



Case Study

on Commercialization, Privatization and Economic Oversight of Airports and Air Navigation Services Providers

Turkey

Background

There are currently 117 aerodromes in Turkey, among which 90 airports with paved runways. There are 18 international airports (14 with scheduled traffic), 27 domestic airports, and 16 military airports. Turkey's busiest airports are Istanbul-Atatürk International Airport, Antalya Airport, Istanbul-Sabiha Gökçen International Airport, Ankara-Esenboğa International Airport, and İzmir -Adnan Menderes Airport.

The Law No. 6686 of 28 February 1956 created a General Directorate of the State Airports Authority. The organization has performed under various names, and has become General Directorate of the State Airports Authority (or DHMI, standing for Devlet Hava Meydanları İşletmesi) in 1984. DHMI has administered and operated aerodromes, ground services, air transport, air traffic control and aeronautical communications since. It has its own legal personality, autonomy over its activities, liability limited with its capital, is associated with the Ministry of Transportation, and its services are accepted as privilege with latest legal regulation. It was redefined as an autonomous State economic enterprise in 1984. All airports were thus State-owned and operated by a public company. DHMI has also been responsible for the provision of air navigation services and has remained the sole institution responsible for these services throughout the Turkish airspace.

Finally, aviation activities are conducted as per the Law No. 2920 on Turkish Civil Aviation and are supervised and regulated by the Directorate General of Civil Aviation (DGCA), an establishment affiliated with the Ministry of Transport and Communication with a special budget.

Commercialization/privatization: Airports

Some Turkish airports began to face the possibility of capacity issues in the 1990s. In 1994, the government decided to enact the Law No. 3996 on the Realization of Certain Investments and Services in the Build-Operate-Transfer Model, which has formed the legal basis for numerous categories of infrastructure investments to be built under the Build-Operate-Transfer (BOT) model. DHMI transferred the operating rights of six airport terminals to be constructed to private companies, while keeping the airside operations under State control:

- The international terminal of Istanbul-Atatürk International Airport was granted in 1997 for a three-year and eight-month period to TAV Airports, a holding established as a joint venture between the Tepe and Akfen Groups, and was prolonged in 2001 for an additional 13.5 months. In 2005, TAV Airports won the concession agreement to operate Atatürk International Airport for 15.5 years, under a long-term lease agreement.
- The terminal 1 of Antalya Airport was granted in 1994 for a nine-year period to a Fraport AG-led consortium (Fraport then took over 50 per cent in 2001, and 100 per cent in 2005, of its operating partner Bayindir). The Terminal 2 was granted in 2004 for 3.5 year-period to Celebi-Ictas. In April 2007, a consortium of Fraport and IC Ictas Holding secured the tender to operate all three airport terminals until the year 2024, under a long-term lease agreement.

- The domestic and international terminals of Ankara-Esenboğa International Airport were granted in 2004 for a 15-year and eight-month period to TAV Airports.
- The domestic/international terminal of İzmir-Adnan Menderes International Airport was granted in 2004 for a seven-year period to Havaş-Bayindir (which was taken over by TAV Airports in 2005). In November 2011, TAV Airports won the tender to operate both domestic and international terminals of the airport until the year 2032.
- The international terminal of Dalaman Airport was granted in 2004 for a 8.5-year period to an ATM-led consortium (which comprises Turkey's Aksa, Turkuaz, and Manas firms).
- The terminals of Istanbul-Sabiha Gökçen International Airport were granted in 2008 for a 20-year period to a consortium formed by Turkish conglomerate Limak, India's GMR Group and Malaysia Airport Holding Berhad (MAHB) .
- The international terminal at Milas-Bodrum airport was granted in 2007 for a four-year period to Mondial (the Italian construction company Astaldi acquired 92.85 per cent of Mondial's shares in 2011).

Other commercial airports are still managed by DHMI, with the exception of a few airports whose operations were granted to private companies through long-term lease concession agreements (this is the case for Zonguldak Çaycuma Airport and Antalya-Gazipaşa Airport). It should also be noted that TAV Airports Holding, which has become one of the largest airport operators in Turkey, also operates airports abroad (for instance in Georgia, Macedonia, Saudi Arabia or Tunisia). In March 2012, Aéroports de Paris Management purchased a 38 per cent stake in TAV Airports.

Finally, the Turkish Government launched a tender for Istanbul's new airport in January 2013. The airport is expected to accommodate 150 million passengers a year (it is reportedly planned to be the largest airport in the world), and the \$6.5 billion tender is expected to be completed by the end of 2013.

Commercialization/privatization: ANSP

The provision of air navigation services was neither corporatized, privatized, nor commercialized. DHMI continues to hold under its responsibility the control functions on security, air navigation services, aeronautical regulation and services of communications, meteorology, search and rescue and, in general, the technical aspects of air navigation services. At the airport level, airport operators employ and supervise airport personnel and subcontractors, but they are not responsible for the maintenance and operation of air traffic operations or landing systems, which are handled by the Directorate General of Civil Aviation.

Economic oversight: Airports

BOT agreements in Turkey are unusually short as compared with other similar agreements in other countries. BOT concessions were indeed granted to companies which would be able to recover the investment in the shortest period. Several BOT agreements were nevertheless extended under the form of long-term lease concessions.

Airport operators receive both aeronautical and non aeronautical revenues. Aeronautical charges are published every year by DHMI. Regarding private operators of Turkish airports, DHMI has guaranteed a certain number of passengers that will ensure a minimum level of operating income to airport operators. If the traffic is below the pre-determined volume, DHMI will make extra-payments to the airport operators. Conversely, if the volume is larger than guaranteed, DHMI receives a larger shared revenue from the airport operators. All details are specified in concession agreements, and are specific to the nature of each airport.

For example, DHMI has guaranteed to Istanbul-Atatürk International Airport operator revenues from passenger fees for 4 million international passengers with a 3 per cent increase per year.

Economic oversight: ANSP

The Directorate General of Civil Aviation under the Ministry of Transport and Communications continues to regulate and set air navigation services charges.

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