



T.R. MINISTRY OF DEVELOPMENT

Role of PPP in Air Transportation: Turkish Experience

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Outline

- **Why are airports popular in PPP implementations?**
- **Evolution of the sector in Turkey**
- **Methods, Policy and Portfolio**
- **Case Studies: (Good, Bad, Upcoming)**
- **Lessons Learned**



Quick Facts

- **Weak competition for nodal infrastructure**
- **Infrastructure related costs <<<< overall cost for operators**
- **Not easy to change flight base to smaller airports due to network economies**

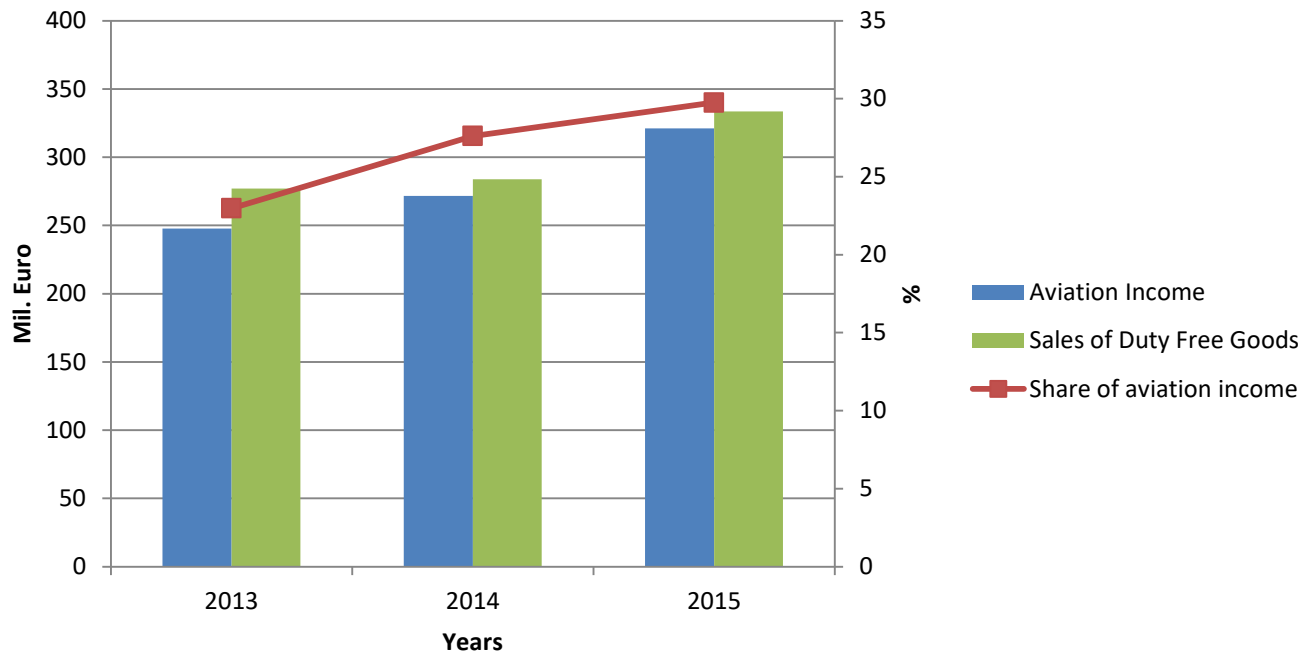


Reduction of demand elasticity and high rents for infrastructure operators

Quick Facts (2)

- Opportunity for sources of income other than infrastructure services

Selected Sources of Income for TAV



Quick Facts (3)

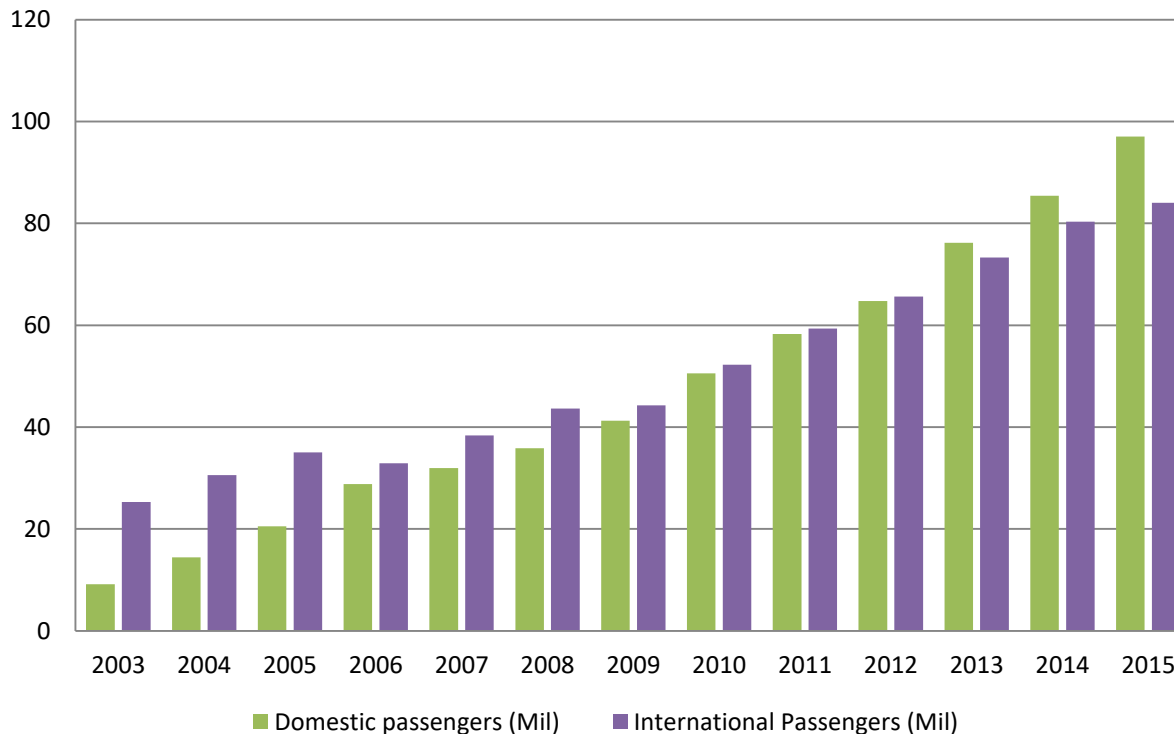
- **Well regulated and internationally set standards**
- **Expropriation is relatively easier**
- **Design is mostly given**



On time, on budget and above a certain quality projects with relatively easier monitoring effort for public side

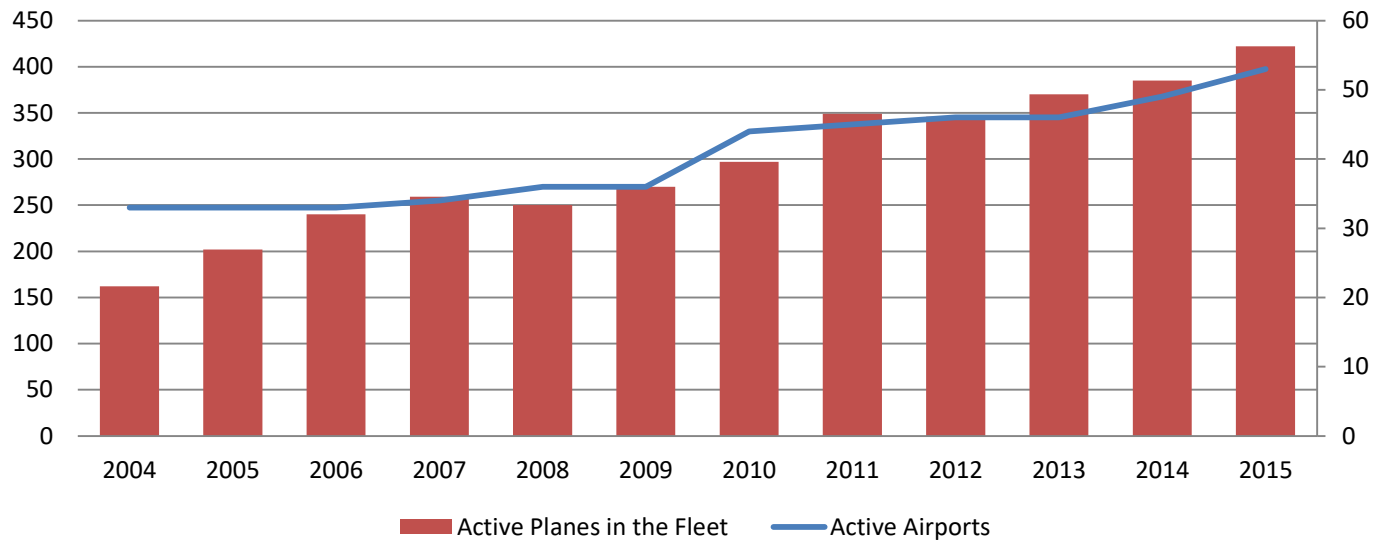
Evolution of the Sector (1)

- Strong and persistent increase in traffic figures



Evolution of the Sector (2)

- Emergence of new actors (budget airliners)
- Investment to increase fleet size
- Turkish Airlines transit traffic policy
- New infrastructure investments



Policy and Methods

- **Implicit mention in all policy documents**
 - **Development Plans, Transport Strategy, State Airports Authority (DHMI) Documents**
- **Two mainstream methods:**
 - **Build-Operate-Transfer (Greenfield) – Law 3996**
 - Almost always with minimum traffic guarantees and profit sharing
 - Investment type could be various
 - **Transfer of Operating Rights (Brownfield) – Law 5335**
 - Fee obtained by (DHMI)
 - No guarantee

Portfolio

Total:

18 projects

17 Bil \$ Investment

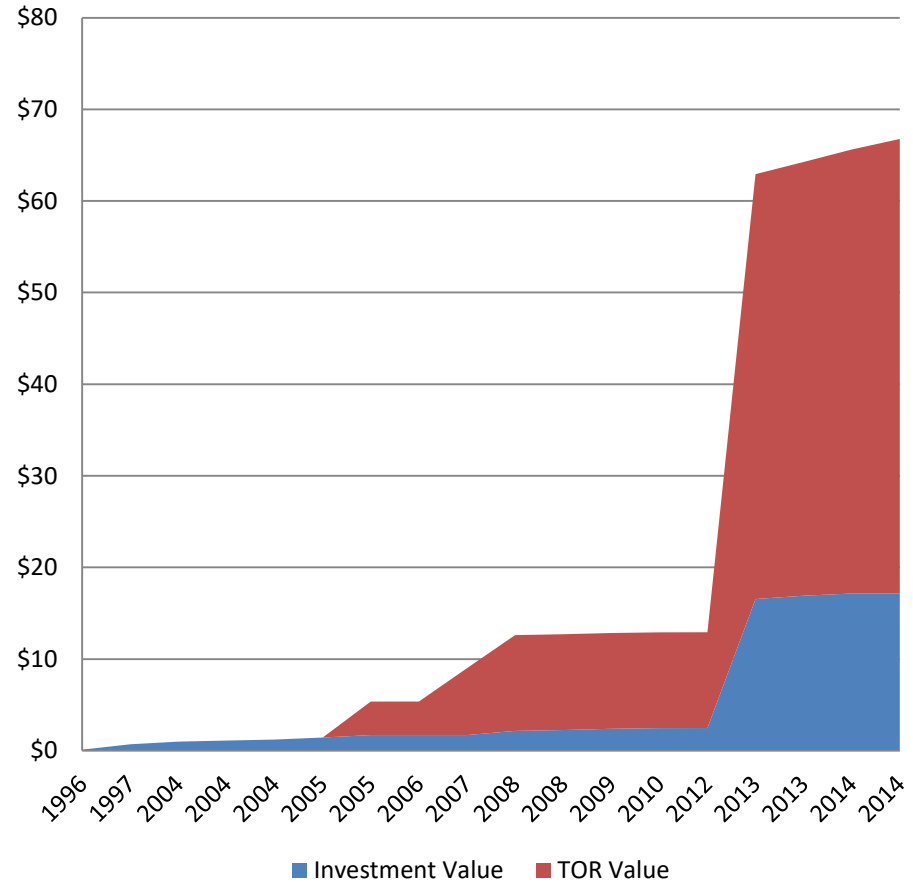
50 Bil \$ TOR Revenue

370 Mil Pax Capacity

İstanbul 3rd Airport

14 Bil \$ Investment

36 Bil \$ TOR Payment



A Successful Case: Antalya Airport



1996 I. Terminal (BOT) – 5 Mil. Pax Capacity
116 Mil. \$ Investment Value



2007

Both Terminals (TOR)



TOR Value: 3.7 Bil. \$

2004 II. Terminal (BOT)
5 Mil. Pax Capacity
108 Mil. \$ Investment Value

2024

(Revert to Gov.)

A Successful Case: Antalya Airport

- **First BOT in airports**
- **Location's advantage**
 - Servicing touristic destination
 - Solid international Traffic
- **No government guarantees triggered**

Year	Guaranteed international passengers	Actual international passengers
1996	1.322	—
1997	1.430	—
1998	1.537	2.840
1999	1.645	2134
2000	1.752	3.416
2001	1.860	4.359
2002	2.024	9.751

Source: DHMI

A Failed Case: Zafer Regional Airport

- Intended to serve as a regional airport located among 4 cities
- Location's disadvantage:
 - Road transport is a strong alternative
 - Minimal international traffic



An Upcoming Case: İstanbul 3rd Airport

- **In terms of contract value (50 Bil \$):**
 - Largest ever in the country and region
 - Most expensive airport in the world
 - Largest greenfield project in the world (WB PPI Database)
- **Four phased construction with an ultimate capacity of 150 mil. Pax capacity.**



An Upcoming Case: İstanbul 3rd Airport (2)

- **Preparations initiated in 2012**
 - Economically well justified
 - Environmental issues should have been elaborated better
- **Tendered out in 2013**
 - An hybrid model
 - Financial debate between TOR payment and complex guarantee level focusing on ramp up period
- **Financial closure and construction commencement in 2015**
 - Majority of the finance secured from public banks
- **I. Phase (90 Mil Pax capacity, 4 runway) will be operational by the end of 2018**

An Upcoming Case: İstanbul 3rd Airport (3)

- **Success depends on:**
 - **Macroeconomics**
 - **Continuation of traffic growth**
 - **Flagcarrier's expansion policy**
 - **Urban connectivity**
 - **North Marmara Highway**
 - **Metro Lines**
 - **Connecting roads**
 - **Mitigation measures for environmental issues**



Lessons Learned

- **Not every airport is suitable for private participation**
 - **Scale matters**
 - **Potential for international flights**
- **Solid and realistic traffic forecasting is key**
 - **PPPs not free of charge**
 - **Long term financial burden**
- **Proper balance between guarantee provided and profit sharing**
 - **Less base guarantee vs. no or less profit sharing**

Lessons Learned

- **Sufficient time for preparation would smooth the way**
 - No surprise in detail design
 - Faster commercial and financial closures
 - More interest from international banks
- **Piloting pays off**
 - Knowledge accumulation
 - Corrective actions
 - Gradual scale ups

Thank you...

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