbished aerospace parts are allowed and can be used without further regulation or restriction.

In conjunction with its January 1, 1996 accession to the European Union's customs union, Turkey has adopted a new import regime. The new regime applies the EU's common external customs tariff for third country imports and provides zero duty rates for non-agricultural items of EU/EFTA origin. Since April 2004, all electronics need to be CE certified. This standard also used by the European Union is a must in order to import any electronics along with several other line items into Turkey.

Annex I: 2009 TURKISH AIRPORT STATISTICS (Airports open to civil traffic)

<u>AIRPORTS</u>	<u>International + Domestic Commercial Flights</u>	<u>PASSENGER</u>	<u>CARGO (TONS)</u>
ISTANBUL- <i>Ataturk</i>	283.953	29.812.888	371.391
ANTALYA	127.236	18.345.693	6.857
SABIHA GOKCEN(*)	63.749	6.517.486	7.150
ANKARA- <i>Esenboga</i>	62.620	6.084.404	13.441
IZMIR- <i>A. Menderes</i>	54.197	6.201.794	13.471
ADANA	26.242	2.482.402	5.559
MUGLA- <i>Dalaman</i>	24.014	3.347.996	502
MUGLA- <i>Milas- Bod.</i>	23.471	2.780.944	238
TEKIRDAG- <i>Corlu</i>	17.481	40.778	1.315
TRABZON	14.892	1.596.905	1.446
DIYARBAKIR	8.897	1.060.381	950
GAZIANTEP	8.161	833.002	808
SAMSUN- <i>Carsamba</i>	7.856	866.862	61
ESKISEHIR- <i>Anadolu</i> (*)	7.563	78.323	
KAYSERI	7.281	778.639	277
VAN- <i>Ferit Melen</i>	6.720	745.493	491
ERZURUM	5.230	599.017	32

MALATYA	4.566	462.884	413
KONYA	4.050	301.724	
HATAY	3.102	325.307	29
ELAZIG	2.544	344.844	105
KARS	2.276	288.008	37
BURSA-Yenisehir	2.228	73.496	385
ISPARTA-S.Demirel	2.105	16.461	20
MARDIN	2.098	233.288	
SANLIURFA-Gap	1.914	181.155	27
DENIZLI-Cardak	1.774	150.780	
ERZINCAN	1.667	127.030	6
NEVSEHIR-Kapadokya	1.524	122.753	28
BATMAN(**)	1.409	165.482	40
CANAKKALE	1.326	19.207	
SIVAS	1.232	124.137	57
K.MARAS	1.133	81.420	26
MUS	1.111	115.795	13
ADIYAMAN	880	85.112	50
SINOP	582	47.147	
AMASYA-Merzifon	419	39.577	3
USAK	288	10.327	
AGRI	179	14.169	
ZONGULDAK-Caycuma(*)	168	5.142	
SIIRT	164		
BALIKESIR	94	256	
TOKAT	37		
ALANYA-Gazipasa(*)	36		
BALIKESIR-Korfez			
DHMI TOTAL	715.544	78.742.075	418.038
GRAND TOTAL	788.469	85.508.508	425.228

Continuing Request from DHMI to U.S. Companies

DHMI is interested in cooperation with U.S. companies and is open to company presentations, brochures, cd's and face-to-face meetings to enhance understanding of the various products offered, especially in the electronics and safety/security sectors. Ihsan Muderrisoglu, Commercial Specialist (CS), can provide this important business development service to U.S. exporters.

DHMI notes that companies who can bring flexible payment terms and financial support to the table will receive priority consideration. U.S. firms who work with Exim Bank and OPIC financing are encouraged to contact CS Ihsan Muderrisoglu at the U.S. Commercial Service in Turkey.

EX-IM Bank Financing

The Export Import Bank of the United States (Ex-Im Bank) provides financing to creditworthy private and sovereign foreign buyers when private financing is unavailable. To qualify for Ex-Im Bank support, the product or service must have at least 50 percent U.S. content and must not affect the U.S. economy adversely.

Ex-Im Bank supports the sales of U.S. exports worldwide. Ex-Im Bank will finance the export of all types of goods or services, including commodities; as long as they are not military-related (certain exceptions exist). Two of its major goals are to increase the export of environmental goods and services, which are in strong demand among the developing nations, and to expand the number of U.S. small businesses using Ex-Im Bank programs. Ex-Im provides several programs to assist U.S. exporters with their financing needs. For more information please contact CS Ihsan Muderrisoglu.

For More Information

The U.S. Commercial Service in Ankara, Turkey can be contacted via e-mail at: Ihsan.Muderrisoglu@trade.gov Phone: +90 (312) 457 7167; Fax: +90 312 457 7302 or visit our website: www.buyusa.gov/turkey/en/

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