

**THE EFFECT OF THE
COVID-19 ON AVIATION
INDUSTRY: SPECIAL
FOCUS ON TURKEY**

ISTANBUL, TURKEY

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The Content

- Sector Dynamics
- Pre COVID-19 Times
- Aviation Industry In the Wake Of COVID-19
- Measures Taken Amid COVID-19
- Post COVID-19 Times
- Recommendations for the Future of Aviation

SECTOR DYNAMICS

Turkish civil aviation industry has been a prominent sector in the Turkish economy since the early **20th century**. The sector is highly integrated with tourism & luxury, logistics and even the medical sector. Over the years Turkey, in particularly Istanbul, has become the regional hub for transit flights from **Asia-Pacific** to **Atlantic and within Europe**.

There are **170** air transport operators in Turkey according to the data provided as per the year **2019**.

Air Transport Operators	2018	2019	Change (%)
Airline Operators	11	11	0,0%
Air Taxi Operators	43	42	-2,3%
General Aviation Operators	82	83	1,2%
Balloon Operators	31	34	9,7%
Total	167	170	1,8%

Numbers and details of maintenance and training operators are exhibited below. Total number has been reached to **277** by increasing **%3,7** in comparison to **2018**.

Maintenance and Training Operators	2018	2019	Change (%)
Maintenance Organization	107	106	-0,9%
Training Organization	160	171	6,9%
Total	267	277	3,7%

There are **40** ground services operators in 2019. Numbers have changed **8,1%** in comparison to **2018**.

Ground Services	2018	2019	Change (%)
Group A	3	3	0,0%
Group B	12	12	0,0%
Group C	22	25	13,6%
Total	37	40	8,1%

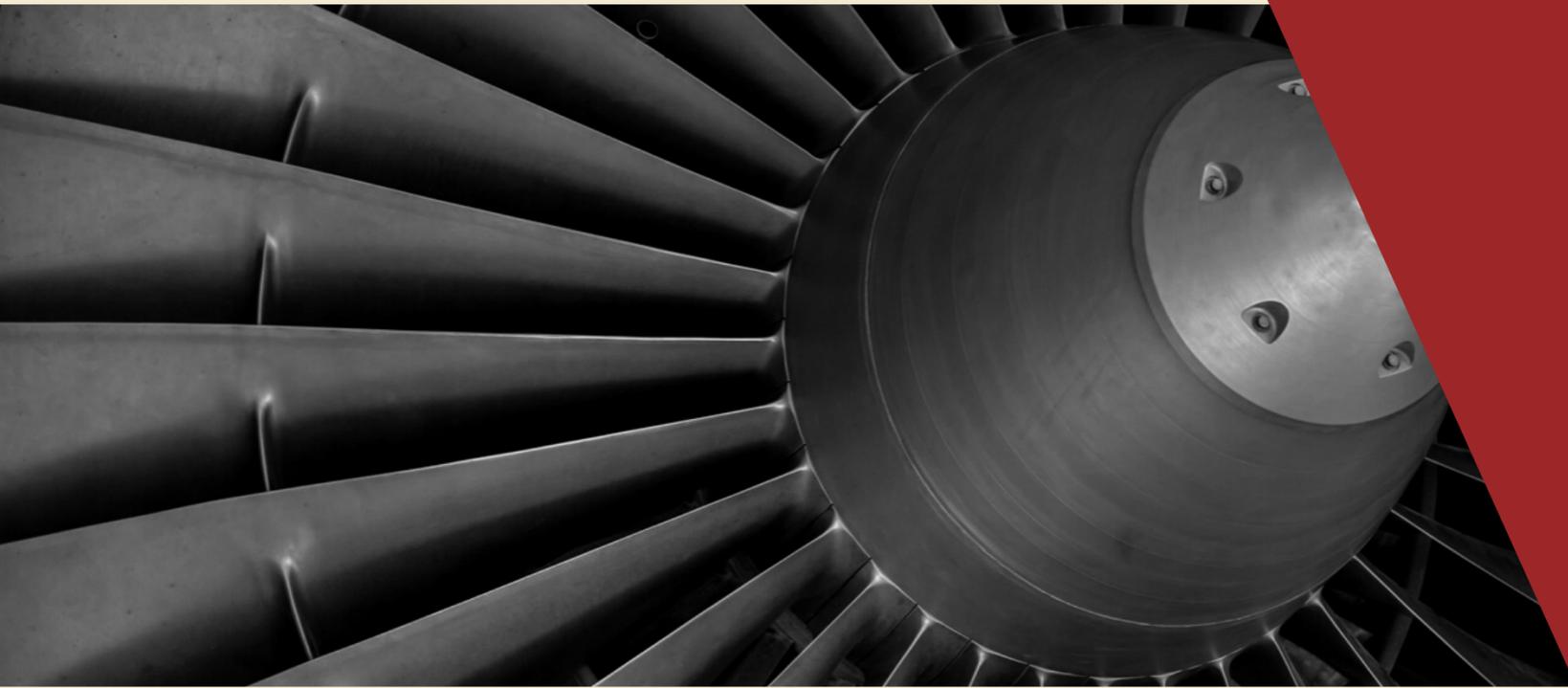
There has been a critical change in the numbers of authorized agencies in Turkey between the years of **2018** and **2019**.

Authorized Agencies	2018	2019	Change (%)
Group A	22	27	22,7%
Group B	162	188	16,0%
Total	184	215	16,8%

Airports at a Glance

58 airports currently operate in Turkey according to the Directorate General of State Airports Authority 2020 statistics. 37 out of the **58 airports** are classified as international airports.

From 2002 to 2019, total number of airline passengers has risen to 209 million in Turkey, with **507%** raise, according to **2019 Annual Report** of Turkish Civil Aviation Authority dated February 2020.



Air traffic has risen **2.030.291** tonnes with 284% raise and the total amount of Cargo is risen to **3.436.423** tones, with **256%** raise between 2009 to 2019, according to 2019 Annual Report of Turkish Civil Aviation Authority.

The busiest airports are Istanbul Airport, **Sabiha Gökçen Airport** and **Antalya Airport** by 2019 according to 2019 Annual Report of Turkish Civil Aviation Authority.





Current air traffic statistics due to **COVID-19** pandemic will also affect the retail sector that operate in the airports and the logistics sector. **Airlines** that have rent out the airport air docks and are bound with the lease agreement with the airports may not be able to fulfill their liabilities to pay.

The negative impact of the **COVID-19** pandemic is significant in the aviation industry, according to the EUROCONTROL Comprehensive Assessment of COVID-19's Impact on **European Air Traffic report** on May 13, 2020. For example, Istanbul Airport has **-89%** drop in air traffic, compared to the 2019 statistics.



PROMINENT AIRPORTS

First opened in 1912 as a military airport, Istanbul Atatürk Airport (ISL, formerly IST) began to operate as a commercial airport in 1953. Owned by DHMI and operated by TAV, Atatürk Airport, as of April 6, 2019 was open only for **cargo, maintenance, general aviation, air taxi, business flights, state and diplomatic aircrafts.**

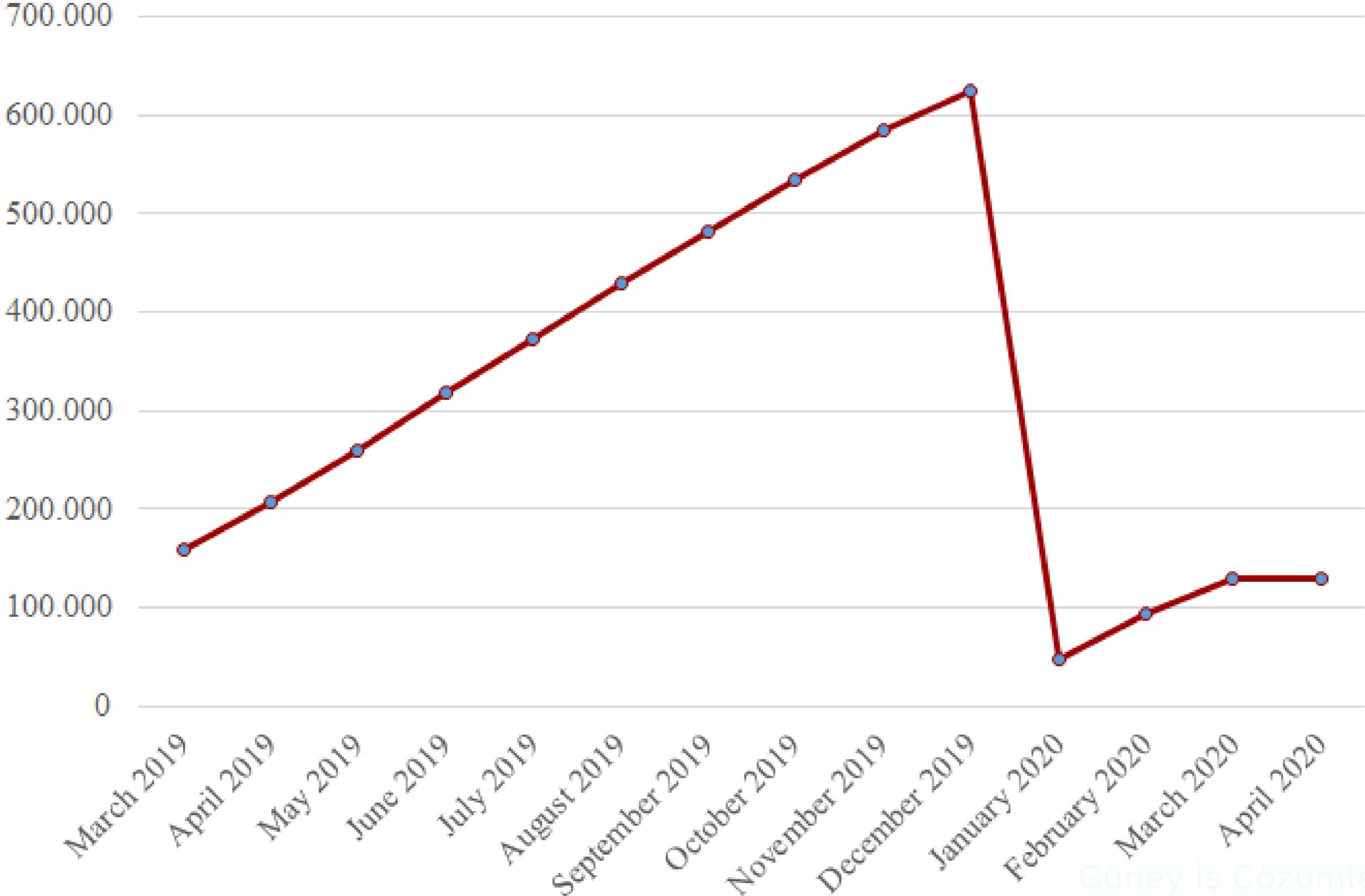
Since October 31, 2018 commercial passenger flights are operated from Istanbul Airport (IST), to meet Istanbul's growing domestic and international air traffic demands.

However, both airports served the same purpose most of 2018, with IST gradually expanding to serve more domestic and international destinations. ISL, on the other hand, **currently features a dedicated cargo terminal including facilities for handling of radioactive and refrigerated freight.**

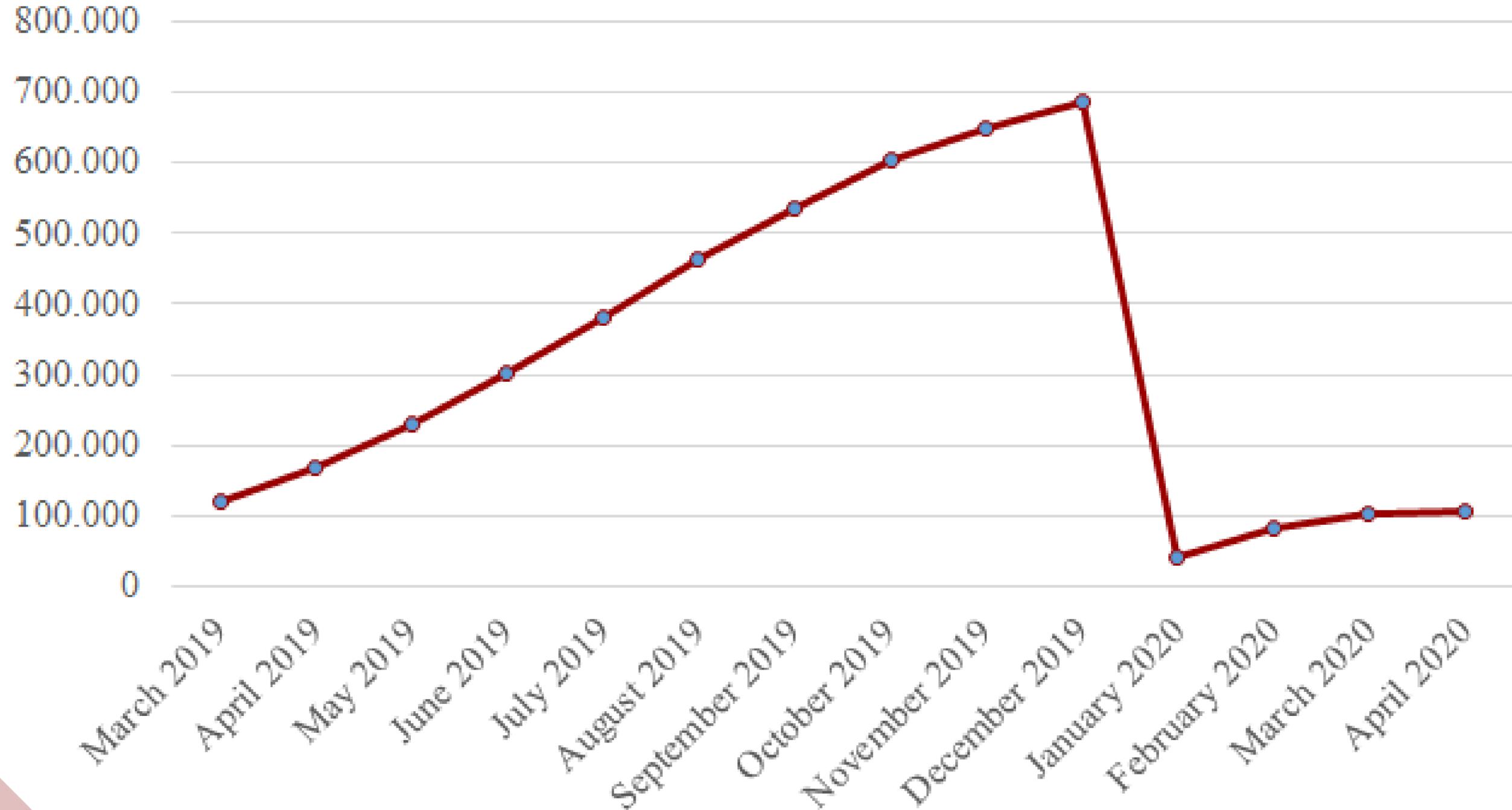
Based on the Annual Report of 2018 of Turkish Civil Aviation Authority, which is the last report where ISL's statistics were provided, the final rankings are as follows:

Similar to the Airports Council Airport According to Airport Council International's (ACI) 2018 Airport Industry Connectivity Report, ISL ranked 7th with %4,8 growth from the year before, for hub connection. In terms of direct flights, **ISL was ranked up from 18th to 5th place between 2008 and 2018, with 1,2% growth from 2017.** In its final official year, ISL had up to 68 million passengers on board.

Domestic Flights in Turkey (Domestic Flights Air Traffic)



International Flights from Turkey (International Flights Air Traffic)



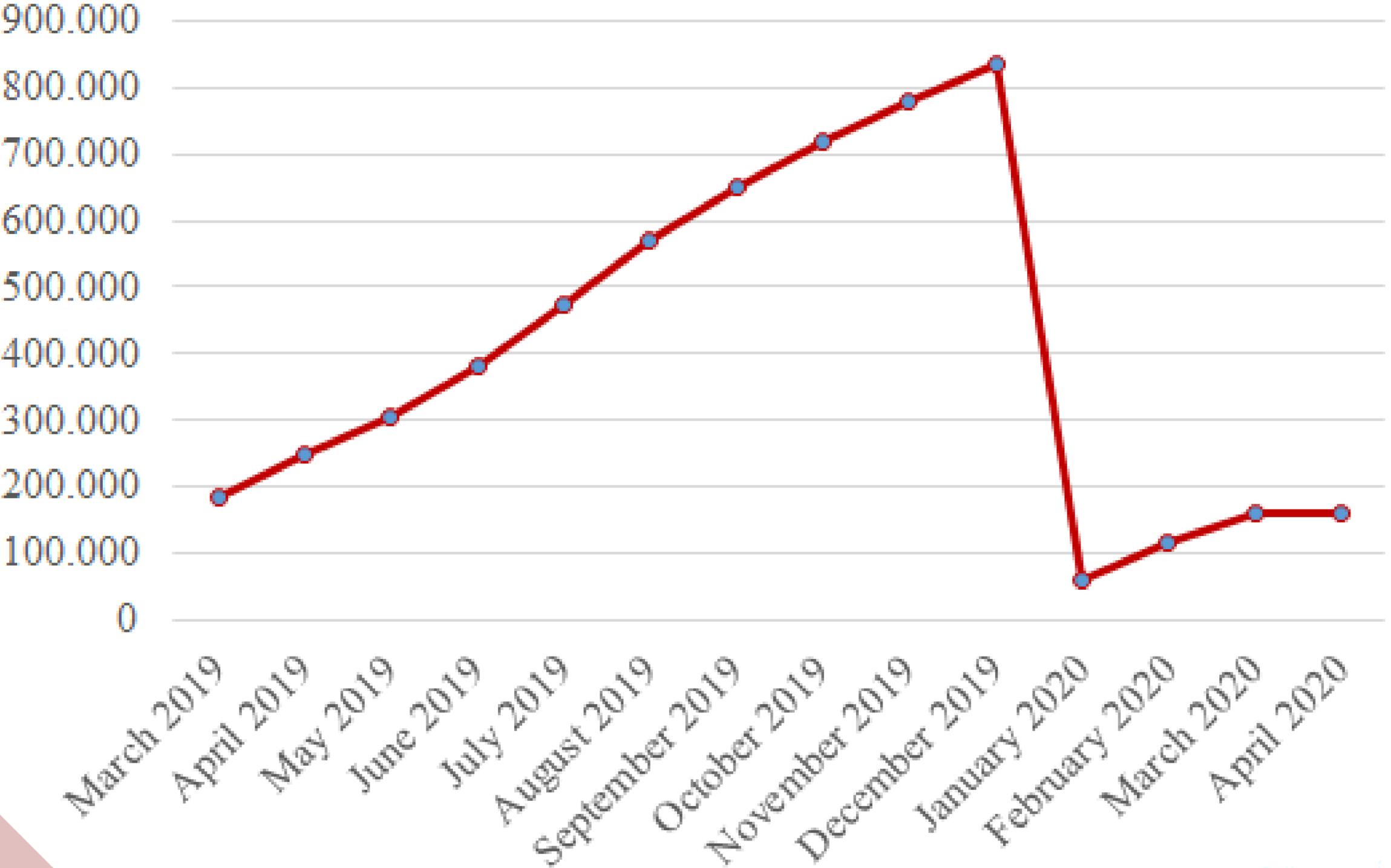


International flights were officially suspended in Turkey on March 17, 2020 after the World Health Organization's COVID-19 pandemic announcement dated March 11, 2020. Even though the first official case of COVID-19 in Turkey was declared on March, the negative impact of the pandemic on the aviation industry had already begun in January.

This negative impact coincides with China's growing cases of COVID-19 and its global spread.

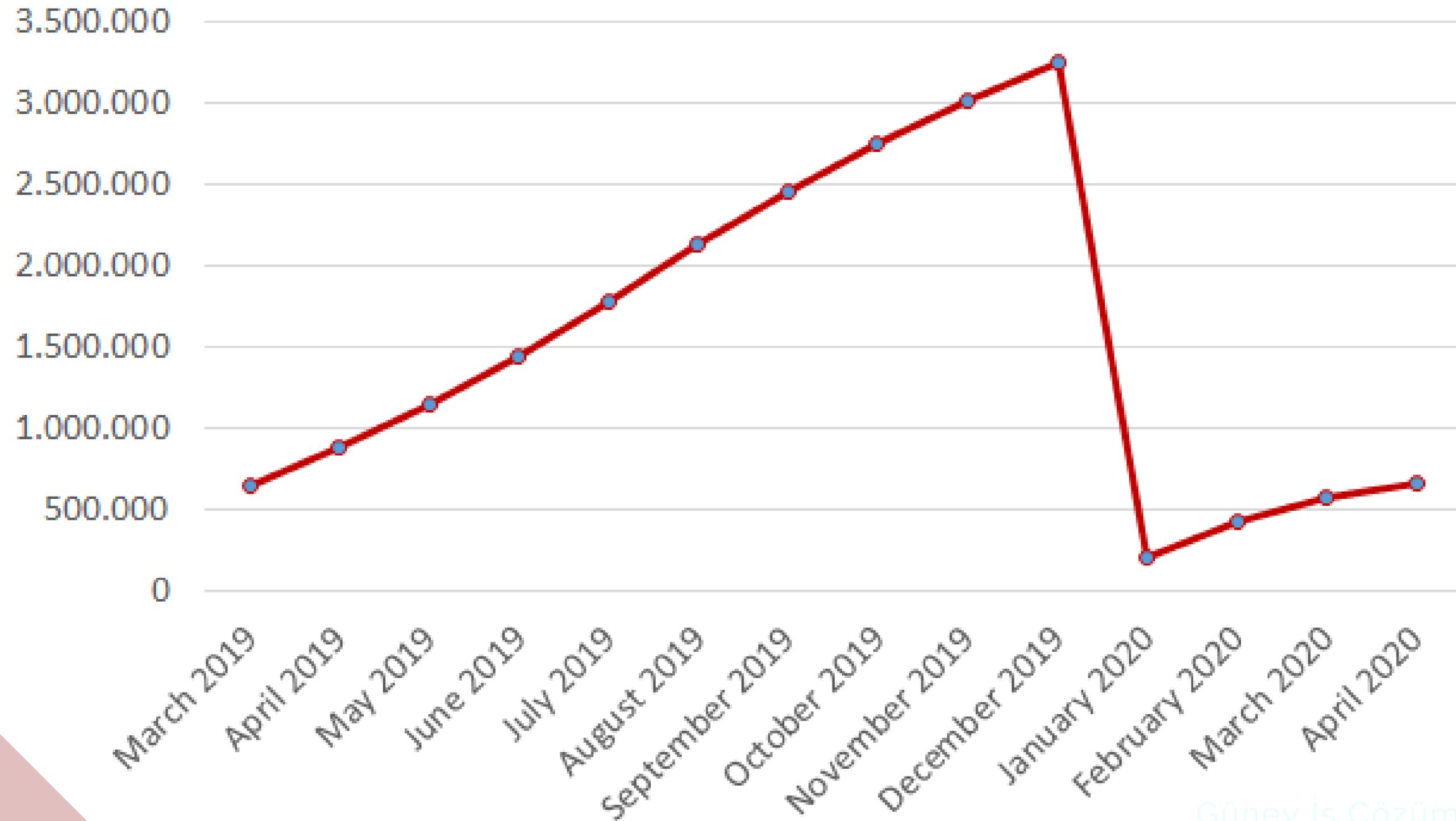
Domestic Freight (Baggage+Cargo+Post) in Turkey

Domestic Freight Traffic



International Freight (Baggage+Cargo+Post) from Turkey

International Freight Traffic





Similar to passenger traffic, freight traffic was decreased below the 2019 statistics, corresponding to the global spread of COVID-19.

Not only the commercial passenger travel, but also transport of goods and services (notably in East Asia) took a standstill after December 2019.



PROMINENT AIRPORTS

Istanbul Airport (IST) was built due to lack of space and additional cargo and charter flight requirements in Istanbul. The transfer from ISL began on April 6, 2018 and the grand opening took place on October 29, 2018. IST has been fully operating as of October 31, 2018.

Currently, DHMI has the ownership rights over IST and the Istanbul Grant Airport(IGA) operates the airport. As of March 2020, there are no regular scheduled cargo operations at the airport, as they currently still remain at ISL while extensive cargo handling facilities are to be built at the new airport.

Based on the IGA's construction plans, once fully completed by 2025, Istanbul Airport will have six sets of runways (eight in total), 16 taxiways, and a total annual passenger capacity of **150 million passengers**. According to the ACI's European Air Traffic Report of 2019, IST has risen its total number of passengers by **0,2** %percent compared to 2018 statistics , reaching to 68,5 million passengers in 2019.

Istanbul Airport, which is among the top 20 airports in the globe, based on its hub connection, grew by **16.9%** in 2019 compared to the previous year. From 2009 to 2019,

IST has ranked up from 21st place to 6th, based on hub connection. During previous ten years, IST, which is amongst the 20 airports that develop the most central connection, ranked 9th with **353% growth** in the world and ranked 4th ,with **89% growth** in Europe.

Istanbul Sabiha Gökçen Airport (SAW) was opened on January 8, 2001 to support the increased domestic and international passenger demand in Istanbul. In June 2007, Turkish conglomerate Limak Holding, India's GMR Group and Malaysia Airport Holding Berhad (MAHB) consortium became contractors for upgrading and maintaining SAW.

In 2008, the airport's ground was broken to upgrade the international terminal to handle **25 million passengers** annually. The new terminal was inaugurated on October 31, 2009.

Until 2019, when the second runway was built, SAW was considered one of the world's busiest single-runway airports, with welcoming more than **34 million passengers**, according to the 2019 statistics of Turkish Aeronautical Information Publication in EUROCONTROL. Between the years of 2009 and 2019, SAW became the top-ranking airport in Europe, with **523% raise** in direct connected flights.

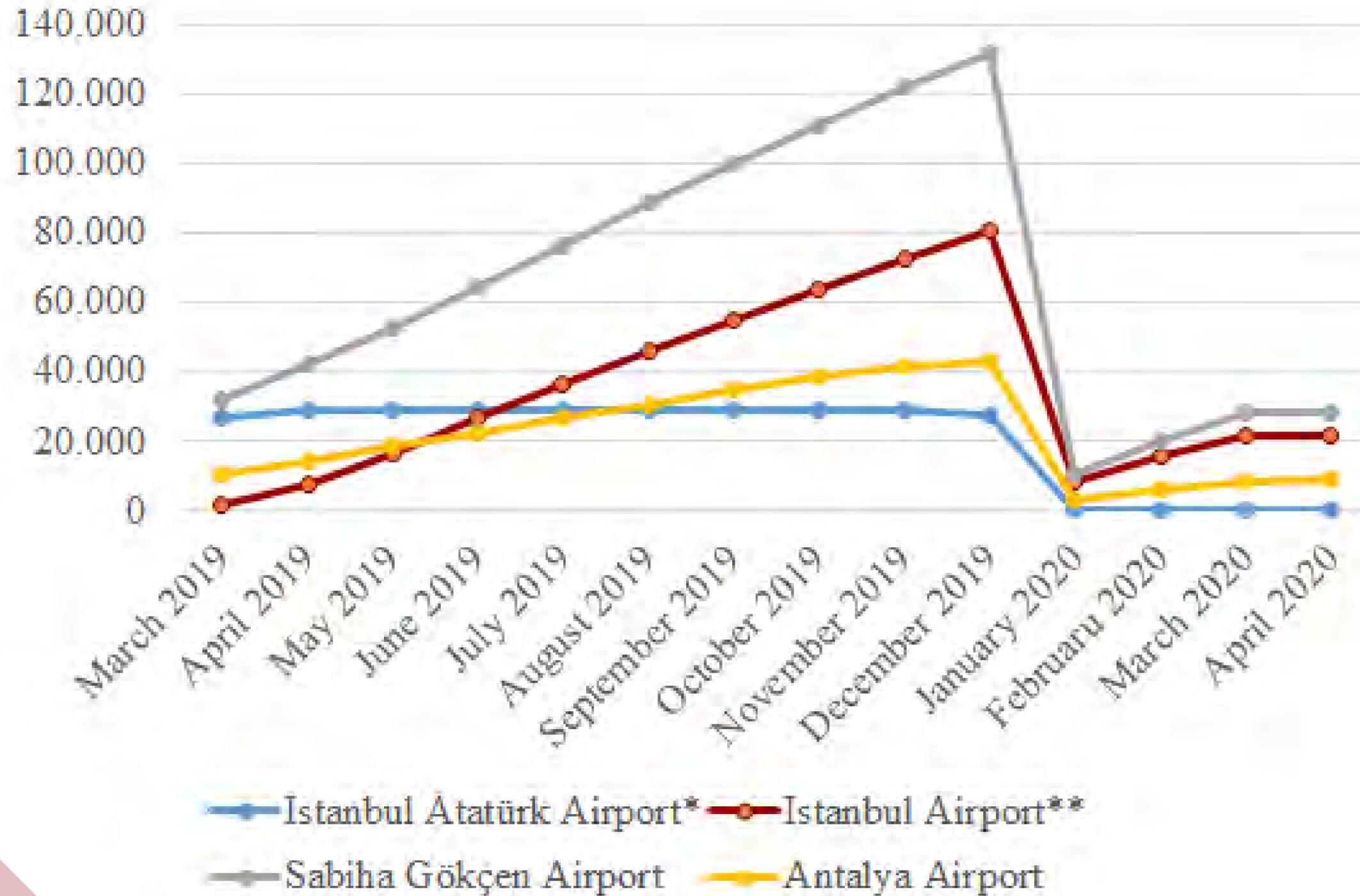
Istanbul Sabiha Gökçen Airport ranked 4th, with **5% growth**, among the top 5 Airports that developed the most direct connection in Europe in 2019. Currently, Pegasus Airlines' main fleet and most domestic charter flight industry players operate in the SAW.

As popular demand over Antalya, a coastal city on the Turkish Mediterranean sea, **Antalya Airport (AYT)** began its operations in 1998 to accommodate the millions of passengers who enjoy a vacation on Turkey's Mediterranean beaches in summer. According to the ACI statistics, Antalya Airport ranked 30th in 2005, 2008 and 2009 for international passenger traffic.

In 2008, Antalya Airport became the world's 30th busiest airport in international passenger traffic. In 2009, AYT also held its 30th spot in that category amongst world airports, with 15,210,733 international passengers. By the end of 2010, it rose to the 23rd spot with over 18 million international passengers. From 2009 to 2019, Antalya Airport became the second ranking airport with followed as second, with 257% raise.

Domestic Flights at Top Four National Airports

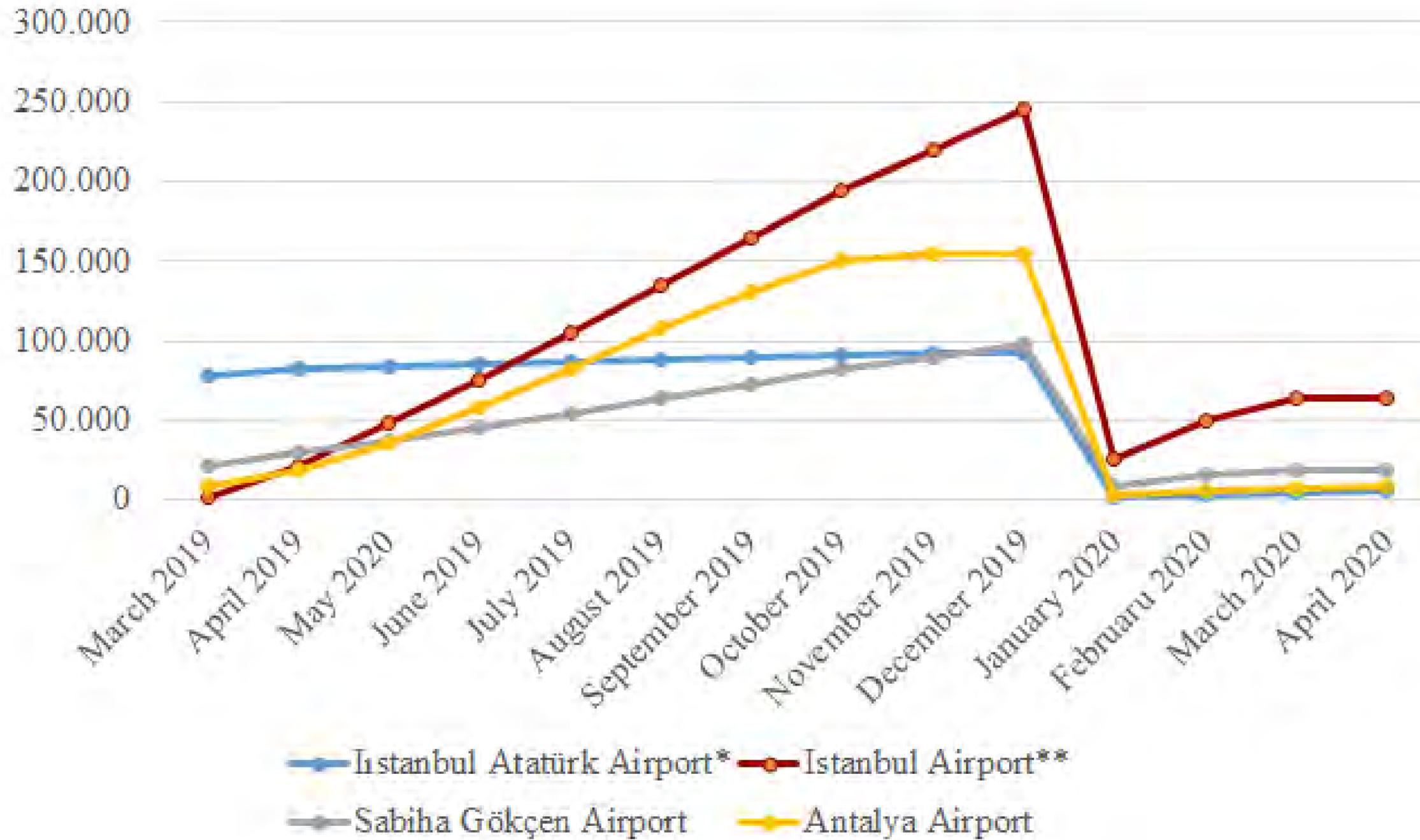
Domestic Flights Air Traffic



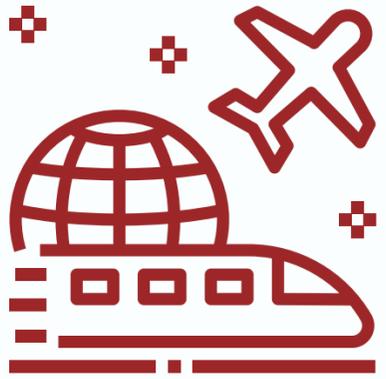
Source: Directorate General of State Airports Authority's 2019 and 2020 Airports Comperative Statistics

International Flights at Top Four National Airports

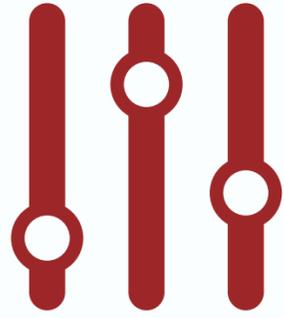
International Flights Air Traffic



Operators At a Glance

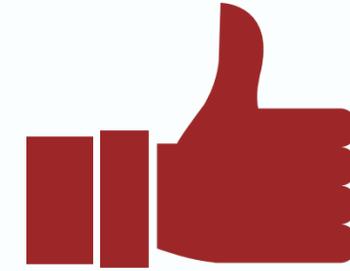


Air Transport Operators

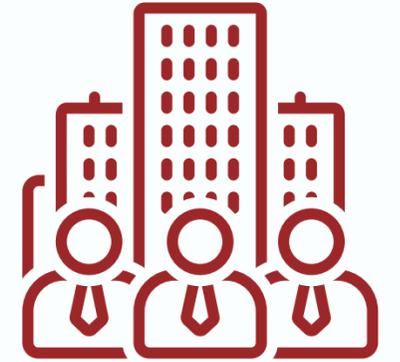


Maintenance and Training Operators

Licensed Operators



Ground Services



Authorized Agencies

Air Transport Operators lead the sector magnitude and growth in aviation in Turkey. There are **170 air transport operators** according to the data provided as per the year 2019. 11 of those are airline operators carrying out passenger and cargo transport. The numbers of aircrafts have been increased from **515** to **546** in the year 2019. While number of passenger air **crafts are 516**, cargo air crafts are 30. Maximum seat capacity of Turkish air **fleet is 103.763** kgs and the carrying capacity of **cargo air crafts is 2.296.450** kgs.

Airlines in Turkey

Air transport is a driver of global trade and e-commerce, allowing globalization of production.

As per the latest 2019 Annual Report by IATA, airlines transported 64 million tonnes of cargo to markets around the world in 2018.

In each year since 2010 until 2019, the airline industry earned an aggregate profit in Turkey.

Currently, there are 9 airline operators functioning in civil aviation sector in Turkey for scheduled, charter and cargo operations.

Airlines in Turkey

Under Turkish Laws, in order for an airline company to be established and registered, the registered offices of those in question must be located within the borders of Turkey.

Airline operators which will be operating with less than twenty seat capacity may be established as a limited liability or joint stock company.

However, airlines operating solely for cargo transport or operating with more than twenty seat capacity shall be established as a joint stock company.

Airlines in Turkey

- **TURK HAVA YOLLARI ANONIM ORTAKLIGI** (Turkish Airlines) established on January 30, 1960 holding capital of TRY 5,000,000,000.00.
- **PEGASUS HAVA TASIMACILIGI ANONIM SIRKETI** (Pegasus Airlines) established on January 12, 1990 holding capital of TRY 500,000,000.00.
- **MNG HAVAYOLLARI VE TASIMACILIK ANONIM SIRKETI** (MNG) established on April 4, 1997 holding capital of 39,500,000.00.
- **ONUR AIR TASIMACILIK ANONIM SIRKETI** established on April 7, 1992 holding capital of TRY 127,000,000.00.
- **HURKUS HAVAYOLU TASIMACILIK VE TICARET ANONIM SIRKETI** (Freebird) established on June 1, 2000 holding capital of TRY 27,500,000.00.

Airlines in Turkey

- **TURISTIK HAVA TASIMACILIK ANONIM SIRKETI** established on November 19, 2004 holding capital of TRY 42,000,000.00.
- **ACT HAVA YOLLARI ANONIM SIRKETI** established on September 21, 2004 holding capital of TRY 117,289,144.00.
- **TAILWIND HAVAYOLLARI ANONIM SIRKETI** established on November 22, 2005 holding capital of TRY 45,000,000.00.
- **ULS HAVA YOLLARI KARGO TASIMACILIK ANONIM SIRKETI** established on April 14, 2004 holding capital of TRY 100,250,000.00.
- **GUNES EKSPRES HAVACILIK ANONIM SIRKETI** (SunExpress) established on 1990, holding capital of TRY 106,000 000.00

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PRE COVID-19 TIMES

Prior to COVID-19 pandemic, not in ancient times, aviation was highlighted as an outstanding industry across the globe. In the 2019 Annual Report of IATA, Alexandre de Juniac as the Director General and CEO of the IATA remarked that;

**Aviation is an amazing industry.
I call it the business of freedom**

”



Airlines transported 64 million tonnes of cargo to markets around the world in 2018 according to IATA.

In 2018 the world's airlines earned a net profit of **\$30 billion** collectively. While some airlines continue to face financial challenges, this nine-year profitability streak at the industry level marked a major shift from the sector's historic boom-bust financial cycle until the surface of the pandemic. Given the numbers and statistics in 2019 report, **IATA projected that over the next two decades, the demand for air transport would be expected to double.**



This collaborative report forecasted that air traffic volumes would be more than double in the next 20 years, indeed prior to the awareness of COVID-19 outbreak.

The Industry High Level Group (IHLG) as the group of the pioneers of the aviation sector published a report called Aviation Benefits Report 2019 underpinning that **“Aviation’s global stature as an economic engine is evident in the statistics”**. The IHLG’s insights on aviation industry is worthy to take into account, since it is established as an initiative of ICAO Secretary General, uniting the Heads of four industry organizations the Airports Council International (ACI), the Civil Air Navigation Services Organization (CANSO), IATA and the International Coordinating Council of Aerospace Industries Associations (ICCAIA).

According to the Aviation Benefit Report 2019 of IHGL as regards to the outcomes for 2018, **“airlines worldwide carried around 4.3 billion passengers annually with 8.3 trillion revenue passenger kilometers.”**

- 4.3 billion passengers carried by airlines
- 58 million tonnes of freight carried by airlines
- 38 million scheduled commercial flights by airlines
- 48,500 routes worldwide
- 54 billion kilometers flights by airlines
- 85 million hours flights by airlines



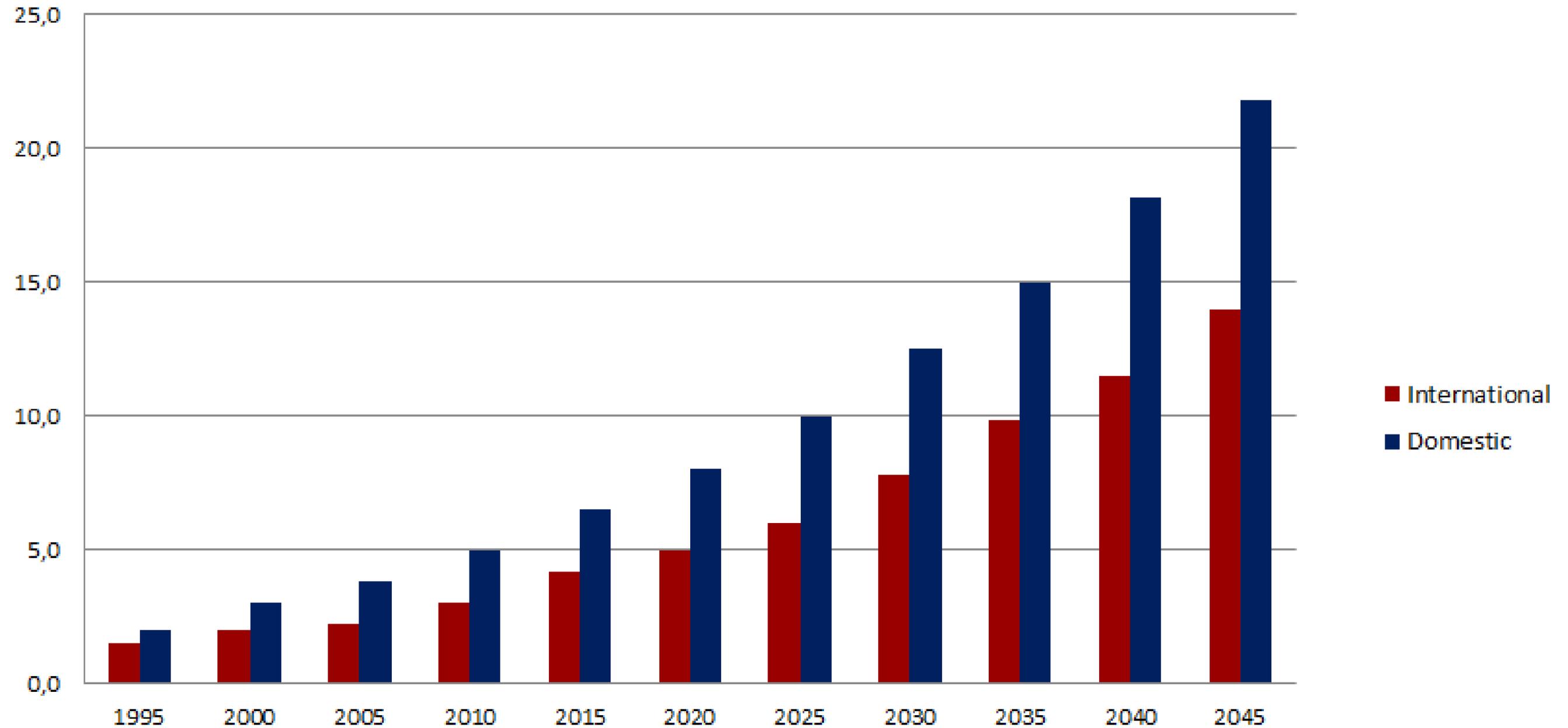
Air Transport was considered as a **GLOBAL MAJOR EMPLOYER** prior to pandemic as per the report of Aviation Benefits Beyond Borders Report of Air Transport Action Group(ATAG) dated October 2018.

Globally, the aviation industry benefits a total of 65.5 million jobs which them being 10.2 million of direct jobs. Airlines, air navigation service providers and airports directly employ nearly 3.5 million people, and the civil aerospace sector, which manufactures aircraft systems, frames and engines, employs 1.2 million people. A further 5.6 million people work in similar positions as on-airport works.

- 65 million Jobs were supported in relation to aviation and related tourism.
- 10.2 million People were directly occupied in aviation industry

Expectations on the Increase of Aviation Prior to Pandemic were High.

Total passenger traffic: History and forecast

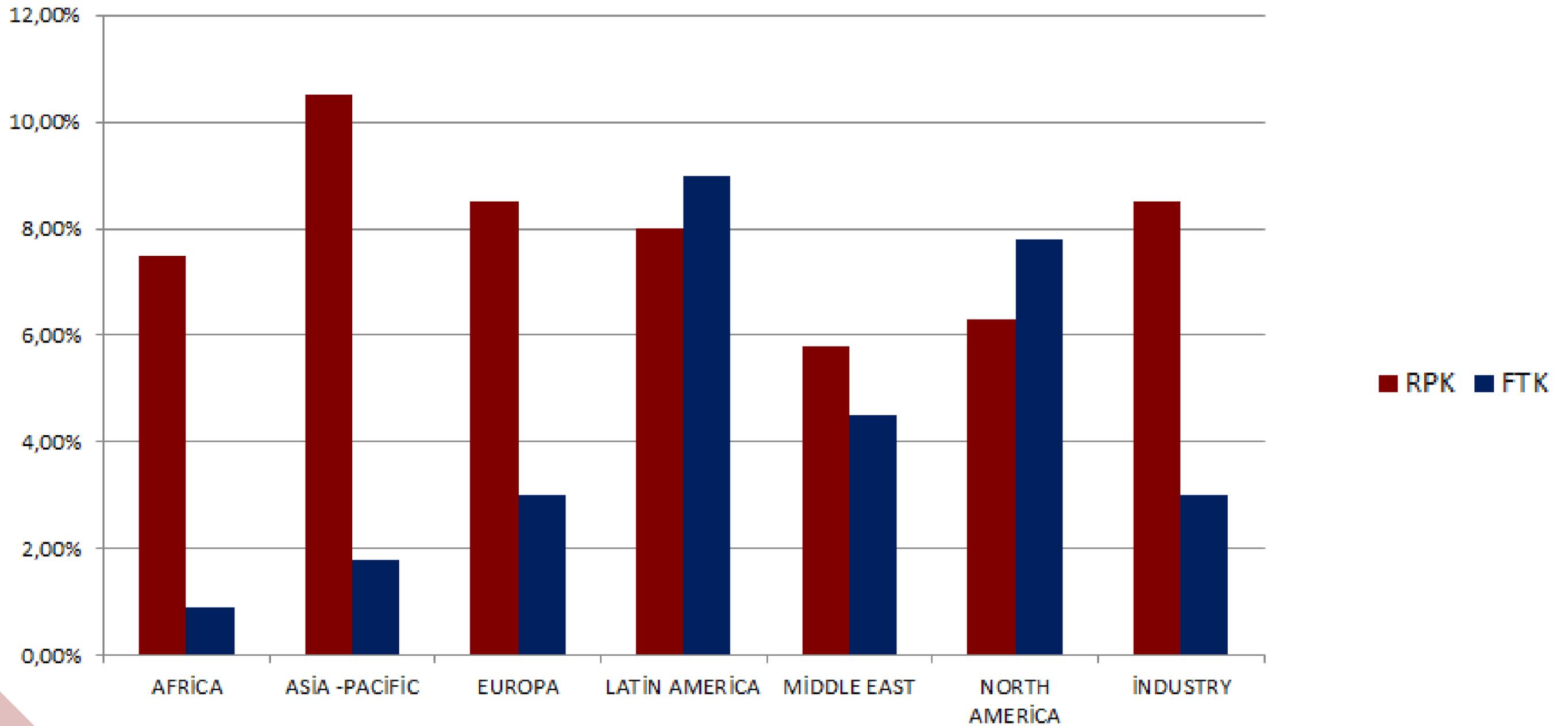


Aviation Benefits Report 2019, IHGL

In Air Passenger Market Analysis Report, IATA remarked that in 2019 worldwide the passenger traffic has grown by **4,2%** following the growth experienced by **7,3% in 2018**.

It added that, despite the crisis which the World is going through such as economical slowdown and political stresses and most primarily Boeing's suspension of **737** max production, strikes announced and indeed Brexit; the aviation industry is kept enlarging.

Regions Show varied performance in passenger and freight demand in 2018 as per the latest annual report published by IATA



“

PRE COVID-19 in Turkey

ICAO indicated in its latest published Air Transport Statistics that Turkey ranked one of ten countries according to statistics on “Revenue tonne-kilometers and passenger-kilometers on scheduled services” by hitting **11%** increase from 2017 to 2018 for international and domestic flights. In 2019, Turkey;

- Ranked in the 12th place as for Revenue Passenger Kilometers outcomes (RPK).
- Ranked in the 11th place as for Freight Tonnes Kilometers (FTK)
- Ranked in the 10th place as for Revenue Tonnes Kilometers outcomes (RTK).

”

TURKISH AVIATION INDUSTRY CONTRIBUTING TO EUROPE'S AIR TRAFFIC

According to the data provided by EUROCONTROL, in 2019, Turkish Airlines ranked first with 81 million EUR in the road charges billed by EUROCONTROL which followed by Emirates Airlines and Qatar Airlines respectively with 45 million EUR and 44,2 million EUR. As regards to the data presented, it is clear that Turkish aviation industry has benefitted substantially to Europe's air traffic.

According to Report of Turkish Exporters Assembly, in 2019, seven of the Turkish air transport companies ranked amongst first ten service exporters in Turkey.

- Türk Hava Yolları A.O.
- Güneş Ekspres Havacılık A.Ş.
- Pegasus Hava Taşımacılığı A.Ş.
- Ekol Lojistik A.Ş.
- TAV Havalimanları Holding A.Ş.
- Netlog Lojistik Hizmetleri A.Ş.
- Atlasjet Havacılık A.Ş.(On February 12, 2020 Atlasjet filed for bankruptcy and halted flights)

According to the Airport Industry Connectivity Report of ACI, in 2019, Turkey ranked amongst the first five of the countries in Europe as regards to the direct, indirect, airport and hub airport numbers indicated.

Turkish Civil Aviation Authority reports that by the end of 2019 Turkey had has air transport connection with **328 locations in 126 countries**

The ratio for the accessibility of passengers to aircraft is **91,34%** in Turkey whereas the worldwide ratio is **74,41%**.

The total number of passengers reached 209 million with **507%** increase in the last seventeen years while the total amount of transported Cargo reached 3.436.423 with **256%** increase in the last seventeen years.

The revenue of the aviation industry has grown 12 times more as of 2003.

”

Turkish Civil Aviation Authority reports in 2019;

The total number of passengers for international flights is urged by 11,4%

The total amount of freight (for Cargo, Parcel and Baggage) is reached 3,4 million tonnes.

AVIATION INDUSTRY IN THE WAKE OF COVID-19

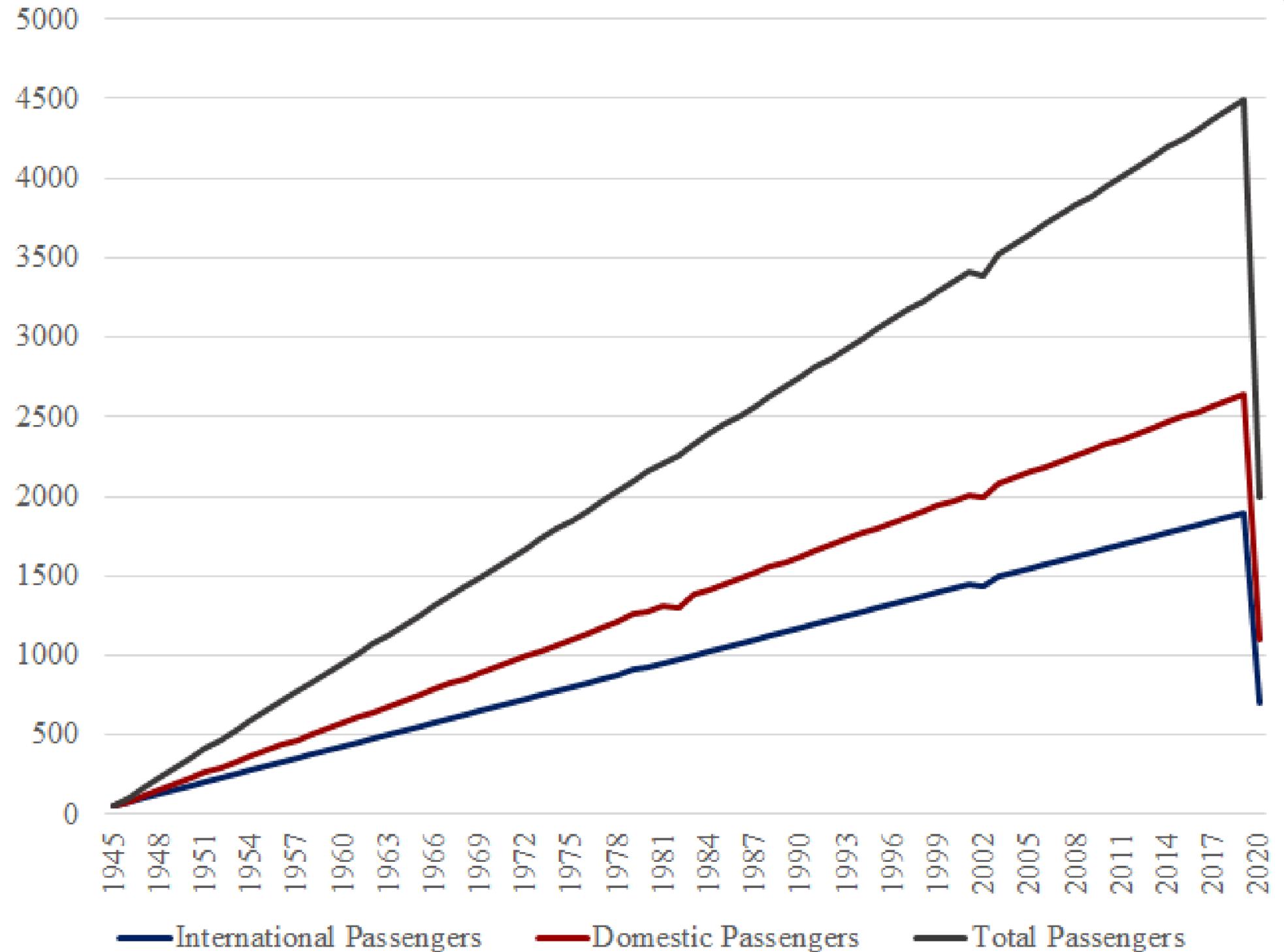
On 31 December 2019, World Health Organization reports that a novel coronavirus was eventually identified.

On March 11, 2020, Turkey confirmed the first COVID-19 case.

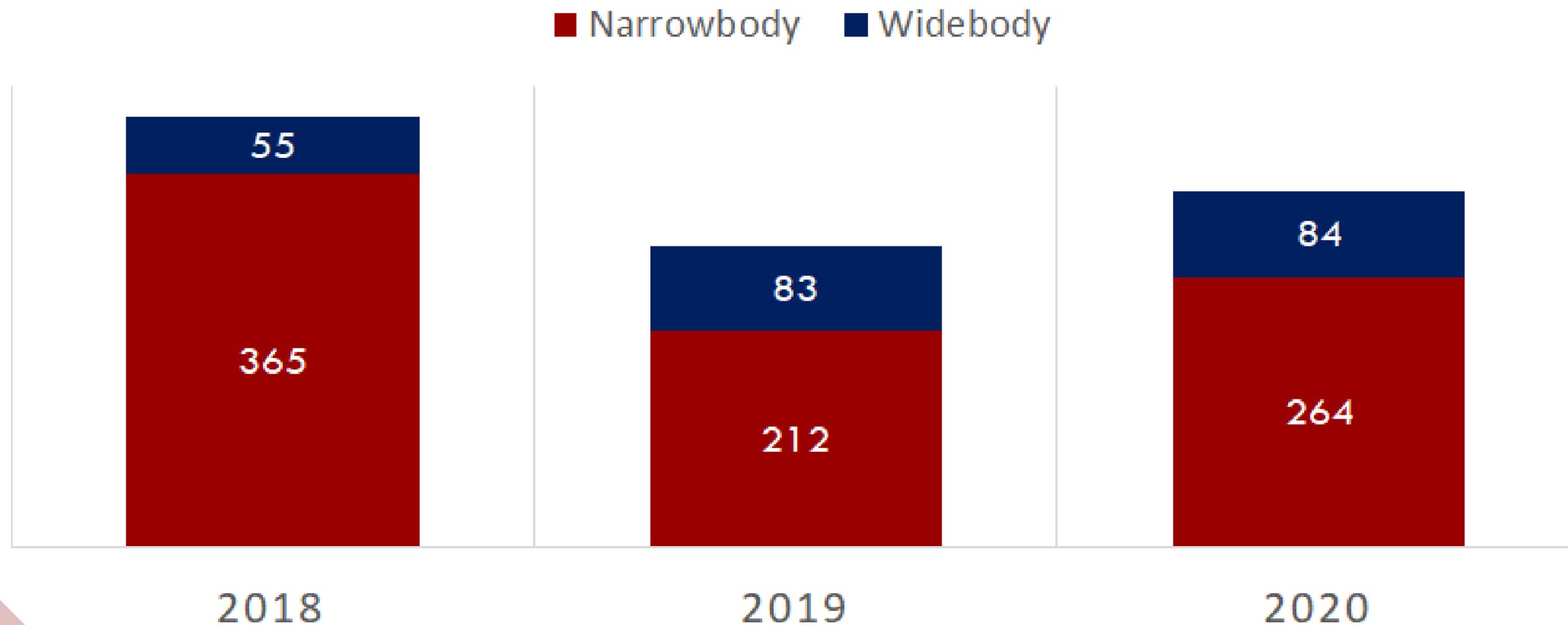
As of May 14, 2020, the number of cases reached more than 140 thousand in Turkey.

As per the report published on May 13, 2020 titled Effects of Novel Coronavirus on Civil Aviation:

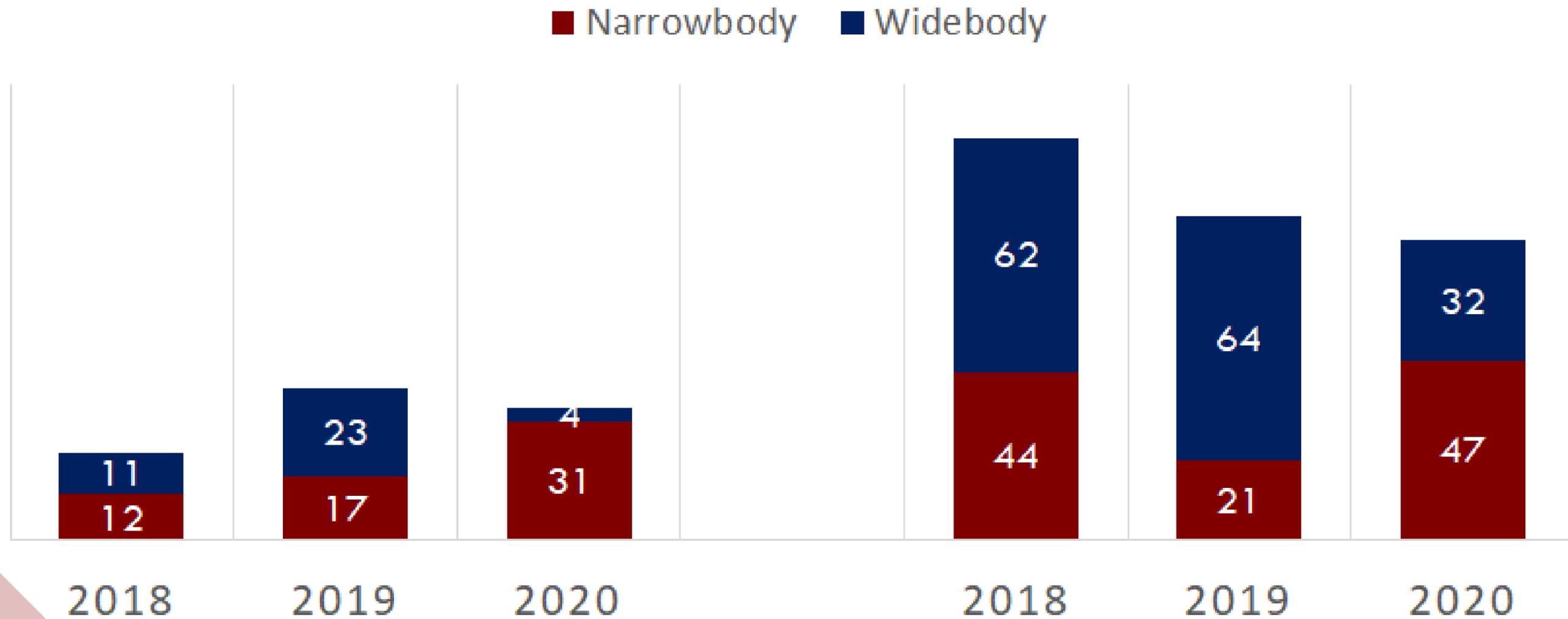
Economic Impact Analysis by ICAO , decline in the number of total passengers worldwide is increased 35% to 65% in 2020 which is regarded as the worst outcome in a decade.



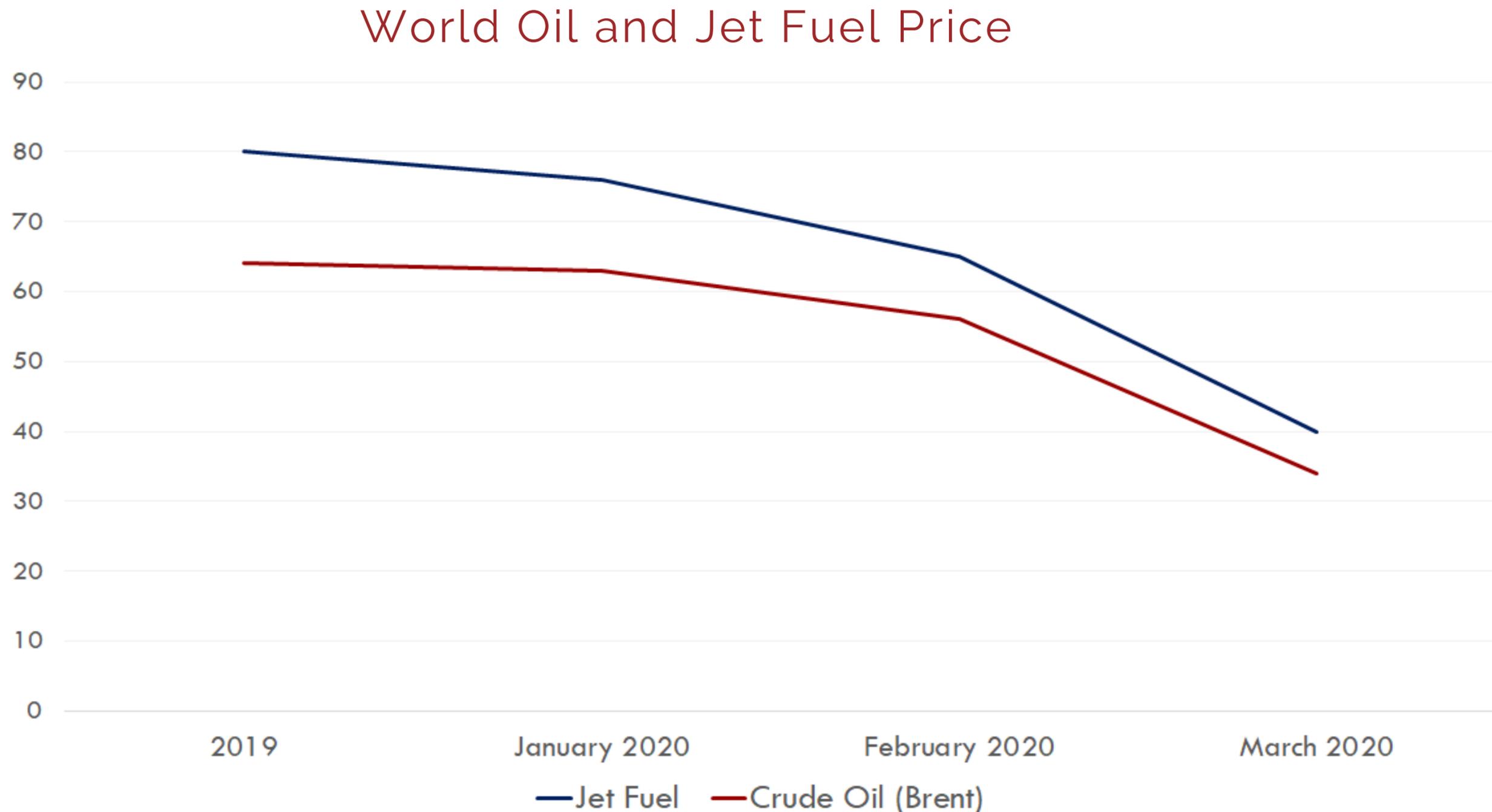
According to IATA's Regional Reports on April 2020, while the latest data shows a drastic fall in jet aircraft deliveries for airlines based in Africa and the Middle East, it indicates an increase in scheduled jet aircraft deliveries for European carriers in 2020 versus 2019.



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According to IATA's reports dated April 2020, the monthly average jet fuel and crude oil price decreased approximately 40% in March due to the pandemic's effect on global demand.



IATA's Industry Focused Analysis for Asia Pasific Region

Revenue Passenger Kilometers (RPKs) indicated in %

Region	2019	2019 Dec	2020 Jan	2020 Feb
Asia Pacific	4.8	3.8	0.5	-41.3
World	4.2	4.5	2.5	-14.1

Cargo Tonne Kilometers (CTKs) indicated in %

Region	2019	2019 Dec	2020 Jan	2020 Feb
Asia Pasific	-5.6	-2.8	-6.4	-2.2
World	-3.2	-1.6	-3.9	-1.4

IATA's Industry Focused Analysis for Americas Region

Revenue Passenger Kilometers (RPKs) indicated in % change a year ago

Region	2019	2019 Dec	2020 Jan	2020 Feb
North America	3.9	8.1	6.0	5.5
Latin America	4.2	1.5	0.6	3.1
World	4.2	4.5	2.5	-14.1

Cargo Tonne Kilometers (CTKs) indicated in % change a year ago

Region	2019	2019 Dec	2020 Jan	2020 Feb
North America	-1.1	-1.1	-2.5	-1.8
Latin America	-0.2	-2.5	1.0	1.8
World	-3.2	-1.6	-3.9	-1.4

IATA's Industry Focused Analysis for Africa&Middle East Region

Revenue Passenger Kilometers (RPKs) indicated in % change

Region	2019	2019 Dec	2020 Jan	2020 Feb
Middle East	2.3	5.4	5.8	1.7
Africa	4.9	5.4	5.5	-0.7
World	4.2	4.5	2.5	-14.1

Cargo Tonne Kilometers (CTKs) indicated in % change

Region	2019	2019 Dec	2020 Jan	2020 Feb
Middle East	-4.6	-1.1	-1.3	4.3
Africa	7.4	10.8	6.5	6.2
World	-3.2	-1.6	-3.9	-1.4

IATA's Industry Focused Analysis for Europe Region

Revenue Passenger Kilometers (RPKs) indicated in % change

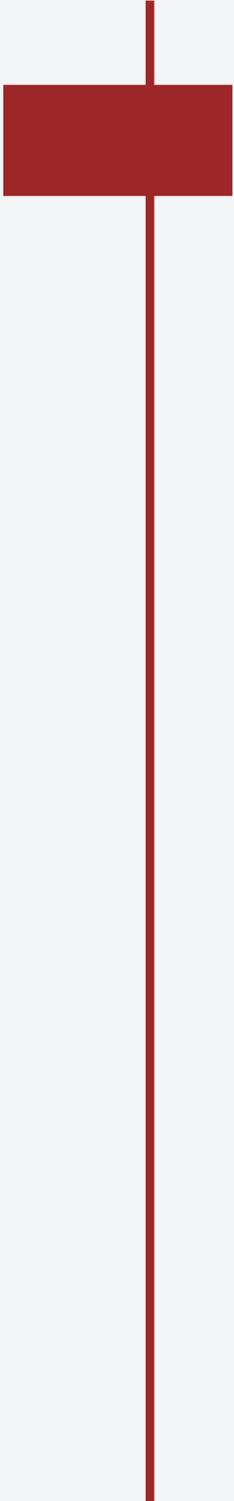
Region	2019	2019 Dec	2020 Jan	2020 Feb
Europe	4.3	2.5	1.6	0.7
World	4.2	4.5	2.5	-14.1

Cargo Tonne Kilometers (CTKs) indicated in % change

Region	2019	2019 Dec	2020 Jan	2020 Feb
Europe	-1.9	-1.4	-4.2	-4.1
World	-3.2	-1.6	-3.9	-1.4

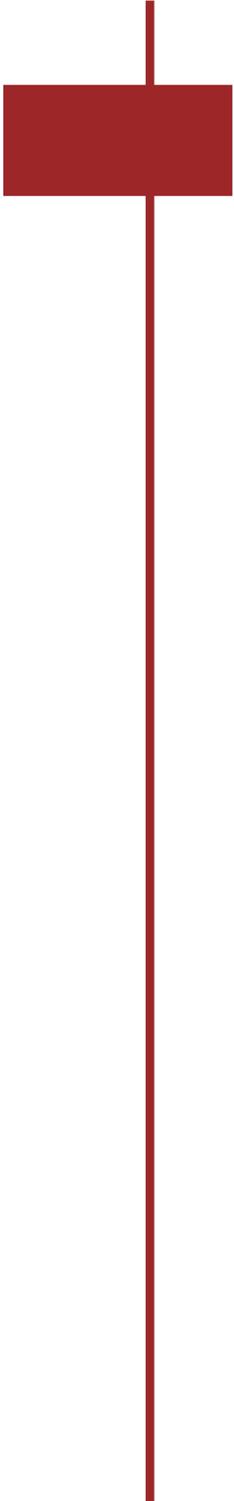
EUROCONTROL examined the latest circumstances of air traffic in Europe in comparison with 2019 results through Comprehensive Assessment of COVID's Impact on European Air Traffic report published on May 13, 2020.

- Daily Average for the week between May 4 and 10, 2020 (compared with equivalent period in 2019) 4,154 flights operated.
- The increase of flights compared to previous week is 494.
- On May 12, 2020 in Europe 5,004 flights operated.



The busiest air operators and their average flights per day for the week 6 and 10 of May 2020:

- DHL Express with 175
- Widerge with 157
- SAS with 113
- Lufthansa with 98
- KLM with 98



EUROCONTROL reports that in May there is a slight recovery compared to April. The flow with Asia/Pacific is now the largest share of traffic to/from ECAC at 10% and has constantly slightly increased since 1 April 2020. The busiest airports and their average movements per day for the week 6 and 10 May 2020:

1. Frankfurt (246)
2. Heathrow (214)
3. Schiphol (194)
4. CDG (164)
5. Oslo (156)
6. Leipzig (150)

EUROCONTROL states that since the beginning of pandemic some pax and other aircrafts are being used purely for cargo.

In 2019, all-cargo flights were corresponding to nearly **2%** of total Departure/Arrival flights, whereas now in 2020, all-Cargo flights are estimated around **14%** on 9 May 2020.

As per the statistics indicated, over the period of pandemic, all-cargo flights remained stable at the 2019 level excepting the Easter period while scheduled and low-cost traffic reduced by **92%** during the COVID-19 outbreak.

In Turkey

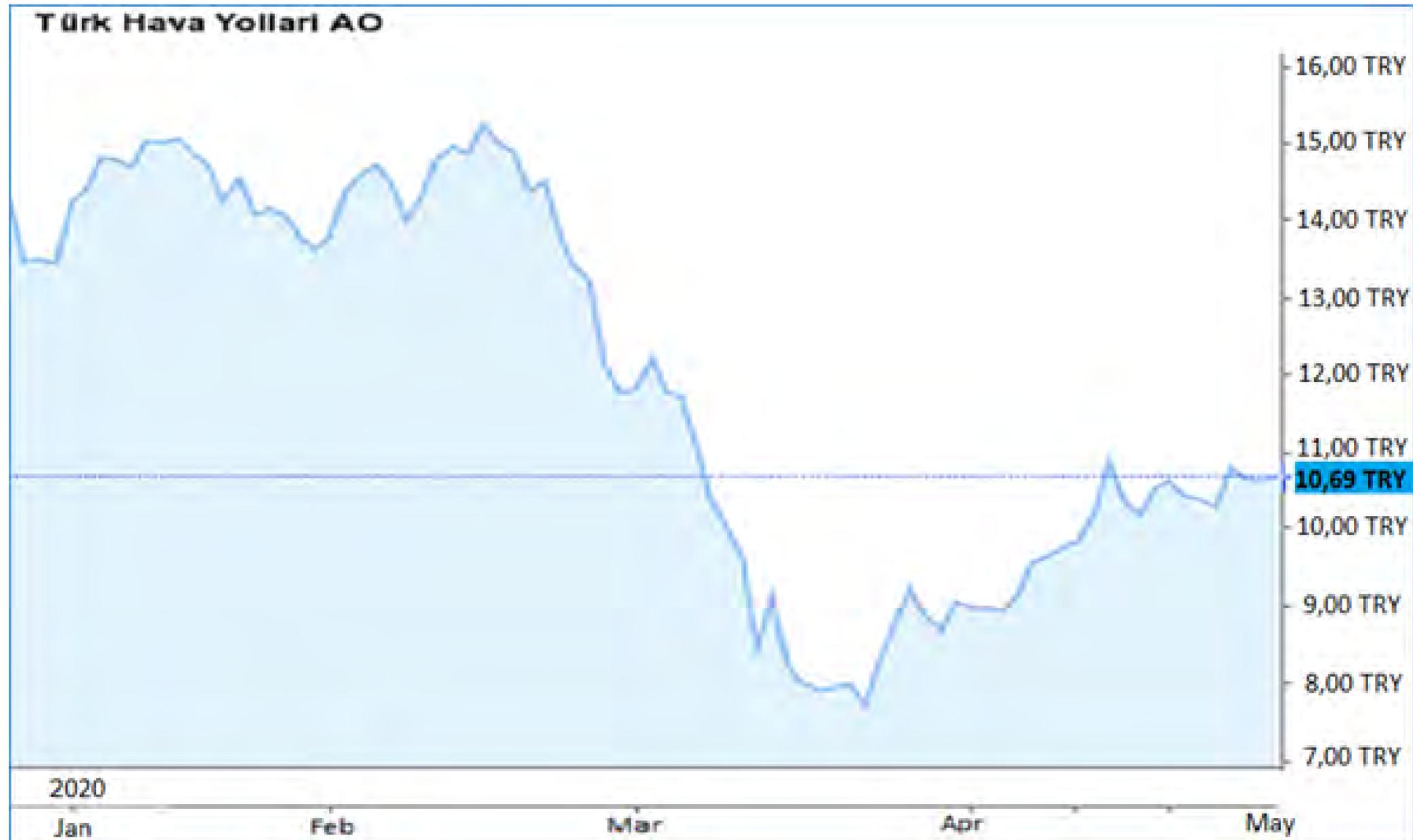
- Flight restrictions on March 17, 2020.
- Decrease in air traffic by **31.9%** compared to the same period in 2019.
- The Cargo flights were plummeted by **26.5%** in comparison with the 2019 statistics.
- A decrease experienced in the number of domestic and international passengers respectively by **40.4%** and **42.1%** compared to 2019 for the period between January 1 and April 30.

Turkish Airlines

In February 2020, the total number of passengers cut down by **4%**.

For February 2020, compared to the same period in 2019; the number of passengers for domestic flights decreased by 13.9%; whereas the number of passengers for international flights decreased **3.7%**.

The stock price of Turkish Airlines declined dramatically in the beginning of April 2020 due to the strict travel bans imposed.



The stock price per share hit 10,69 TRY by the end of April with almost 30% decrease.

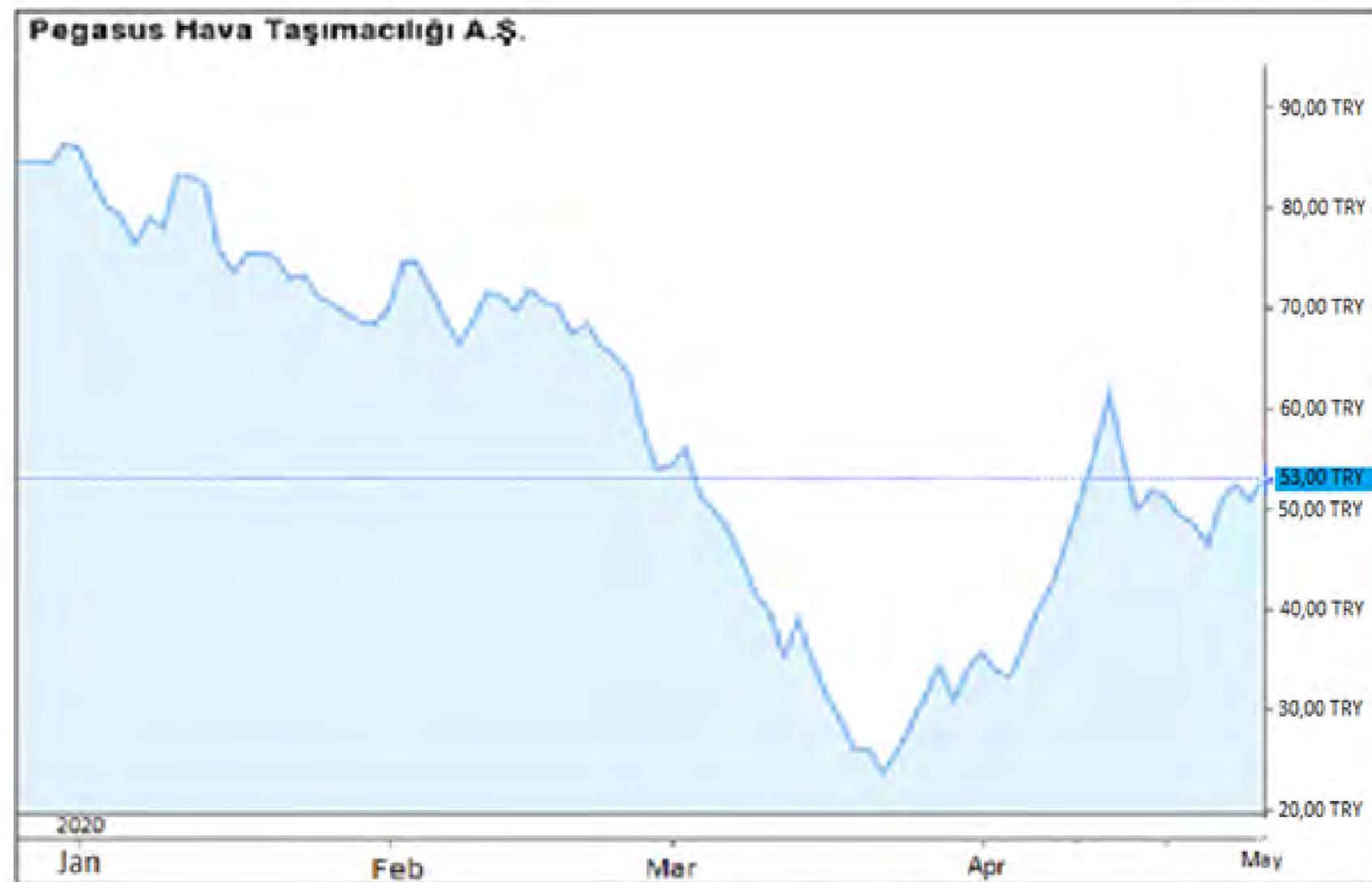
Pegasus Airlines

Due to the pandemic, Pegasus Airlines has suspended its domestic flights until May 27, 2020 and international flights until May 30, 2020.

With flight restrictions and COVID-19 measures in March, Pegasus Airlines experienced a decrease by 44.1% in the total number of passengers.

CEO of Pegasus Airlines stated that Pegasus has shifted to remote work regime since March 20, 2020.

CEO of Pegasus Airlines, Mehmet Nane stated that We will look towards a brighter tomorrow with Hearts Full of Hope, despite the fact that the scenario revealed by the IATA is merely related to the commercial losses of its member states and companies,



The stock price per share hit 53,00 TRY by the end of April with almost 30% decrease.

Ripple Effects

The situation is deteriorating. Airlines are in survival mode. They face a liquidity crisis with a \$61bn cash burn in the second quarter.

We have seen the first airline casualty in the region.

Ripple Effects

“There will be more casualties if governments do not step in urgently to ensure airlines have sufficient cash flow to tide them over this period.”

Conrad Clifford, Regional Vice President of IATA, Asia-Pacific.

As the company has decreased 5% of its capacity for April and is experiencing further cuts **Robin Hayes, CEO of JetBlue Airways** states that **“We’re seeing bookings come off to an even greater extent with this”**

“Not only are the number of new bookings down, but we’re seeing a lot of customers want to change their flights.”

”

As airline companies all over the World felt the negative effects of the virus, Korean Air President Woo Kee-hong stated “If the situation continues for a longer period,

We may reach the threshold where we cannot guarantee the company's survival.”

”

“We had already seen significant impacts on passenger numbers before wider travel restrictions were introduced in Australia in March 2020. In February 2020, Australia’s two largest airports saw declines in international passenger numbers of approximately 17 per cent compared to the same month in 2019. Those falls have, of course, increased, as travel restrictions have come into force and airlines have cut capacity. Australia’s two domestic airlines have been required to suspend international operations and significantly scale back domestic operations, so we are now seeing far more limited flight schedules nationally. ”

Simon Bourke, Chief Executive Officer, The Australian Airports Association (AAA)

MEASURES TAKEN AMID COVID-19

ICAO recommends to provide a flexible environment through contingency measures in order to keep the aviation industry as harmless as possible.

As per the state letter AN 11/55-20/50 issued by ICAO focusing the importance of flexible state approaches while taking national measures aimed at ensuring safe operations during the pandemic, it was aimed to draw governments attention to the pandemic's negative effects on licensed personnel supporting commercial air transport and thus a significant potential disruption. In this sense, the letter highlights the importance of informing ICAO regarding any temporary differences that may arise from state's COVID-19 contingency measures.

Alleviations are necessary for air operators to perform the operations regularly

Several member states of the ICAO have implemented actions that may include temporary changes to national regulations, or 'alleviations', necessary to maintain aviation operations during the COVID-19 pandemic.

These alleviations refer to temporary differences as provided in Article 38 of the Chicago Convention, and temporary exemptions and exceptions as described in the Safety Oversight Manual (Doc 9734).

IATA GUIDANCE

As the effects of the COVID-19 pandemic has started to have ripple impacts on aviation and air travel industry, IATA has encouraged to publish the Guidance for Cabin Operations During and Post Pandemic to support airlines and other aviation stakeholders during this crisis.

IATA Guidance

Any Health Authority restrictions on departure and destination point;

- Hotel availability, meals and crew transport arrangements.
- The routes to be operated, local infection rates and whether the areas are considered high, medium or low risk.
- Cabin crew health/quarantine restrictions on arrival point, including any restrictions imposed on those who have recovered from infection.
- Inflight Services products which can be delivered safely, appropriate to the level of risk.
- Health Authority requirements for Personal Protective Equipment for cabin crew, its availability and the associated procedures for its use and disposal.

In Case of Suspected COVID-19 Case on arrival an airline is recommended to;

Provide and identify a limited number of **disinfected buses** for that service and use the same buses for the whole disembarkation service and disinfect once the process is finalized.

The sequence of disembarkation will depend on the location of the passenger relative to the doors and should be designed to **minimize contact** between that person and other passengers.

Define a **communication protocol between the ground personnel and cock pit crew** to avoid direct contact.

EASA GUIDANCE

As per the Safety Information Bulletin (SIB) 2020-07, focusing on normalization process and giving guidance to aerodromes for operations to return to normal; aerodromes have been forced to scale down or suspend their operations until travel restrictions lifted due to state measures implemented against the pandemic.

Accordingly, the aerodrome operators should establish a plan that should be implemented prior to the start of operations considering at least the following points stated here under;

Overall inspection regarding general cleanliness and any signs of damage, operation obstacles (specially emergency access roads of rescue and firefighting) of the paved, unpaved surfaces and surroundings.

Any reported actions are planned and implemented, before resuming operations if needed, including training, inspections, compliance monitoring, corrective action plans.

Capability for removal of disabled aircraft and availability and competency of staff to carry out their tasks and human factor associated risks due to reduced activity levels.

EUACA CALLS

As of April 1, 2020, EU Regulation 2020/459 amending the EU Slot regulation 95/93 came into force. Accordingly, the amending regulation gives a waiver to use-it-or-lose-it rule until the end of the Summer 2020 and it deems mandatory to carriers to ensure all slots that are dated for operation 9 April onwards, must be returned before hand to the coordinator and coordinate all types of changes to their schedules as soon as their plans are known to provide aviation industry an accurate flight schedule.

ALTA CALLS

Latin American and Caribbean Air Transport Association(ALTA), calls on the governments for maintaining a fluid contact with the aviation industry to coordinate any income control measures and local health measures while highlighting the importance of temporary measures during the pandemic period.

ALTA requests governments to implement the following measures in order to mitigate the effects of the pandemic:

Concrete Measures Taken By The Aviation Industry

Airlines	Measures and Responses to Covid-19
Air Canada	More than 16,500 workers were temporarily laid off by Air Canada. Then, most of these workers were rehired under a wage subsidy program.
Air France- KLM	Air France- KLM group has announced that it will reduce capacity between 70-90 percent.
Easyjet	In the UK, EasyJet has laid off its 4,000 UK-based cabin crew for two months.
Turkish Airlines	All flights of Turkish Airlines have been suspended until May 28, 2020.
British Airways	British Airways is set to cut up to 12,000 jobs from its 42,000-strong workforce due to collapse in its business.
Ryanair	An internal memo sent by Ryanair to its staff stating that the crew may be allocated to take unpaid leave.
American Airlines	American airlines further reduced its flight schedule by %90 and on April 30 the company received US\$10.6 billion in government relief.
Qatar Airways	Qatar Airways reduced fleet operations to 75% and confirmed substantial lay offs.
Delta Airlines	As of March, 31 Delta Airlines suspended 70% of its flights across its network.

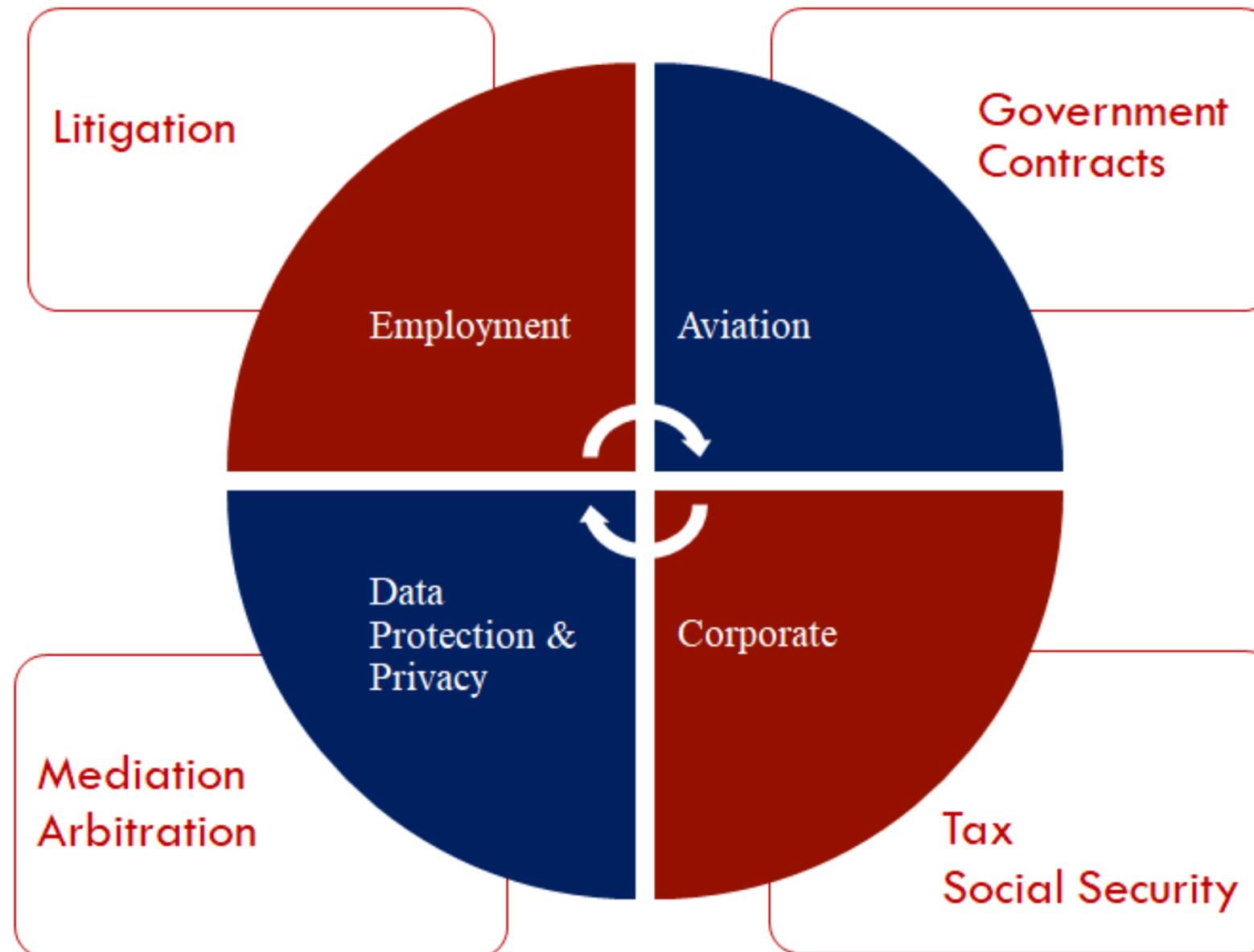
COVID-19 Response of TURKEY

The COVID-19 pandemic was officially declared in Turkey on March 11, 2020 by the Ministry of Health.

As of the date hereof, witnessing the severity of the cases due to pandemic across the globe most especially in China, Italy and its neighbor Iran, urgent measures were necessitated to be taken by the government officials.

Regulatory Measures

Here in after it will be analyzed the responses of Turkey against pandemic through the regulatory and operational actions comprising of amendments to differential aspects of laws and aviation industry specifically.



Litigation Matters

- Judicial terms have been suspended until June 15, 2020.
- Terms on civil provisional measures, punitive protection measures, preventive and disciplinary detection have not been suspended.
- Enforcement proceedings, filing lawsuits, appeals, applications, expiration and degrading terms have been suspended.

Corporate Matters

- General assembly meetings of joint stock and limited liability companies have been temporarily postponed with the circular as of March 20, 2020.
- The Ministry of Commerce has specifically advised corporations to implement electronic meeting system and conduct e- general assembly meetings.
- The distribution of dividends for capital companies for the portion exceeding twenty-five percent of the net profit for the fiscal year 2019 is prohibited until September 30, 2020 with the provisional article added to the Commercial Code.
- Government has declared that the amendments pursued on corporate law aimed at preserving the companies' reserves while preventing the spread of the pandemic.

Mediation and Arbitration

- Arbitration and mediation institutions were entitled to designate their terms and ongoing arbitral proceedings.
- Some of the arbitration institutions located in Turkey has published rules and procedures regarding online hearings and started to conduct e-meetings and hearings.
- It is observed that feedbacks on so-called online hearings were quite positive and even arbitrators were eager to continue such application after the pandemic.

Employment

- Termination of an employment contract by the employer is restricted for three months as of April 17, 2020.
- Employers are entitled to grant partial or complete furlough practices without the need of employees' consent.
- A daily monetary aid will be provided to the employees who have been granted furlough and who could not benefit from the short-time working allowance and do not qualify for unemployment benefits.
- Short-time working payments shall be made in accordance with the employers' declaration, without waiting for the completion of compliance determination for the short-term applications based on compelling reasons made by the employers.

Data Protection and Privacy

- Turkish Data Protection Authority published its statement indicating that incompliances to the time frames required to be followed by data controller in Turkey due to the COVID-19 will be excused.
- Turkish Data Protection Authority published its statement indicating that employers have justified reasons to ask employees to inform themselves on whether they have visited a virus-affected area or show symptoms of the COVID-19, and personal data of COVID-19 positive employees or employees with the symptoms may be shared with the relevant authorities by the employer.

Social Security

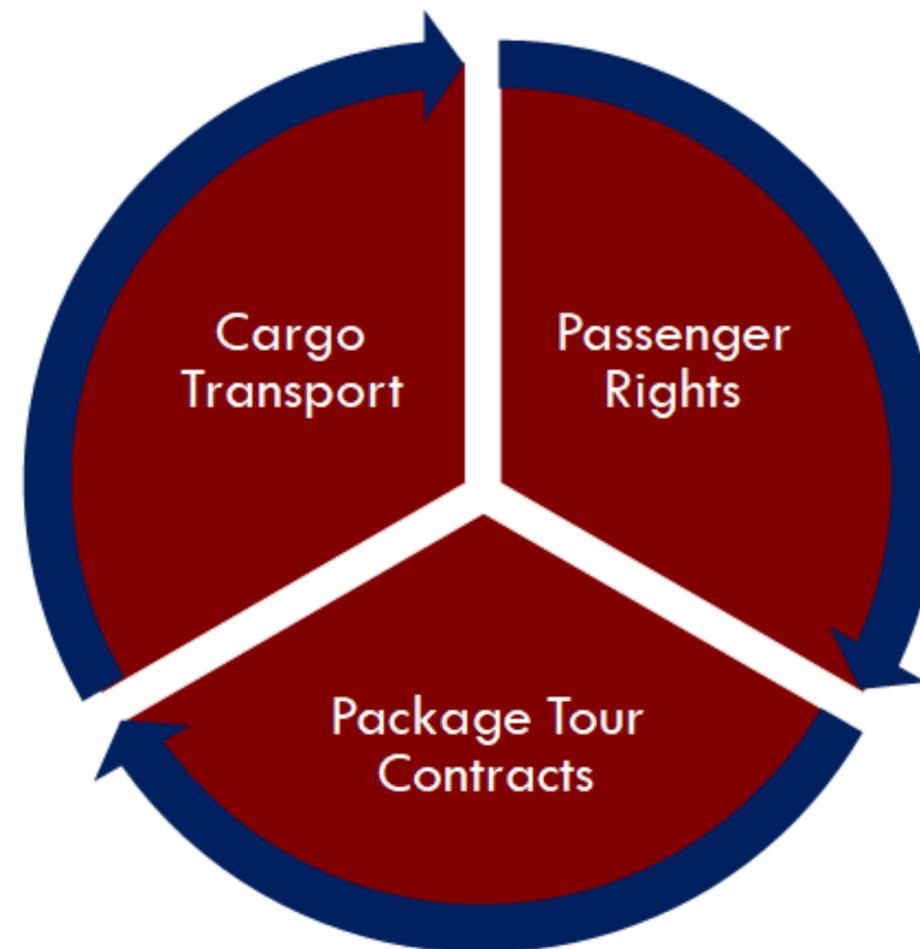
- Social Security premium payments in relation to months of April, May and June for six months are postponed.
- Employers who employ workers under employment contracts in certain sectors such as retail, health services, furniture production, construction services, logistics and transportation, food and beverage are entitled to postpone their social security contributions.
- Additionally, taxpayers who are obliged to pay income tax due to their commercial, agricultural and occupational earnings are entitled to postpone their social security contributions.

Government Contracts and Tax

- Presidential circular was published on April 2, 2020. As per the circular, it is classified that impossibility of performance arising from public procurement contracts may be construed as a force majeure event under COVID-19.
- The Ministry of Interior has published a directive on April 30, 2020 consisting of procuring research and development services through open tender, negotiated tender procedures or direct supply.
- On March 20, 2020, the package regulating the government's forward tax measures was published. The Regulation has adjusted a six-months period deferral of tax payments that are due as of April, May and June in certain sectors such as including but not limited to retail, accommodation, logistics and transportation.

Scrutinizing on Aviation Measures

Undoubtedly, due to travel restrictions and curfew declarations, domestic or global flights either have stopped or come to a stopping point. In this sense, global airline companies have sought further aid and legal actions. In this respect, Turkey shed a light on the struggles and drafted regulations in order to protect the pole position of aviation industry in Turkey. Regulations have addressed passenger rights related matters in particular package tour contracts and cargo transport.



Passenger Rights

- New regulation dated March 25, 2020 amending the rights of the passengers traveling by airline was published.
- As per the given regulation, if the flight of an air passenger is canceled due to COVID-19 as of February 5, 2020, the air carrier that operated or committed to operate the flight, is exempted from compensation or services to be given to passengers in case of cancellation or delay of flights until the end of the two months after the flight bans are lifted.
- Again with the regulation, air passengers are entitled to reschedule their flight to a future date depending on the air operator's seat availability and receive refund of the unused ticket from the airline operator two months after the flight bans are lifted.

Package Tour Contracts

- Regulation amending the package tour contracts was published on May 15, 2020 in the official gazette by the Ministry of Trade.
- As per the regulation on May 15, due to the COVID-19 pandemic, the flight price which is paid and documented by the package tour organizer or its agent to the air transport companies, subject to the package tour contracts which is expected to be executed as of February 5, 2020 and includes air transportation, shall be refunded to the participant, following fourteen days after the flight bans are lifted.
- Corresponding to the regulation, the price paid by the participant except tax, fees and similar costs arising from legal obligations, shall be refunded within fourteen days following the sixtieth day after the flight bans are lifted, provided that the participant is informed and explicitly approved.

Cargo Transport

- Circular regarding the transport of cargo in the passenger cabin of aircrafts was published on April 29, 2020.
- As per the circular, the cargo transportation operations are permitted to be executed without the approval of the Authority in order to enable the transportation of the medical equipment and protect the market place of Turkey with regards to the cargo transportation.
- The purpose of the Circular is to enable the transportation of the medical equipment internationally and to protect the market place of Turkey with regards to the cargo transportation.

Post Covid-19

IATA's report of Cost of Air Travel Once Restrictions Start to Lift dated May 5, 2020 highlights the differences of factors impinging on the cost of air travel; the influencers of higher costs are indicated as social distancing requirements, sanitization liabilities, infrastructure charges whereas the lower costs are weak demand, low fuel prices and excess in capacity of the aircrafts.

Factors suggesting higher cost of air travel:

Unit costs increasing if:

Social distancing required

Sanitization increases turnaround times

Infrastructure charges rise

Factors suggesting lower cost of air travel:

Weak demand

Low fuel prices

Excess capacity

LCCs potentially returning sooner to market

Further Potential Loss Might Be Faced

In the Effects of Novel Coronavirus on Civil Aviation; Economic Impact Analysis report of ICAO, ICAO foresees multiple scenarios considering the possible impact of the pandemic on scheduled international passenger traffic for 2020. Accordingly, there are multiple scenarios envisaged on reduction ranging from 32 % to 59 % of seats offered by airlines, 1,815 to **3,213 million** drop on passengers and approximately USD 236 to **419 billion** potential loss of gross operating revenues of airlines.

Similarly, as per the latest sector focused Air Passenger Market Analysis and Economic Impact reports published by IATA, because of the Covid-19, aviation industry might experience loss up to **314 billion** USD corresponding to **55%** of passenger revenues for the year 2020 as worldwide flights reduced by **80%** in early days of April and the global passenger volumes dropped to the levels last scaled in 2006 due to travel bans and curfew declarations.

The Possible Results Of Social Distancing On Aviation

Social distancing implications on passenger air transportation would likely to create financial distress on airline companies due to leaving empty seats between passengers in the aircraft in order to comply with social distancing rules. **IATA** foresees that this decrease may be up to **33%-50%** of the available seat capacity.

Recovery

IATA foresees that air travel may recover more slowly than any other industry. Accordingly, airline industry is not expected to reach 2019 levels until 2023. Similarly, in the **COVID-19** media briefing made on May 13, 2020, it was said that as travel restrictions lifted and flights resume, there will be further growth in air travel from the 2020 low point. But even by 2025 we would expect global RPKs to be **10%** lower than the previous forecast.

Recommendations For The Future Of Aviation

IATA

As the demand on the aviation industry decreases rapidly, IATA highlights the importance of the airport **slot requirements to be temporarily suspended** by allowing airlines to adjust their schedules according to extraordinary change in demand. Evidence supporting the argument includes:

- A carrier experiencing a **26 %** reduction across its entire operation in comparison to 2019,
- A hub carrier reporting bookings to Italy being down by **108%**, as bookings collapse to zero and refunds grow,
- Many carriers reporting **50%** no-shows across several markets,

“The spread of coronavirus is significantly impacting Europe’s airports, with the impact especially dramatic for airports in Italy – with traffic declining by up to 50 per cent over the past few days. Unlike airlines, whose aircraft are movable assets, airports can neither close nor relocate their terminals and runways to weather the storm. **We support a partial relaxation of EU rules governing the use of airport slots use, but do not consider, at the moment, that a blanket relaxation for all air routes is justified.**” Olivier Jankovec, Director General of ACI EUROPE

As stated by IATA on the latest sector focused Air Passenger Market Analysis and Economic Impact reports **“consumer confidence and regaining the trust of travelers will be integral to the timing and speed of industry recovery”** thus without ensuring passenger confidence, aviation industry will be unlikely to recover from the pandemic.

“We’re urging ICAO’s Member States to collaborate and coordinate on their national and regional preparedness and responses, and also to consider providing financial or in-kind support to the CAPSCA programme, including through the secondment of personnel, so that it can enhance its effectiveness in these scenarios,” **“Increased financing is critical to the sustainability of this key global health and travel coordination mechanism relevant to contagious outbreaks.”** Fang Liu, Secretary General, ICAO

“The Australian Airports Association (“AAA”) estimated that, in March 2020, Australia’s major airports would lose more than \$500 million in aeronautical revenue alone, compared to 2019. **“The true cost will depend on how long travel restrictions remain in place and how quickly the recovery comes.”** Simon Bourke, Chief Executive Officer, AAA

“The main challenge is to keep the aviation system afloat and enable the sector to survive the crisis; **we need to provide relief measures to alleviate the urgent liquidity problem the industry is facing**, through state aids, loans, support to unemployment schemes and other measures, as well as through initiatives to reduce costs across the board. The air transport sector has proven to be resilient to major crises, 9/11 being an example of this. So **“I am confident of the sector’s ability to get through the worst crisis it has had to face yet, thanks to the combined efforts and engagement of public and private entities.”** Ingrid Cherfils, President, ECAC



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