

# Turkey is to be the world's leading aviation hub: Istanbul Airport

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After its projected completion in 2028, Istanbul Airport will serve up to 200 million passengers a year, making it the world's largest airport by doubling the air traffic at Hartsfield-Jackson located in Atlanta, United States, the world's current largest airport.

## The need and appetite to be the world's largest airport

Istanbul has a unique location: it connects Asia and Europe; has a strait serving as a passage among the Black Sea, Marmara, Aegean and Mediterranean Seas for marine transport; and has a key role for much-needed transport of commodities from the producing East to the consuming West. Turkish Airlines, the flag carrier of Turkey, flies to more countries than any other airline in the world. Istanbul, being close to Africa and the Middle East, also allows airline operators to fly to the under-served airports, allowing it to increase passenger flow through Istanbul.

Today, through Atatürk Airport (the world's 15th busiest airport) alone, Turkey absorbs almost 64 million passengers per year,<sup>[1]</sup> making it number five in Europe<sup>[2]</sup> in terms of carrying passengers. Istanbul's intense passenger traffic is supported by Istanbul Sabiha Gökçen Airport, the Asian sister of Atatürk Airport, hosting 31 million passengers per year.

While Atatürk and Sabiha Gökçen Airports are operating at their maximum capacities, they are unable to meet Istanbul's existing aviation demand, and have to reject the additional capacity demand. Here, the need for a new Istanbul Airport comes into play – to facilitate the full aviation potential of Istanbul and Turkey. And this is not only a matter of passenger traffic: Istanbul Airport will be able to shoulder a cargo capacity of 5.5 million tonnes once it is fully operational, quadrupling that of its predecessor, Atatürk Airport.

Ultimately, the Turkish economy will win: upon completion of the project, increases of over 100,000 jobs<sup>[3]</sup> and TRY 69bn in income per annum to the GNP<sup>[4]</sup> are expected. And there is no doubt that Turkey's tourism will also further expand.

## Advantages over competitors

But why would one choose Istanbul Airport over its competitors in Frankfurt, Abu Dhabi and Doha? Kadri Samsunlu, Chief Executive Officer of IGA, the constructor and operator of Istanbul Airport, elaborates three main reasons for this:<sup>[5]</sup>

- Turkey has a very strong and growing domestic demand for air traffic that increased 12 times in the last 15 years. This is not the case for the other three.
- Turkish Airlines, when compared with the flag carrier airlines of the other three countries, flies to more destinations and thus brings more operating leverage in the income statements. Indeed, due to its strategic location, within the distance of a three-hour flight from Istanbul, one can reach more than 60 capitals of 120 countries and 130 destinations with Turkish Airlines.
- Istanbul is already a charming and vibrant city itself, leading to more stop-over passengers.

Samsunlu further argues that Istanbul Airport stands up to the Boeing and Airbus impediments in the hub-model with their long-distance aircraft:

'In three hours' distance there are 60 countries and 120 destinations; we propose our passengers to fly from anywhere to everywhere. We basically gather them from their homelands with smaller aircraft to Istanbul and then put them into long-haul aircraft and then enable to transport them wherever they want to fly.'

Whether Istanbul Airport will be able to compete with other big players and become the most important global aviation hub is yet to be seen. But there is a promising reality supporting the very idea of the inception of Istanbul Airport: in the first quarter of 2018, the increase in bookings for transit passengers in Istanbul with the existing two airports stands at 21 per cent in comparison with 14 per cent at Abu Dhabi and the stagnant performance of Doha.<sup>[6]</sup> In other words, both the passengers and the aviation industry expect better from Istanbul with the arrival of the new airport.

## Highlights of Istanbul Airport

Once the project is finalised, Istanbul Airport will have an indoor area of 1,471,096m<sup>2</sup>, six runways, eight air traffic control towers, 165 passenger boarding bridges, 500-person aeroplane capacity, indoor and outdoor parking lots accommodating nearly 70,000 vehicles and rail-connected terminals. There will even be hospitals, hotels and convention centres in the airport city. It will use mobile applications, facial recognition systems and artificial intelligence for customers, alongside a high-tech security system.

An article in *SkyLife* magazine stresses the energy-efficient technologies to be used in Istanbul Airport:

'Istanbul Airport will save up to nearly 40% of water by using rain water, recycled water, and grey water. According to ASHRAE standards, the airport also aims for the silver certificate at LEED Green Building Certification with an energy efficiency of 21%.<sup>[7]</sup>

Istanbul Airport is expected to have no luggage waiting problems, with its 42km luggage system having capacity for 30,000 pieces of luggage per hour.

The duty free shopping area is expected to gather more than 400 domestic and foreign brands and is planned to be the biggest in the world with a 53,000m<sup>2</sup> designated area.

The architecture design is another spectacular aspect about this airport: Grimshaw, in partnership with Nordic Office of Architecture, was entitled to design the passenger terminals.<sup>[8]</sup> The airport's interior architecture, inspired by Turkish and Islamic designs, and its landmark tulip-shaped air traffic control tower, which was designed by Aecom and Pininfarina, won the 2016 International Architecture Award.

## Milestones of the project

The realisation of Istanbul Airport comprises four phases. The construction of the first phase, which will serve up to 90 million passengers with three runways and a terminal building, started in May 2015 with a deadline of 1 November 2018. This proved to be a challenging target given that the project site is scattered, with old mining pits requiring ambitious excavation works. The challenges caused certain delays in the initially projected operation date. Now, the difficulties seem to have been overcome and the first phase is announced to be operational by 7 April 2019.

With completion of the fourth and final phase in 2028, Istanbul Airport will accommodate six runways and 200 million passengers. In other words, it is expected to be the largest airport in the world.

## Convincing the lenders to finance the world's largest airport

DHMI (the General Directorate of State Airports) is authorised to launch tenders to build and operate the airports under the Build-Operate-Transfer (BOT) model. Under this model, basically, the investors of Istanbul Airport shoulder the injection of equity and meet the financing costs with the expectation of receiving the revenues generated during the 25 years of the airport's operation period, after which they hand over the airport to DHMI.

DHMI launched the tender for Istanbul Airport in 2013. The consortium, comprising the leading Turkish construction companies, namely Limak, Kolin, Kalyon, Mapa and Cengiz, won the tender with a pledge to pay DHMI €22.1bn plus tax. So, how were the lenders convinced to release €4.5bn of the project finance loan with 75/25 debt to equity ratio for the first phase of the project, the largest to date in Turkey?

DHMI provides €6.3bn of passenger revenue guarantee over the first 12 years of the operation. This is projected to involve €689m<sup>[9]</sup> of passenger revenue guarantee by the twelfth year of operation. The lenders further find comfort in the assignment of IGA's revenue stream and a debt assumption guarantee provided by DHMI in case IGA fails to repay the loan.

## Conclusion

All in all, the Turkish state, investors and lenders, as well as the vast majority of airline operators, support the idea of having the largest airport in Istanbul, Turkey. The reason is simple: it's a win-win situation. Both Turkey and the global aviation industry will benefit from this challenging but very promising project.

## Notes

[1] Benjamin Zhang, 'These are the 20 busiest airports in the world', (*Business Insider*, 16 June 2018) [www.businessinsider.com/busiest-airports-in-the-world-2018-2018-4#17-jakarta-soekarno-hatta-international-airport-cgk-63015620-passengers-in-2017-4](http://www.businessinsider.com/busiest-airports-in-the-world-2018-2018-4#17-jakarta-soekarno-hatta-international-airport-cgk-63015620-passengers-in-2017-4) (<http://www.businessinsider.com/busiest-airports-in-the-world-2018-2018-4#17-jakarta-soekarno-hatta-international-airport-cgk-63015620-passengers-in-2017-4>) accessed 2 April 2019.

[2] Fin Hudson, 'The Top 8 Busiest Airports in Europe' (*FlightDelayed.co.uk*, 14 March 2018) [www.flight-delayed.co.uk/blog/2018/03/14/top-8-busiest-airports-in-europe](http://www.flight-delayed.co.uk/blog/2018/03/14/top-8-busiest-airports-in-europe) (<http://www.flight-delayed.co.uk/blog/2018/03/14/top-8-busiest-airports-in-europe>) accessed 2 April 2019.

[3] Turkish Exporters Assembly, 'The Economy of the New Istanbul Airport' [www.tim.org.tr/en/articles-evaluation-the-economy-the-new-istanbul-airport.html](http://www.tim.org.tr/en/articles-evaluation-the-economy-the-new-istanbul-airport.html) (<http://www.tim.org.tr/en/articles-evaluation-the-economy-the-new-istanbul-airport.html>) accessed 2 April 2019.

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- [5] Mr Samsunlu's interview with the BBC is available at: [www.youtube.com/watch?v=rh8j6CWrAaY](http://www.youtube.com/watch?v=rh8j6CWrAaY) (<http://www.youtube.com/watch?v=rh8j6CWrAaY>) accessed 2 April 2019.
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- [7] Skylife, 'Istanbul: The World's New Aviation Hub' November 2018, [www.skylife.com/en/2018-11/istanbul-the-world-s-new-aviation-hub](http://www.skylife.com/en/2018-11/istanbul-the-world-s-new-aviation-hub) (<http://www.skylife.com/en/2018-11/istanbul-the-world-s-new-aviation-hub>) accessed 2 April 2019.
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