

US-Turkey Business Council, Session III

Topic 4.d.

Aviation and Aerospace

Aviation and aerospace contribute enormously to the economies of both the United States and Turkey and to our mutual security; however, in order to continue to realize the commercial opportunities that expanded air service brings, as well as the benefits of our status as NATO allies, we respectfully submit the following recommendations:

1. Create a Fly America Act Exception for Turkey

Some members of the U.S. Turkey Business Council believe that the U.S. Departments of State and Transportation should duly permit Turkish flag carriers to provide air service for non-military U.S. government-funded passenger travel under a Fly America Act exception. Civilian U.S. Government travellers are required by 49 USC 40118, commonly referred to as the "Fly America Act," to use United States air carrier service for all air travel and cargo transportation services funded by the United States Government. A notable exception to this requirement, as provided in the Act, is a) transportation provided under a bilateral or multilateral air transportation agreement to which the United States Government and the government of a foreign country are parties and which the Departments of State and Transportation have determined is consistent with the United States' goals for international aviation policy, and b) where the agreement provides for the exchange of rights or benefits of similar magnitude.

While the US-Turkey Open Skies Agreement is a bilateral agreement to which our governments are parties, the agreement when signed in 2000 and amended in 2012 did not provide for a Fly America Act exception for Turkish carriers, nor does it appear that consideration was given by the Departments of State and Transportation as to whether such an exception would be warranted. Much has changed in Turkish aviation since our Open Skies agreement was last amended; among other things, new nonstop passenger service to the United States has

been added which has bolstered the economies of both countries. In the spirit of economic cooperation and consistent with the United States' goals for international aviation policy, the US-Turkey Business Council would respectfully ask for that consideration and approval to occur for non-military U.S. government travel.

The goals for US international aviation policy are set out in 49 USC 40101(e). In pertinent part, they include freedom of air carriers and foreign air carriers to maintain and increase their profitability in foreign air transportation, freedom of air carriers and foreign air carriers to offer prices that correspond to consumer demand, eliminating operational and marketing restrictions to the greatest extent possible, and increasing the number of nonstop United States gateway cities. Allowing Turkish carriers to provide Fly America Act passenger service would be consistent with these and other US aviation goals.

Today, US Government travellers and contractors regrettably have to fly inconvenient, circuitous routes when they fly between the United States and Turkey. Turkish Airlines is currently the only carrier in the world that provides nonstop service between our two countries. While code-sharing with U.S. carriers is permitted, the economics of code-sharing on GSA city-pair routes are far less desirable than being able to fly the routes independently. In order to meet consumer demand, increase profitability, knock down marketing restrictions, and maintain and increase service to the US, granting a Fly America Act exception to Turkish carriers for passenger service would be well justified. Indeed, the US Government has previously entered into open skies agreements with the European Union (2007), Australia (2008), Switzerland (2008) and Japan (2011) which granted Fly America Act exceptions which allow the flag carriers of those countries to provide service in certain circumstances. We hope that those precedents will be persuasive to the U.S. Departments of State and Transportation in granting similar authority to Turkey.

2. Create a Customs Preclearance Facility in Ataturk Airport

The U.S. Customs and Border Protection (“CBP”) should move forward with negotiations to create a preclearance operation at Istanbul Ataturk Airport. Preclearance for Ataturk Airport will provide substantial benefits to the United States and Turkey through increased security, enriched customer experience and growth opportunities for airlines and airports.

Currently U.S. preclearance operations are located in 15 locations in six foreign countries and clear over 15.5 percent of all commercial air travelers arriving in the United States. Meeting the CBP’s goal of increasing preclearance to 33 percent by 2024 will be bolstered by creating a preclearance operation in Istanbul. The Ataturk Airport is a global gateway serving over 41 million international fliers with direct flights to some of the largest U.S. cities.

Preclearance will build confidence and increase the number of visitors to and from Turkey and the United States by providing more direct flights, faster connections, streamlined security screening, higher passenger volumes, higher capacity, new route options and other economic benefits while implementing a “risk based” set of security protocols that will keep travels safe and secure. We urge the US government to prioritize an application from Turkey’s Istanbul Ataturk Airport as a preclearance expansion location and to work creatively with airport and airline stakeholders to generate funding to pay for CBP’s reimbursable costs.

3. Aerospace Industry Collaboration

As NATO allies, the United States and Turkey stand shoulder to shoulder to safeguard against global threats to the alliance. They do so through a long tradition of industrial cooperation in the aerospace sector. This collaboration has led to significant technological developments aimed at bolstering system interoperability to address next generation security threats. Increasing the ability of U.S. and Turkish companies to collaborate on research and development in the aerospace sector is critical to future technological advancement. This can be accomplished through the following:

- Establishing a bilateral industrial aerospace working group to identify new research and development priorities;
- Recommending bilateral Memoranda of Understanding to cooperate in identified areas; and
- Establishing mechanisms to promote public-private sector funding for new initiatives.

Recommendations:

1. Create a Fly America Act exception for Turkey (supported by some members of the Council)
2. Create a customs preclearance facility at Istanbul's Ataturk Airport
3. Increase the ability of U.S. and Turkish companies to collaborate on research and development in the aerospace sector