

PERIODIC ANALYSIS OF THE COMPETITIVE DYNAMICS OF TURKISH CIVIL AVIATION IN THE 100TH ANNIVERSARY OF THE TURKISH REPUBLIC*

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Abstract

The aim of this study is to evaluate the development of Turkish civil aviation in the context of competitive dynamics. The research divides the 100-year history of the Republic into different periods, taking as milestones the major events affecting Turkish civil aviation. The research was based on archival sources, recent industry reports and supported by an extensive literature review. The results of the research indicate the existence of a small number of factors that constitute the dynamics of competition in Turkish civil aviation, which was still in its developmental stage in the early years of the Turkish Republic. During this period, foreign airlines first tried to enter the market through concessions. In the 1930s, the Turkish Airlines State Management Administration (THY) was established, which later continued its activities under the Turkish Airlines brand, and THY continued to exist on its own, except for small initiatives, until the 1980s. This situation led to the continuation of Turkish civil aviation in a monopolistic structure. With the liberalisation movements of 1983 and 2003, the nature of competition changed, the number of airlines increased and the competitive dynamics of the sector started to develop. The research is important in terms of presenting the competitive dynamics of Turkish civil air transport in a systematic way within the history of the Turkish Republic.

Keywords: Competition, Airline Transportation, History of Turkish Republic, Competitive Dynamics.

CUMHURİYET’İN 100. YILINDA TÜRK SİVİL HAVAYOLU TAŞIMACILIĞININ REKABET DİNAMİKLERİNİN DÖNEMSEL ANALİZİ

Öz

Bu araştırmanın amacı cumhuriyet tarihi içerisinde Türk sivil havayolu taşımacılığının gelişimini rekabetçi dinamikler bağlamında değerlendirmektir.

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Araştırma kapsamında 100 yıllık Cumhuriyet Tarihi Türk sivil havacılığını etkileyen önemli olaylar milat kabul edilerek çeşitli dönemlere ayrılmıştır. Araştırmada arşiv kaynaklara, günümüz sektör raporlarına başvurulmuş ve bulgular geniş kapsamlı literatür taraması ile desteklenmiştir. Araştırma sonuçları erken dönem cumhuriyet yıllarında henüz gelişim aşamasında olan Türk sivil havacılığında rekabetin dinamiklerini oluşturan az sayıda unsurun varlığına işaret etmektedir. Bu dönemde ilk olarak yabancı havayolu işletmeleri elde etmeye çalıştıkları imtiyazlar yoluyla pazara giriş yapmaya çalışmışlardır. 1930'lu yıllarda daha sonraları Türk Hava Yolları markası altında faaliyetlerini sürdüren Hava Yolları Devlet İşletme İdaresi kurulmuş ve 1980'lere gelinceye kadar ufak girişimler dışında THY tek başına varlığını devam ettirmiştir. Bu durum Türk sivil havayolu taşımacılığının tekelci bir yapıda devam etmesine neden olmuştur. 1983 ve 2003 serbestleşme hareketleri ile birlikte rekabetin doğası değişime uğramış ve havayolu işletmesi sayısı artarak sektörün rekabetçi dinamiklerinin geliştiği dönem başlamıştır. Araştırma cumhuriyet tarihi içerisinde Türk sivil havayolu taşımacılığının rekabetçi dinamiklerini sistematik bir biçimde sunması açısından önem arz etmektedir.

Anahtar Kelimeler: *Rekabet, Havayolu Taşımacılığı, Cumhuriyet Tarihi, Rekabet Dinamikleri.*

Introduction

Competitive dynamics refers to firms in a competitive market environment, the competitive actions of firms and the interactions between firms (Baum and Korn, 1996; Smith et al., 1992). The objectives are to achieve profits above the industry average, to gain a sustainable competitive advantage and to gain more market share than competitors. Firms seeking to achieve these goals do so through their strategies, competitive behaviour and responses to actions that threaten them (Chen and Miller, 2012). Competitive dynamics has received considerable attention in the field of management and strategy because of its importance in understanding how firms gain and sustain competitive advantage (Zahra et al., 2006). Competitive dynamics has deepened Porter's concreteness of strategy, brought a micro aspect to strategic management research, and extended beyond large established firms to entrepreneurial organisations and small firms (Chen and Miller, 2012). It has also incorporated interdisciplinary perspectives such as psychology and economics to provide a comprehensive understanding of competitive behaviour (Tsai et al., 2002, Brandenburger and Nalebuff, 1996; Freeman et al., 1983).

Air transport, which became more important after the First World War, was an area in which important breakthroughs were made for our country. In the early years of the Turkish Republic, the attempts of foreign companies to enter the market through the concessions they tried to obtain stand out as the first steps in the development of Turkish civil aviation in the history of the Republic. Türkiye's geographical location at the crossroads of Europe, the Middle East and Asia provided an advantageous position for Turkish Airlines

and other private airlines to strengthen their fleets and expand their operations (Tümer et al., 2019). The 1930s stand out as the years when the foundation of Turkish Airlines was laid in line with the nationalisation steps and many initiatives took place. Although there were initiatives in the following years, significant breakthroughs did not occur until the 1980s, and the most important steps for Turkish civil aviation were taken with the liberalisation movements of 1983 and 2003. The liberalisation steps have allowed the sector to grow over time and today Türkiye has become an important hub due to its advantageous geographical location (Avcı and Ateş, 2022).

Air transport is a preferred area for studying competitive dynamics because of its different market characteristics, the fact that there are many firms in a market at the same time, firms in the industry have similar resources and the ability to allocate them (Gimeno and Woo, 1996, p. 327). Airlines engage in many competitive actions in order to achieve the sustainable competitive advantage and superior profits discussed above. While some of these actions can be easily imitated by competitors (tactical actions such as price reduction, market entry, adding a new aircraft to the fleet, etc.), some of them (strategic actions such as creating a new hub, mergers and acquisitions, etc.) are very difficult to imitate (Chen and MacMillan, 1992; Chen et al., 1992). Such strategic and tactical actions are among the factors that determine the competitive dynamics of an industry.

The aim of this study is to present the development of Turkish civil aviation in the 100-year history of the Republic of Türkiye in different periods and to evaluate each period in terms of competitive dynamics.

When analysing the research on competitive dynamics, it is found that there are few studies conducted in the field of civil aviation in Türkiye. In these studies, the determinants of competitive dynamics, competitive moves that constitute competitive dynamics (Sönmez and Eroğlu, 2017; 2021) and competitive tensions (Gündüz and Semerciöz, 2012; Gündüz, 2013; Yaşar and Gerede, 2020) have been discussed in line with the developments after the domestic liberalisation of 2003. Unlike the previous studies, this study analyses the developments in the history of the Republic in a longitudinal manner. In this context, the research seeks to answer the following basic question:

What are the factors that constitute competitive dynamics in the history of the Republic of Türkiye?

Do different periods in the history of the Republic have different competitive dynamics?

In order to achieve the research objectives and answer the research questions, the developments in this context were analysed in different periods and the developments of each period were evaluated in terms of the competition structure and companies in the relevant period.

The continuation of the research is designed as follows. In the first part, the initiatives taken in the field of Turkish civil aviation in the early years of the Turkish Republic will be presented. In the second part, information on the state airlines that still exist today under the name of Turkish Airlines will be given and the activities carried out during the period in question will be included. In the third section, the first step towards the privatisation of the Turkish civil air transport will be the liberalisation in 1983 and the developments of this period will be given. In the fourth section, the liberalisation of domestic air transport in 2003, which has played an important role in the development of today's air transport market, is evaluated with regard to its effects on competition. The last section presents the competitive dynamics of today's airline market.

1. LITERATURE REVIEW

It is well known that the first research on competitive dynamics in air transport started after the liberalisation movements in the US. This was undoubtedly due to the fact that with the liberalisation of markets, airlines became more flexible in terms of entry, access, price and capacity, and the research started during this period. One study that looked at this possibility of retribution by analysing the manoeuvres' features inside the US airline sector was Chen et al. (1992). The study's findings indicate that the timing of a shift affects when retaliation is implemented, and that the significance of the market and the number of enterprises impacted by a move both raise the frequency of retaliation. Chen and Miller (1994) examined market entrance and came to the conclusion that there is less risk of reprisal when entering decentralized marketplaces, which receive little attention. Additionally, Chen and Hambrick (1995) evaluated the impact of company size on competitive behaviour for 28 US airline companies as well as competitive behaviour in relation to firm size. Small airlines are less likely to counterattack when attacked and are slower to do so, according to the study's findings, which also indicate that they are more inclined to participate in discreet and even clandestine competitive behaviour. Firms with more competitive interaction had bigger competitive repertoires, according to Miller and Chen's (1996) analysis of the competitive repertoires of various move types in the US airline market.

Baum and Korn (1996; 1999) investigated the relationship between numerous market relationships and market entry and exit in two separate research and scenarios. In their analysis of US regional airlines, they discovered that an increase in multiple market interactions had a negative influence on the number of entrances and leavers (Baum and Korn, 1996). In their other analysis of Californian regional airlines, they discovered a declining and then growing association throughout the two-year time indicated (Baum and Korn, 1999). Gimeno and Woo (1996) investigated the effects of multiple market ties and strategic similarity on competitive interactions in the US airline industry and discovered that many market

relationships lower competitive interactions, which is consistent with Evans and Kessides (1994) findings. Furthermore, strategic similarity is viewed as a feature that boosts inter-firm competitiveness in a way that is distinct from the influence of various market linkages.

In another study, Gündüz and Semercioz (2012) looked into the connection between strategic innovation and tension by including airlines in the Turkish domestic market, and Gündüz (2013) reviewed the regulatory effect of competitive tension on strategic innovation decisions in the Turkish domestic market. Based on Albers and Heuermann's (2013) study on dual cross-competition between German airlines and railroads, Yaşar (2017) investigated triple cross-competition on a single route in the Turkish context.

Yaşar and Gerede (2020) investigated the factors that contribute to competitive tension in the Turkish domestic airline sector. They discovered that increasing market share and market concentration increased perceived tension among airline operators, but that competitive asymmetry and resource similarity had no influence on tension. The researchers developed a novel approach to analyzing competitors based on resource similarities.

When the studies are evaluated as a whole, it can be seen that they focus on a specific market and a specific period. Unlike other studies, this study has analysed the development of Turkish civil aviation throughout the history of the Republic in a longitudinal manner.

2. METHODOLOGY

In this study, the competitive dynamics of Turkish civil aviation throughout the Republic's history were examined using content analysis. A study technique called content analysis is used to examine and evaluate the textual, spoken, or visual content of a variety of communication mediums. The methodical investigation of written texts' content to find themes, patterns, and trends is known as content analysis. The approach is frequently used in marketing, the humanities, and the social sciences to acquire an understanding of the traits, significance, and ramifications of the content being examined (Stemler, 2015). The general purpose of the content analysis studies is to guide the academic studies to be carried out later on the same topic and to provide general information on the topic (Ültay et al., 2021, p. 190).

In the research, Turkish civil aviation in the history of the Republic is first divided into periods. In determining these periods, events that are important for Turkish civil aviation are used as criteria. These periods are the early republican period, the period of state airlines, the first liberalisation period, the second liberalisation period and the present. Then, each period was evaluated in the context of the actors in the market and their actions. For the content analysis, official documents of the airlines, websites and news sites were used.

3. PERIODIC ANALYSIS OF THE COMPETITIVE DYNAMICS OF TURKISH CIVIL AVIATION

This section presents the competitive dynamics of Turkish Civil Airline Transport by dividing them into various periods from the foundation of the republic to the present day.

3.1. Turkish Civil Aviation in The Early Years of Turkish Republic and The First Competitive Initiatives

Since the early years of the Republic, Turkish civil aviation has continued its historical development, also under the influence of global developments. In the context of civil airline transport, the biggest breakthrough that has had an impact on the development of the sector is undoubtedly the establishment of Turkish Airlines, but when considered as a whole, the foundations of the Turkish civil aviation system coincide with the years of the First World War (Gerede and Orhan, 2015, pp. 164-165). The Tripolitan War of 1911-1912, which began with the Italian invasion of the Ottoman city of Tripolitania on the African continent, is the first war in which aircraft were used. As a result of the aerial bombardments suffered by the Ottoman Empire during this war, the importance of air power recognized and it was decided to establish an air force school as a matter of urgency. In this context, the *Ayastefanos Tayyare School* was established in 1912 in Istanbul, which is now located within the boundaries of Yeşilköy (Yusufoğlu and Pilehvarian, 2017, p. 250; Kurt, 2017, p. 122). Two years after the establishment of the school, the first airmail service was launched on the Istanbul-Bilecik-Eskişehir-Cairo route (Kline, 2002, p. 12; Haytoğlu, 2018, p. 79).

The first activities related to air transport in Türkiye started with the initiatives of foreign airline companies in the early years of the Republic (Yalçınkaya, 2019, p. 407). After the end of the First World War, airline companies from various European countries wanted to obtain concessions for passenger and cargo transport. Türkiye's current location and potential made the country attractive for such concessions. As a result of the international civil aviation relations initiated with France, the first international flight between Bucharest and Istanbul was operated by the *Franco-Romanian Air Navigation Company* in 1924 (Gerede and Orhan, 2015, p. 165; Haytoğlu, 2018, p. 81; İzer, 2002, p. 111). The agreement for this route was signed on 3 October 1922, the day of the Mudanya ceasefire negotiations. The agreement granted the newly established *Compagnie Franco-Roumaine de Navigation Aérienne* (CFRNA) a concession to operate commercial flights between Paris and Istanbul (Yeşilköy) on the Prague-Vienna-Budapest-Bucharest route. Although the company requested a long-term agreement, this request was not accepted because Yeşilköy was a military air base (Gülten, 2011, p. 85).

After World War I, civil air travel began with the importance given to aviation in Türkiye after the proclamation of the Republic. This importance

was due to the need to quickly connect Ankara to the world with the establishment of the Republic. Seeing this, the Germans, French and Italians took action before the Turkish government in order to obtain concessions for flights to and from Türkiye (Haytoğlu, 2018, p. 82).

The first concession for international commercial air transport was granted to the Italian company *Aero Espresso Italiana* (A.E.I.) (Karacagil and Çıtır, 2023, p. 29). The first company to operate a domestic flight was "*Junkers Luftverkehr Türkei*" with German capital. Germany was initially ahead of other countries in the construction of military and civil aircraft (Nergiz, 2018, p. 114).

The concessions granted to foreign companies in Türkiye are based on the objective of strengthening the air defence system. In addition, concession applications and passenger aircraft production were dealt with together. Air transport in Türkiye began to gain importance with the concession granted to A.E.I. in 1924. Franco-Roman and Junkers, the other companies that received concessions, were informed that if they did not submit a proposal to the government for the establishment of an aircraft factory in Türkiye after the signing of the air transport contract and an engine factory two years later, their air transport contract would lose its validity (Haytoğlu, 2018, p. 83).

The first test flight for the transport of mail and freight took place on Sunday morning, 1 August 1926. The first flight on the Brindisi-Athens-Istanbul route was made on 1 August. The first direct flight from Brindisi to Istanbul was successfully completed on 4 August (Karacagil and Çıtır, 2023, p. 29).

In international air transport, Türkiye signed agreements with *Aero Espresso Italiana* and *Air France* in 1926 and *Lufthansa* in 1930, and started reciprocal flights between Istanbul-Rome, Istanbul-Paris and Istanbul-Berlin (Yurtoğlu, 2016, p. 305; Nergiz, 2018, pp. 114-115; Haytoğlu, 2018, p. 83).

After the First World War and the War of Independence, breakthroughs and innovations were made in many fields to increase economic prosperity and eliminate the effects of the economic and psychological crises caused by these wars on the Turkish people. During the war years, Gazi Mustafa Kemal Atatürk personally witnessed the effectiveness of aeroplanes and once again understood the importance of aviation for the newly established Republic of Türkiye to reach the desired level of prosperity. The Turkish Aeronautical Society (TAS), which played an important role in the development of Turkish civil aviation during the republican years, was established with the objectives of its foundation set by Atatürk himself, such as creating a flying Turkish youth, ensuring the development of military, civil and tourist aviation, and explaining the importance of aviation in all dimensions to the public (Yalçın, 2012, p. 270). The TAS, which is the institutional equivalent of Atatürk's assessment that investments in aviation would not be reciprocated without the support of the public, especially in the years when the country's economic

situation was poor, continues its activities today as the Turkish Aeronautical Association (Aydın, 2011, p. 73).

After the establishment of TAS, the new Turkish state, which also wanted to produce aircraft, realised that it would be difficult to do so alone due to financial impossibilities and established the *Tayyare Otomobil ve Motor Türk Anonim Şirketi* (TOMTAŞ) factory in Kayseri with the German *Junkers* company in 1926 (Bocutoğlu and Dinçaslan, 2014, p. 160). In the same years, the Aircraft maintenance and repair facilities were established in Eskişehir (Gerede and Orhan, 2015, p. 165). Due to problems such as the failure of the *Junkers* company to fulfil the terms of the contract and wage differences between Turkish and German workers, the factory could not reach the desired level and the company was liquidated in 1928 (Güneşşen, 2003, p. 22). During the liquidation process, the German company transferred its shares to TAS for a certain price. TOMTAŞ under TAS was reopened in 1931 under the Ministry of National Defence under the name of Kayseri Aircraft Factory (Bocutoğlu and Dinçaslan, 2014, p. 160).

An analysis of the early history of the Republic shows that the first attempts at civil aviation in Türkiye were made by foreign companies. The companies did this by obtaining concessions. In this context, it can be seen that the first elements that formed the dynamics of competition in Turkish civil aviation were formed by foreign capital companies such as *CFRNA (CIDNA)*, *A.E.I.*, *Junkers*, *Lufthansa*, *Air France* and these companies tried to take place in the Türkiye-Europe market. Considering the positional advantage of Türkiye, these companies made new market entry moves and wanted to benefit from the advantages of being the first to enter the market. On the other hand, the Republic of Türkiye has not yet had an airline of its own, but in order to ensure the development of air transport in the country, it has given permission to foreign companies wishing to enter the market. However, this permission has been linked to conditions such as aircraft production and the development of the country's air defence system.

3.2. Nationalisation of Airlines: Airlines State Management Administration Period

In the economic history of the Republic of Türkiye, the 1930s were the years when the economy was nationalised according to the decisions of the Izmir Economic Congress (Yalçınkaya, 2019, p. 408). As a result of the nationalisation of the economy, the Airways State Administration, originally named *Havayolları Devlet İşletme İdaresi (HYDİİ)*, was established under the Ministry of Defence on 20 May 1933 with Law No. 2186 on the Organisation of the Airways State Administration (Yurtoğlu, 2016, p. 306).

HYDİİ was placed under the Ministry of Public Works in 1935 by Law No. 2744, and finally under the Ministry of Transport in 1938 by Law No. 3424, as the General Directorate of State Airlines (originally named *Devlet Hava Yolları Umum Müdürlüğü- DHYUM*). During its foundation and the first

ten years of its existence, it operated mainly on domestic routes. On 3 February 1933, the first flight was made on the Ankara-Eskişehir route, and the Ankara-Eskişehir-İstanbul scheduled flights started in the same year. İzmir was added to the network in 1936. In 1942, domestic routes such as Elâzığ and Erzurum were opened (Türk Hava Yolları, 2009, pp. 59-60). DHYUM continued its activities and opened the Sivas, Afyon, Diyarbakır route for the first time in 1944. In addition, two separate routes, Ankara-Konya-Antalya-Adana and Adana-Gaziantep-Urfa-Diyarbakır-Van-Erzurum, were launched on 10 July 1944 (Yurtoğlu, 2016, p. 309). As the fleet grew, so did the number of passengers carried and revenues. DHYUM, which had 460 passengers in 1933 and earned approximately 7500 TL in revenues, earned more than 4 million TL in revenues with 86.000 passengers in 1950 (Türk Hava Yolları, 1983, p. 72).

With the significant growth of the fleet, the first international flights to Athens via Ankara-Istanbul were made on 12 February 1947 with DC-3s (Türk Hava Yolları, 2009, p. 62; BCA, 1947). From 5 aircraft and 28 seats in 1933-1935, the fleet grew to 52 aircraft and 845 seats in 1946 (Türk Hava Yolları, 1983, p. 52).

In the years when the foundations of THY were being laid, Turkish civil aviation was also marked by entrepreneurs. The first of these entrepreneurs was Vecihi Hürkuş, who took part in World War I and the War of Independence and was a test pilot for the aircraft produced by TOMTAŞ. Hürkuş founded Türkiye's first flying school in 1932, where he trained pilots. He also produced the Vecihi XIV, XV and XVI training aircraft, which he designed himself, at the factory in Kadıköy (Aydın, 2011, pp. 74-75). In 1954, he founded Hürkuş Airlines, the first private airline in Türkiye (Gerede and Orhan, 2015, p. 166). Hürkuş Airlines, founded by Vecihi Hürkuş in 1954, was the only competitor of the state-owned airline (THY) during this period. However, this company was only able to continue its commercial air transport activities for five years (Hürkuş, 2016, p. 387; Kozlu, 2013, p. 394).

Nuri Demirağ was another prominent entrepreneur in the early years of Turkish civil aviation. In 1935, together with engineer Selahattin Alan, he participated in the TAS tender for the supply of aircraft and, after winning the tender, took the initiative to build a survey workshop, an aircraft factory and an airport for the production of aircraft. Nuri Demirağ's factory produced Nu.D.36 and Nu.D.38 aircraft (Aydın, 2011, p. 76; Taşkesen, 2006, p. 82).

Although these developments in the early years of the Turkish Republic were promising for Turkish civil aviation, the negative developments that followed paved the way for the loss of the exciting situation that had emerged in the early years. Among these negative developments were the closure of TOMTAŞ and its incorporation into Ministry of Defence, the inability of Vecihi Hürkuş to obtain a flight landing for its own aircraft, the closure of flight schools due to financial insufficiency and lack of support (Bocutoğlu and Dinçaslan, 2014, p. 161), and the cancellation of Nuri Demirağ's aircraft

by TAS (Bocutoğlu and Dinçaslan, 2014, p. 161), and were not allowed to be sold to other countries (Aydın, 2011, p. 77), and the first private airline, Hürkuş Airlines, was closed (Erdemli, 2011, p. 55).

For a long time after the establishment of the national airline system in 1933, the government of the Republic of Türkiye maintained a protectionist policy in the aviation sector and kept the entry of foreign companies into the Turkish market under strict control. In the following years, in accordance with the statist principles of the time, all concessions held by foreign airlines were withdrawn and the foundations of a state monopoly were laid, with only state-owned airlines allowed to operate on domestic routes (Nergiz, 2008, p. 67).

In 1950, during the period of the Democratic Party, which came to power after the general election, this approach changed to some extent and the national airline system was restructured (Nergiz, 2018, p. 117).

Law No. 6623, adopted on 21 May 1955 and published in the Official Gazette No. 9016 of 31 May 1955, authorised the Government to establish a joint stock company under the name of Turkish Airlines Joint Stock Company (THY) to carry out all kinds of air transport and related works and to be managed according to the provisions of this law and private law. The capital of the new company was divided into 600,000 shares of 100 TL each, for a total of 60 million TL. After the preparations, the first ordinary general assembly of the new company established to replace DHYUM was held on 1 March 1956 and THY officially started its operations (Nergiz, 2008).

It can be said that there was no significant development in terms of air transport in the 30 years from the 1950s. However, the foundations of today's aviation industry were laid during this period with the establishment of Turkish Aerospace Industries (TAI) in Ankara and Turkish Aerospace Engine Industries (TEI) in Eskişehir (Gerede and Orhan, 2015, p. 166).

In Turkish civil aviation, where foreign companies were the driving force of competition until the 1930s when the foundations of THY were laid, a protectionist attitude was adopted with the establishment of HYDİİ and the privileges granted to foreign companies were withdrawn, moving the aviation market away from a competitive structure. Although some steps were taken, such as the establishment of the first private airline by Vecihi Hürkuş, they did not last long. This period was marked by nationalisation moves and THY took over market dominance. Until 1983, when the Turkish Civil Aviation Law No. 2920 came into force and the obstacles to the establishment of private airlines were removed, Turkish civil aviation was characterised by a monopoly market.

3.3. Following The World: 1983 Liberalisation

Until the early 1980s, air transport was subject to very strict regulations worldwide and the competitive dynamics in the market were kept under control. It is noteworthy that the airline transport sector, which should be the

most global sector given the benefits it provides, has been subject to strict regulations while other sectors have been gradually liberalised (Gerede, 2015, p. 100). The reasons for this include the fact that states consider air transport to be a public service, airlines serve the political and military objectives of countries, and flag carriers are seen as a means of protecting and strengthening the image of the country (Button, 2001, p. 256).

Liberalisation movements in international air transport were initiated by the US in 1978. The then US President Jimmy Carter campaigned on a platform of deregulating the airline market and, after winning the election, took steps to fulfil this promise (Goetz and Vowles, 2009; Brown, 2014). Following a free market policy, the US, having liberalised its domestic routes, adopted the same policy for international routes. In this context, it renegotiated the previously signed BIT agreements with the partner countries in order to liberalise economic regulations (Oum, 1998, p. 128). In the following years, it is noted that bilateral liberalisation trends spread to Europe, with the UK liberalising its markets with the Netherlands, Germany, France, Belgium, Luxembourg, Switzerland and Ireland between 1984 and 1985 (Doganis, 2006, pp. 33-34).

The 1980s stand out as the years when the liberalisation of Turkish civil aviation began. In 1983, with the inauguration of the 45th government of Türkiye under the Prime Minister Turgut Özal, liberalisation policies were pursued in many sectors, especially in tourism, transport and communication (Yalçınkaya, 2019, p. 417). In this context, in order to revitalise tourism, the aviation sector, which is its most important complement, was also included in the scope of sectors to be liberalised. For this purpose, the Turkish Civil Aviation Law No. 2920 was enacted in 1983 and the SHY 6-A Commercial Air Transport Enterprises Regulation came into force in 1984, allowing private airlines to establish and enter the market (Gerede, 2011, p. 510).

After the liberalisation in 1983, many new airlines started to take their place in the history of Turkish civil aviation as a result of the regulations (Gerede and Orhan, 2015, p. 189). Table 1 provides information about these airlines.

Table 1. 1983 Information on Airlines Established After Liberalisation

Airline	Entry Date	Scope	Type of Transport	Operation Type	Exit Date	Period (Years)
Bursa Airlines	1984	Domestic	Passenger	Scheduled and Unscheduled	1987	3
İstanbul Airlines	1986	Domestic and International	Passenger and Cargo	Scheduled and Unscheduled	2001	15
Marmara Airlines	1986	International	Passenger	Unscheduled	1987	1

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Sönmez Airlines	1987	Domestic	Passenger	Scheduled and Unscheduled	1998	11
Boğaziçi Airlines	1987	Domestic and International	Passenger and Cargo	Scheduled and Unscheduled	1989	2
Talia Airlines	1987	International	Passenger	Unscheduled	1988	1
NESU Airlines	1987	Domestic and International	Passenger and Cargo	Scheduled and Unscheduled	1989	2
Toros Airlines	1988	International	Passenger	Unscheduled	1989	1
Tur Avrupa Airlines	1988	Domestic and International	Passenger and Cargo	Unscheduled	1994	6
Bodrum İmsık Airlines	1988	Domestic	Passenger	Scheduled and Unscheduled	1991	3
Birgen Air	1989	International	Passenger	Unscheduled	1996	7
Noble Airlines	1989	Domestic and International	Passenger and Cargo	Unscheduled	1991	2
Türk Hava Taşımacılık	1989	Domestic and International	Passenger and Cargo	Scheduled and Unscheduled	1993	4
Sultan Airlines	1989	International	Passenger and Cargo	Unscheduled	1993	4
Sun Express	1990	Domestic and International	Passenger and Cargo	Unscheduled	In service	
Pegasus Airlines	1990	Domestic and International	Passenger and Cargo	Unscheduled	In service	
Green Air	1990	Domestic and International	Passenger and Cargo	Unscheduled	1995	5
VIP Air	1991	International	Passenger and Cargo	Unscheduled	1992	1
Onur Air	1992	Domestic and International	Passenger and Cargo	Unscheduled	2022	30
Bosporus Airlines	1992	Domestic and International	Passenger and Cargo	Unscheduled	1994	2
Albatros Airlines	1992	International	Passenger and Cargo	Unscheduled	1996	4
Alfa Airlines	1992	International	Passenger and Cargo	Unscheduled	2002	10

Source: Gerede, 2010.

Although price and capacity restrictions persisted to some extent, the removal of the barrier to entry, which is the main factor in ensuring a

competitive market structure, led to a very rapid revival of the sector. Between 1983 and 1992, 22 private airlines entered the sector. However, many of the private airlines that started operations during this period soon ceased operations (Gerede and Orhan, 2015, p. 173). Considering the lifespan of these companies, it can be said that the removal of obstacles to the establishment of private airline companies did not produce the desired results in the first phase (Yaşar and Gerede, 2018, p. 172). In addition, it can be seen that the liberalisation in 1983 increased the international air transport market more than the domestic routes, while the number of airlines operating in Europe, especially in the country and city pair markets where ethnic populations live, increased the competition in the non-scheduled air transport market accordingly (Gerede, 2010, p. 88). Another factor in the failure to achieve the desired result was the Gulf War that took place at the time. The decline in tourism demand as a result of the war also affected air transport, and many of the established airlines had to cease operations and declare bankruptcy within a few years (Yalçınkaya, 2019, p. 425).

Although the 1983 liberalisation removed the barriers to market entry, a number of decisions were made in favour of Turkish Airlines with a circular issued by the DGCA in 1996. Accordingly, private airlines other than THY (Gerede, 2011, p. 511; Çetin and Benk, 2011, p. 200):

- If they have operated a scheduled service in the summer season, they must operate it in the winter season,

- If they have operated one or more scheduled domestic flights from the airports of Istanbul, Ankara, Antalya, Izmir, Dalaman, Adana and Trabzon, they must operate flights to at least one other airport in the eastern and south-eastern regions outside these airports,

- If they fail to comply with the first two points, they will not be allowed to operate scheduled domestic flights in two consecutive tariff periods,

- Finally, if they wish to enter the domestic market, they will be allowed to do so (i) on days when THY does not operate at all, (ii) only on the days when THY does not operate flights to the destinations to which THY operates flights, or (iii) on days when THY operates but cannot meet demand.

These decisions, known as the 1996 DGCA decisions, were undoubtedly taken with the instinct to protect the country's national airline and stand out as decisions that directly affect competition and lead to monopoly by tightening the market structure of domestic routes (Gerede, 2011, p. 511).

The liberalisation movements that started in the US and spread around the world also found a response in Türkiye, and the first step in this context was the enactment of the Turkish Civil Aviation Law No. 2920 in 1983 and the removal of obstacles to the establishment of private airlines. Subsequently, many new airlines were established and many developments took place that created a competitive dynamic. Although the 22 airlines established during this period seemingly created an environment in which competition could be

revitalised and airlines could move towards each other, the short lifespan of these airlines and the fact that very few of them have survived to the present day have prevented the desired competitive environment from developing. The most important factor shaping the competitive dynamics of this period was undoubtedly the state's authorisation of the establishment of private airlines and the subsequent entry of many airlines into the market. During this period, the airline companies mainly focused on the ethnic market on international routes with non-scheduled flights. Unfortunately, the airlines that tried to gain a competitive advantage by offering flights to Europe and by entering the market were not able to make this sustainable and to remain in the market for a long time and stopped their activities after a while.

3.4. Rewriting The Rules of Competition: 2003 Domestic Liberalisation

In 1996, the liberalisation introduced in 1983 was restricted by a number of regulations that hindered the creation of the desired competitive environment in the domestic market, and in 2003 the second wave of liberalisation initiatives took place in Türkiye. The government of the time liberalised the domestic market by repealing the decisions taken in 1996 in order to increase the market share of air transport among transport modes and to allow private airlines to freely enter the domestic market in addition to THY (Yalçinkaya, 2019, p. 432).

In order to revive the domestic market, not only were the restrictions on market entry removed, but arrangements were also made in favour of the airlines in matters such as fuel charges, taxes and airport fees (Gerede and Orhan, 2015, p. 187). Table 2 provides information on the airlines that entered the domestic aviation market after the liberalisation, as well as their current status.

Table 2. Information on Airlines Entering the Market After 2003 Domestic Liberalisation

Airline	Est.	Entrance Date to Domestic Market	Current Status
Fly Air	2002	20 October 2003	Ceased operations (2007)
Onur Air	1992	9 December 2003	Ceased operations (2022)
Atlas Jet (Atlas Global)	2001	1 July 2004	Ceased operations (2020)
Pegasus Airlines	1990	1 November 2005	In service
Sun Express	1990	26 March 2006	In service
Anadolu Jet	2008	23 April 2008	In service
Borajet	2008	7 May 2010	Ceased operations (2017)
Turkuvaz Airlines	2006	22 November 2010	Ceased operations (2010)
Sky Airlines	2000	15 January 2011	Ceased operations (2013)

Source: Özsoy, 2010.

The 2003 liberalisation broke the monopolistic structure in the market and increased the market share of private airlines, which was also reflected in the demand for domestic routes. In other words, the liberalisation of the market paved the way for the formation of a larger pie rather than dividing the slices of the existing pie among several firms (Yaşar and Gerede, 2018, p. 193). This move began to bear fruit within a short period of time. When the calendar points to 2005, it can be seen that a high growth rate of 53% was achieved in the sector (Yalçınkaya, 2019, p. 432).

Following the domestic liberalisation of 2003, the domestic market experienced significant growth in the first years of liberalisation as a result of the entry of companies into the domestic market. During this period, the existing airlines focused on the domestic market rather than the international market, to which they organised non-scheduled flights. However, this period also saw the establishment of new airlines such as Turkuaz, Anadolu Jet and Borajet. The removal of barriers to entry in the domestic market has had a direct impact on the competitive dynamics of the market, paving the way for competitive actions such as market entry and frequency increases, which could generate short-term returns for airline operators. At the same time, the loosening of price restrictions has also allowed airlines to make the price moves that they can most easily exploit. In addition, airline operators have responded to the 2003 domestic liberalisation in different competitive ways. Orhan and Gerede (2013) list these responses as adopting new business models, redesigning their network structures, using outsourcing, creating a new sub-brand under their own brand, and expanding their marketing strategies.

During this period, Pegasus Airlines was acquired by Esas Holding in 2005, changing its ownership structure and choosing Sabiha Gökçen International Airport as its base as a highly strategic move. With a fleet of 14 aircraft, the airline started its flights to 6 domestic destinations. In 2006, the airline made a move to enter the international airline market by organising flights to Stuttgart, Germany. A year later, the airline increased the number of destinations in Europe and made new market entry moves with Amsterdam, London, Zurich, Düsseldorf, Copenhagen and Munich. In 2008, Pegasus added new destinations to its flight network and continued its market entry initiatives, and also started to focus on different competitive activities such as eco-parking, online car rental and pre-order meal. In the 2010s, Pegasus increased its capacity by adding new aircraft to the fleet. In addition, a flight training center was established and moves to reduce costs continued. In 2011, domestic and international market entry efforts continued and destinations in the Balkans and the Middle East were added to the flight network (Pegasus, 2023).

Sun Express, another airline, increased the number of aircraft in its fleet to 10 in 2005, thus increasing its capacity. The airline added a new hub to its

previous Antalya hub and designated Izmir as its second base in 2006. In the same year, with the liberalisation of economic regulations, the airline started domestic flights. In 2008, Sabiha Gökçen Airport was added to its Antalya and Izmir bases. During this period, Sun Express continued to increase its capacity and added 2 new aircraft to its fleet. Making strategic moves in the 2010s, Sun Express established Sun Express Deutschland GmbH, a 100% owned subsidiary, in 2011 in order to enter new markets and fly to more destinations. In 2012, it started to operate short and medium distances with THY and Anadolu Jet through wet-lease agreements. In 2015, an agreement was signed with Eurowings for wet-lease operations on long-haul flights (Sun Express, 2023).

The fact that Pegasus had adopted a new business model and started to grow in domestic and some international markets through price-driven moves attracted the attention of THY, which was looking for a way to compete with it in a different way without damaging its own business model. In this context, Anadolu Jet was established in 2008 by creating a sub-brand under its own structure. With the establishment of Anadolu Jet, Anadolu Jet started to offer flights on domestic routes at affordable prices like Pegasus and took steps to counter Pegasus' price moves. In addition, Anadolu Jet opened up to the international market and started to compete with Pegasus not only on domestic routes but also on international routes (Airporthaber, 2008).

Table 3. Competitive Actions After 2003 Liberalisation

Action Types	Airlines
Market Entry	Pegasus, Anadolu Jet, Sun Express
Price Discount	Pegasus, Anadolu Jet, Sun Express
New Services	Pegasus
Capacity Increase	Pegasus, Anadolu Jet, Sun Express
Creating New Hub	Sun Express, Pegasus
New Agreements	Sun Express
Creating New Sub-brand	Turkish Airlines
New Business Models	Pegasus, Anadolu Jet

Source: Authors

3.5. Competitive Dynamics of Today's Turkish Civil Airline Transport

Finally, this section presents some statistical information on air carriers and airports providing air transport services in Türkiye. In this context, information on the air carriers operating in Türkiye with a licence issued by the competent authority is presented in Table 4.

Table 4. Information on Airlines

Airline	Est.	Type of licence	Number of Aircrafts	Passengers (Millions)
Türk Hava Yolları	1933		381	71,8
Pegasus	1990		96	26,9
Sun Express	1989		62	10,7
Corendon	2004		20	N/A
Onur Air*	1992	Scheduled and Non-Scheduled Passenger and Freight Transport	0	-
Freebird Airlines	2000		10	N/A
Tailwind Airlines	2006		5	N/A
Southwind Airlines	2022		3	N/A
Mavi Gök Havacılık A.Ş.	2022		4	N/A
Air Anka	2021		2	-
BBN Airlines	2021		-	-

*Onur Air has ceased its operations.

Source: SHGM, 2022

In the light of the data in Table 4, information is first given on the establishment times of the companies. When analyzing the establishment times, there is a large historical gap between THY and other airlines. The reasons for this are explained in detail in the previous sections, and Table 3 provides information on the active airlines. The oldest of the airlines is THY, which was established in 1933 under the name of HYDİİ. A number of airline companies were established in the late 1980s and early 1990s following the removal of barriers to the establishment and market entry of private airlines after Law No. 2920 entered force in 1983 (Gerede and Orhan, 2015, p. 189). Pegasus and Sun Express, established in 1990, and Onur Airlines, established in 1992, are the ones that have survived to the present day. In the early 2000s, Freebird (2000), Atlas Global (2001), Corendon (2004) and Tailwind (2006) Airlines were among the newly established airlines. However, Atlas Global and Onur Air went bankrupt and ceased operations. The bankruptcy of Atlas Global and Onur Air reduced the number of players in the Turkish air transport market and strengthened the oligopolistic structure of the sector. In the last two years, new initiatives have emerged and the number of airlines has started to increase again with the establishment of Air Anka and BBN Airlines in 2021 and Southwind and Mavi Gök Airlines in 2022. Among these airlines, Izmir-based Air Anka focused on the cargo market, while Istanbul-based BBN Airlines focused on charter and ACMI (Aircraft, Crew, Maintenance, and

Insurance) services (BBN, 2023). Mavi Gök Aviation was established in 2007 to provide maintenance services and obtained its own AOC license in 2022 and started operating charter flights based in Antalya (MGA, 2023). Southwind Airlines, like Mavi Gök, is an airline that organizes charter operations based in Antalya and then offers services to various destinations in Europe, especially Germany (Seet, 2022).

THY ranks first in terms of passengers carried, with 71.8 million. Pegasus follows THY with 26.9 million passengers. As can be seen from the figures, THY is well ahead of other airlines in terms of passenger numbers, carrying more than twice as many passengers as even its nearest competitor. Although there are many reasons for this, the number of aircraft it owns is just one of the reasons that stands out in the table. Sun Express ranks third in terms of passengers carried, with 10.7 million.

Looking at the number of aircraft owned by the airlines, the number of aircraft is similar to the number of passengers, with a few exceptions. THY has the largest number of aircraft with 381. THY is followed by Pegasus with 100 aircraft and then Sun Express with 62 aircraft. Sun Express is followed by Corendon with 20 aircraft, Freebird with 10 aircraft and Tailwind Airlines with 5 aircraft.

Airports are the arena in which airline operators compete after obtaining permission to enter the market and in which competition between airline operators takes place. State Airports Authority is an organization that has been operating as a state economic enterprise since 1984 under the Decree Law No. 233 and its main statute, which performs the duties of operating airports in Türkiye and regulating and controlling air traffic in Turkish airspace (DHMI, 2020).

There is at least one airport in 51 of Türkiye's 81 provinces. There are 57 airports where air transport is carried out and in some cities there are more than one airport. The size of the airports generally corresponds to the size of the cities in which they are located, and it can be seen that the busiest airports in terms of aircraft and passenger traffic are those located in Türkiye's most populous provinces or in the tourist regions favoured by foreign tourists (SHGM, 2022, p. 42).

According to the SHGM's 2022 Annual Report, passenger traffic in Türkiye totaled 182.3 million passengers, of which 78.6 million were on domestic routes, 103.27 million on international routes and 0.4 million in transit. In terms of increase and decrease, there was an increase of 14.9% on domestic routes compared to the previous year, while there was an increase of 73% on international routes. Total passenger traffic increased by 42.1%. According to data on commercial aircraft traffic at the end of 2022, approximately 789.000 aircraft landed and took off on domestic routes and 699.000 aircraft landed and took off on international routes. The rates of increase and decrease were parallel to the passenger traffic, with an increase of 6.9% on domestic routes, 49.9% on international routes and 28.4% in total.

In 2022, Istanbul and Sabiha Gökçen Airports in Istanbul, Antalya Airport, Izmir Adnan Menderes Airport, Antalya Esenboğa Airport and Izmir Adnan Menderes Airport are the leading airports in terms of passenger and aircraft traffic (DHMI, 2022, p. 18-19).

Looking at the Turkish air transport sector from a broad perspective, it will be necessary to look at the total market shares of airline operators throughout the country. In this respect, both the information provided by the DGCA on the market shares of airline operators in the annual reports published by the DGCA every year and the academic research carried out on the basis of the said data will provide information on the country-wide market structures. For example, Turkish Airlines (THY) (together with Anadolu Jet), Pegasus (PGT) and Sun Express (SXS) accounted for 66.12%, 27.24% and 6.59% respectively of domestic passenger traffic in 2022. The remaining companies have a market share of less than 1% (DHMI, 2022, p. 21). In a study conducted using data with the same characteristics, it was found that the concentration level of Turkish airline transport is quite high and shows oligopolistic market characteristics (Sarıbaş and Tekiner, 2015). This situation can be clearly seen by analyzing the year-end data for 2022.

At another level of analysis, market structures are identified by allocating passenger traffic at airports to airlines. In this context, the result of the proportional distribution of traffic at airports to airline operators provides information on the market structures in airport markets. The desired result here is to provide an overview of the airport by revealing the share of airline operators actively involved at an airport. In this regard, Kiracı et al. (2017) examined the concentration levels in the context of major airports in Türkiye and concluded that the analyzed markets are far from competitive. In other words, when the market structures are analyzed on an airport basis, similar results to the previous situation are observed.

Based on Chen's (1996) assumption that "each market is unique with its own characteristics", Yaşar and Gerede (2018) analyzed the Turkish domestic airline market at the city-pair level and found that most of the markets exhibit monopoly and near-monopoly characteristics, and competition is relatively intense in very few city-pair markets. In this context, it can be said that airline transport in Türkiye is not competitive at the city-pair market level, except for certain markets.

Both the data published by the authorities and studies of the market at different levels of analysis show that competitive market structures have not yet been fully formed, despite the 1982 and 2003 (domestic) liberalization measures aimed at making the market more competitive. Many factors may be effective in the formation of this situation, but if we look at the part related to competition, the reasons may be the presence of a small number of players, the difference in size between players, the use of different bases by airline operators, and the formation of different city pair markets (Yaşar and Gerede, 2018). Although the market appears to be far from competitive in terms of the

number of companies and market shares, when examining the competitive actions, it is found that companies often take competitive steps against each other. For example, if one airline reduces fares on certain routes, the other airline will respond within a short time. Similarly, in terms of in-flight services, if an airline with a similar business model starts offering a new service or improves an existing service, the other airline can respond according to its resources. The competitive dynamics of today's Turkish civil air transport are formed by the airline operators listed in Table 4, the authority, which sometimes affects competition with its decisions, and the competitive actions of the airline operators.

Conclusion

Competitive dynamics is a field that has gained a place in strategic management research and examines the firms in an industry, their competitive actions and the responses to these actions. In this study, the developments relevant to Turkish civil aviation in the 100-year history of the Republic of Türkiye, from the early republican period to the present, are presented in the context of competitive dynamics.

Air transport activities in Türkiye, which started with the initiatives of foreign companies in the early years of the republic, began to be carried out under state administration with the establishment of HYDİİ in 1933 (Haytoğlu, 2018, p. 97). During this period, there were attempts to build the first Turkish aircraft, which were successful in terms of production, but failed to reach the desired level in terms of demand, and activities in this direction were discontinued (Aydın, 2011, 75-78). The 1950-1980 period stands out as the years when the foundations of the aviation industry were laid and companies such as TAI and TEI were established during this period (Gerede and Orhan, 2015, p. 166).

In the 1980s, steps were taken to liberalize civil air transport in Türkiye and private companies were allowed to establish and enter the market with TSHK No. 2920 (Gerede, 2011, p. 506). As a result of the steps taken, many private enterprises were established and operated in the sector during this period, but many of them could not last long due to the conditions of the time (Korul and Küçükönel, 2003, p. 25).

The other development that brought the market to its current state and increased the volume of the sector is the 2003 domestic liberalization, which completely liberalized the domestic market. With this step, the DGCA decisions of 1996 that made the sector monopolistic and difficult to enter were abolished and a number of incentives were offered to airline operators (Gerede and Orhan, 2015, p. 169; Yalçınkaya, 2019, p. 432).

In the early years of the Republic of Türkiye, the competitive dynamics of Turkish civil aviation were dominated by foreign airlines and the concessions granted to them. During this period, these companies tried to enter

the Turkish market with certain domestic and international flights. In the 1930s, the air transport sector was nationalized and with the establishment of HYDİİ, the concessions granted to foreign companies were abolished and the market structure became monopolistic. Although there were some initiatives such as Hürkuş Airlines in this period, they could not last long and the elements that constituted the competitive dynamics of the sector lost their power. In the 1980s, private airlines started to take their place in the sector and the competitive dynamics were reshaped. During this period, many airline companies were established and they focused on the Türkiye-Europe market, competing with non-scheduled flights. In the 2000s, the domestic air transport market gained momentum and the competitive dynamics of the air transport industry developed into its current form.

The state has undoubtedly played an important role in shaping the competitive dynamics in the Turkish context since the establishment of the republic. In the first years of the republic, since there was no domestic initiative for the development of air transport in the country, foreign companies were allowed to operate, and then with the establishment of Turkish Airlines, foreign airlines had to withdraw from the market. The protective attitude of the state continued until the 1980s and the first liberalization attempt came in these years. In an environment where the dynamics of the market were largely determined by the state, private airline companies found a more limited field of action in terms of competition and could not enter every market they wished.

When we look at the theoretical implications of the research, the first prominent factor is that it analyses competition dynamics in the longer term. Firstly, Turkish Civil Aviation is analysed in the context of competition dynamics and the players in the market and their actions in each period are presented.

In future research, in addition to archival data, the results of the research can be extended by obtaining more in-depth findings through interviews with industry managers. In addition, a periodic examination of the impact of competitive dynamics on airline operations is among the research that can be conducted in the future.

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