

Outsourcing in Aviation: Contracts and Current Situation

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Abstract

The aviation sector has been constantly growing and developing sector with the technological developments and globalization in recent years. Air transportation has become the most preferred type of transportation due to its advantages such as; safety, speed, time cost, and comfort. All business lines in the aerospace sector work in coordination with each other. In other words, the responsibilities of all units are the same, and they are related to each other, although there are different units in the sector. Airline companies, one of the most active and most basic players in the market, are struggling to respond to the growing demand due to the growing market figures. This situation has pushed the airline companies to seek new answers to meet demands.

Responding to demands in a large-scale sector such as the aviation sector is a difficult and disciplined task. It is important to ensure safety and security, to maximize service quality and to reduce the risks that may arise when responding to requests. It is both costly and very difficult to perform all these tasks. It is both costly and very difficult to carry out all these tasks, such as aviation, with safety and security-

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oriented sector compared to a small sector in particular. Airline companies are struggling to manage all lines of business on their own, so airlines are outsourcing.

Outsourcing services provided by airline companies include ground handling, catering, social responsibility projects, advertisements, cargo facilities and storage, fuel, bank and technical services. The purpose of this study is to provide information about outsourcing areas in airlines sector in the first part and then Turkish Airlines and Pegasus Airlines' outsourcing will be analyzed within the framework of advantages and disadvantages of the business in the second part of the study.

Keywords: Turkish Airlines, Pegasus, Outsourcing, Airways transporting, Airlines

Introduction

Businesses are faced with great pressure in today's intensive competition environment. In this competitive environment, businesses have to seek to pursue different activities in order to continue their activities and to survive. Especially in a globalized world and with the continuous development of technology, enterprises try to keep up with this environment. In this ever-changing environment, businesses are developing new competitive strategies. In developing strategies, they act in a cost-reducing way, superiority in the competition, increasing the quality of goods and services. They change and update these elements depending on the changes in the market and the structure of the business. Thus, they can adapt quickly to changes in the market. Businesses that can easily adapt to the changes obtain the superiority of delivering goods and services in a high quality and fast way. Therefore, they are advantageous against their competitors.

Nowadays, it is very difficult for enterprises to adapt quickly to the changing environment and to do this by using time efficiently without sacrificing service quality. It is impossible for enterprises to use their resources effectively and efficiently, to carry out activities such as quality and standards and to save time. For small-scale businesses, this can be done in some cases, especially for large-scale and complex enterprises, which is almost impossible today.

It is very difficult to manage all activities in a single enterprise (logistics, marketing, etc.), especially in many sectors such as aviation. For this reason, airlines, such as most other businesses, are also outsourcing. In this way, businesses focus on their own basic capabilities and perform activities that are not in their area of expertise by outsourcing from enterprises that are experts in the field in question. Thus, the company saves time by focusing on its basic capabilities. They also provide a great competitive advantage. In this

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study, the advantages and disadvantages of the airline companies are discussed.

1. Outsourcing

Outsourcing which is not directly related activities in order to minimize the cost of the services offered by firms in the form of economic distress are transferred to another firm. Outsourcing is defined as outsourcing of companies doing their own business to other companies or companies. In other words, it is the external supply of the goods or services offered. In order to keep up with the developing technology and competitive environment, the enterprises are trying to keep up with the market conditions by transferring other services they offer to other companies as well as their basic activities.

The concept of outsourcing was first included in the Oxford English Dictionary in 1979. This concept was introduced into the literature in an article published in the Business Week in 1981 and became a frequently used term in the business literature in the 1980s and later as well as in the economy. Oxford English Dictionary outsourcing concept of "certain goods or services, providing under a contract from a source outside the organization" defined as.¹ The outsourcing concept, which was first used as an outsourcing company by Winconsin in an official contract in 1988, was used in a narrow area as the main activity areas such as maintenance, repair, cleaning and distribution during the first years.² Outsourcing in the literature with other similar concepts used in the 1960s and 1970s, meaning

¹ <<https://www.beycon.com.tr/dis-kaynak-kullanimi-tarihcesi.html> Access Date : : 4.4.2018

² GÜL, H. (2005). Dış kaynak kullanma nedenleri ve taşıdığı riskler: imalat sanayiinde bir uygulama, *Bandırma İİBF Yönetim ve Ekonomi Araştırmaları Journal*, 3(4), 157- 184.

"management activities" and the 1980s and 1990s "system operations" can be counted.³

Greaver (1999) defined the use of external resources as the company's transfer of some of its sustained internal activities and decision-making rights to an external supplier or firm.⁴ The entity requires service from the other entity for complete and trouble-free of the operation, but does not grant all rights to the supplier to which it has an agreement.

The term in Turkish "Benefit of Outsourced", "Outsourcing" as expressed outsourcing is a concept that includes activities related to providing a service or purchasing a product. It is used in the same sense as strategic outsourcing concept because of it is used as a strategic management approach in Turkish. Ertürk (2002) defines the outsourcing as the enterprises in order to provide a competitive advantage to themselves, to do the works related to the field they are competent for and to supply the works other than those specialized firms.⁵

The common issue highlighted in all definitions is the transfer of the works that are included in the operational activities of the enterprises but not included in their main activities to the outside enterprises. The part of the business that it has transferred is not

³ ŞAHİN, B., (2005). *İşletmelerde dış kaynaklardan yararlanma ve konaklama işletmeleri üzerinde bir uygulama* (Master Thesis). Balıkesir University, Balıkesir,86-106.

⁴ AKDOĞAN, A. KARACAOĞLU, K. (2003). Dış kaynaklardan yararlanma ve bankacılık sektöründe teknoloji ve bilgi işlem faaliyetleri ile ilgili dış kaynaklardan yararlanma üzerine bir uygulama, *Atatürk University İktisadi ve İdari Bilimler Journal*, 17(1-2), 93.

⁵ PELİT, E., (2007). İşletmelerde dış kaynak kullanımı ve etkinliği: Otel işletmeleri açısından kavramsal bir inceleme, *Verimlilik Journal*, 2007(3), 25-40.

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competent in its field. The business focuses on competence and provides the opportunity to develop in that direction and to stand out in the competition.

Nowadays, outsourcing is widespread but it is used in all areas. Many activities are transferred to external sources. As an example of the aviation industry, Boeing has benefited from companies with Japanese manufacturers such as Fuji, Kawasaki and Mitsubishi as outsourcing to the Boeing 767.⁶ The phenomenon of competition has spread throughout the world, not at a single center. With the rapid development of technology, competition started to be more intense. This increases the importance of outsourcing for businesses more and more and leads enterprises to outsource.

1.1.Features of Outsourcing

The most important feature of outsourcing is to increase efficiency and to save time. In general, the characteristics of outsourcing can be listed as follows;⁷

- Outsourcing is a technique that ensures that financial resources are used at the highest level of efficiency.
- Outsourcing is a long-term management strategy.
- Outsourcing is the focus on the best-known work.
- Outsourcing helps many businesses.

⁶ GÜL, H. (2005). Dış kaynak kullanma nedenleri ve taşıdığı riskler: imalat sanayiinde bir uygulama, *Bandırma İİBF Yönetim ve Ekonomi Araştırmaları Journal*, 3(4), 157- 184.

⁷ GÜL, H. (2005). Dış kaynak kullanma nedenleri ve taşıdığı riskler: imalat sanayiinde bir uygulama, *Bandırma İİBF Yönetim ve Ekonomi Araştırmaları Journal*, 3(4), 157- 184.

- Outsourcing helps to do many activities with the help of external sources.

Businesses may not always achieve the performance they want. There may be problems in the outsourcing activities used. In this case, the entity may supply a new external source or, with the existing outsourcing company, be able to reach a restorative agreement. Problem-solving issues can be identified and studies can be done to solve the problem after the source is found. At this point the contracted supplier should be selected very well.

In order for the supplier to be ideally analyzed, the following questions must be answered;⁸

- What is the purpose of outsourcing?
- What is the reason for these parameters?
- How will the efficiency in the intended areas be measured?
- What kind of activities are expected by the intended activity?
- Is there a list of activities intended for priority activities?
- Will the targeted activities be carried out?
- How much of the specified areas can be outsourced?
- What kind of collaboration is planned?

According to the results of the survey conducted with 382 CEOs in 1997 using the above questions, CEO's approach to outsourcing; 50% strategic, 47% tactical and 3% both.⁹

⁸ ŞAHİN, B., (2005). *İşletmelerde dış kaynaklardan yararlanma ve konaklama işletmeleri üzerinde bir uygulama* (Master Thesis). Balıkesir University, Balıkesir, 86

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Gül (2005) stated that outsourcing now becomes almost imperative in businesses and brings a new perspective and management understanding to enterprises. He compared the classical management model previously used by the enterprises and the outsourcing model used today.

The outsourcing model according to Table 1 ensures that the activities in the enterprises are carried out together with the team work, thus ensuring that the employees work in harmony and the efficiency obtained from the activities is at the highest level.

CLASSICAL MANAGEMENT MODEL

OUTSOURCING MODELS

Achieving positive results in the enterprise depends on the ability and determination of the manager.

Information required to be reached is only available during working hours.

The information is not always accurate.

Administrators have multiple functions and managers should be expected to make decisions.

Achievements to be achieved are not only dedicated to one person, but the whole team is a source of success.

The requested information can be reached at the desired time and time.

Information is under constant surveillance and control.

Each expert has a separate task in their field and decisions are taken in advance.

⁹ŞAHİN, B., (2005). *İşletmelerde dış kaynaklardan yararlanma ve konaklama işletmeleri üzerinde bir uygulama* (Master Thesis). Balıkesir University, Balıkesir, 106.

Table 1: Comparison of Classical Management and Outsourcing Models

Source: Gül, H. (2005). Reasons of Outsourcing and Its Risks: An Application in Manufacturing Industry, *Bandırma FEAS Management and Economics Research Journal*, 4, 162.¹⁰

Advantages and Disadvantages of Outsourcing

The basis of the outsourcing practices is based on having some businesses done outside and within the enterprise's own control, rather than having them outsourced. For this reason, there is a sharing relationship between the enterprises that have to cooperate with each other towards the same target. As a result of these relations, it is necessary to accept that outsourcing practices can bring with them some dangers.¹¹

The main benefits of outsourcing process are; cost savings, focusing on core competencies, organizational restructuring, flexibility, quality increase and shortening of the order cycle process, creating new income areas, falling in fixed investments, maximizing the use of functional experts, gaining competitive advantage, and following technological developments. To take under several headings:

Reducing Costs: The effect of outsourcing on costs is not limited to operating activities. At the same time, it reduces the cost of establishment and new investment and brings financial freedom. Thus,

¹⁰ Gül, H. (2005). Dış Kaynak Kullanma Nedenleri ve Taşıdığı Riskler: İmalat Sanayiinde Bir Uygulama, *Bandırma İİBF Yönetim ve Ekonomi Araştırmaları Journal*, 4, 162.

¹¹ ÖZBAY, T., (2004). *İşletme yönetiminde yeni eğilimler dizisi: Sorularla dış kaynak kullanımı*, İstanbul: İTO Publication.

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the enterprise gains competitive advantage by using less capital through outsourcing.

Quality: The issue of quality should be taken together with the cost factor by both the client company and the service provider and the sensitive balance between the relevant factors should be kept as constant as possible.¹² The most important tool in ensuring quality and cost balance is outsourcing contracts. By clearly determining the minimum service limits in outsourcing contracts, the company maintains continuity at the standard service level and is also protected from the negativities that may arise due to deterioration in service quality.¹³

Competitive Advantage: Organizations need to provide a competitive advantage in order to become more profitable than their competitors. To gain and maintain a competitive advantage, it should be able to show a comparative or different value than an organization's competitors. They will be able to generate this value in a shorter time by outsourcing.

Businesses renew their strategic management processes with outsourcing. Elimination of non-value-added jobs for the enterprise or the use of external resources in the activities where the basic capabilities of the enterprise are not used, and in this way, it is possible to ensure activity and efficiency. In addition to the renewed processes, enterprises that can gain the ability to respond faster to their customers' requests increase their competitiveness.¹⁴

¹² MURPHY, Jr. P. R. ve KNEMEYER, A. M. (2016). *Güncel Lojistik* (Ed. F. Yercan ve Ş. Demiroğlu). Ankara: Nobel Akademik Publication.

¹³ KESKİN, M. H. (2009). *Lojistik tedarik zinciri yönetimi (geçmişi, değişimi, bugünü, geleceği)*. Ankara: Nobel Publication,72.

¹⁴ KANZUK, O. (2017). *İşletmelerde Dış Kaynak Kullanımı ve Çalışanlar Üzerindeki Etkileri* (Master Thesis). Bahçeşehir University, İstanbul.

In addition to the success of the outsourcing process, the unexpected costs that are effective on the usage, basic competency loss, supervisor and control problems, quality problems, the continuity of service enterprises, the reduction of employee motivation, privacy and security problems are also included in the disadvantages.¹⁵

To list these risks in the literature;¹⁶

- a) Risk of increased dependence on external resources,
- b) Risk of loss of business control and core capabilities of enterprises,
- c) Risk of short-term economic objectives and conflicts of interest,
- d) Failure to comply with the provisions of the Convention,
- e) leakage of confidential information to opponents,
- f) The risk of suppliers entering the market,
- g) The risk of not falling enough.

2. Outsourcing Areas in Aviation

Like most businesses, airlines are also outsourcing. The airline sector is very sensitive against developments in technology and changes in the world. For this reason, it has to keep up with all developments and changes in the global sense and to keep up with

¹⁵ ÇELİK, S., (2018). *Lojistik dış kaynak kullanımı: Antalya Yaş Sebze ve Meyve Hali'nde bir uygulama* (Master Thesis). Alanya Alaaddin Keykubat University, Alanya,16.

¹⁶ KANZUK, O. (2017). *İşletmelerde Dış Kaynak Kullanımı ve Çalışanlar Üzerindeki Etkileri* (Master Thesis). Bahçeşehir University, İstanbul.

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these developments. In doing so, they are trying to do as much as possible without increasing their costs. At the same time, it is very important for each unit in the enterprise to focus on their own business and to work in a safe way, with a focus on their own business.

The competition between the airline companies and the preference of air transportation, the development of technology and the globalization have increased. Businesses go to outsourcing in order to maintain their current position and to hold the market. At the same time, outsourced companies focus on their core capabilities and transfer the activities outside of these capabilities to subcontractors. Outsourcing is particularly advantageous for airlines. There are many operating branches in airline companies. The execution and coordination of these activities harms businesses in terms of time and cost. In this case, airlines use outsourcing.

The areas where the airline companies go to outsourcing can be listed as ground handling, catering, social responsibility projects and advertising, banks, fuel, cargo facilities, and storage.

2.1. Ground Services

Ground Handling is a unit that provides all kinds of services that an airline will need at the airport. These services; passenger services, ramp services, cargo and postal services, flight operations / load control and communication services, representation and surveillance services.¹⁷

Location service organizations with Turkey in Group Work Permits; TGS (Turkish Ground Service), Havaş and Çelebi Ground Handling. A group working license, according to the definition in the SHGM Airport Ground Handling Regulation, *"For all types of*

¹⁷ <<http://www.ataturkairport.com/tr-TR/havayollari1/Pages/yerhizmetleri.aspx>
Access Date: 26.04.2018.

*services at the airports that all types of services specified in Article 5, or legal entities authorized to perform ground handling services for air carriers by organizing at least three international traffic in the area of passenger services, cargo control and communication, ramp, cargo and postal services. This is the license containing the work documents to be issued."*¹⁸

B Group ground services, Atlas Jet, Bora Jet, Cukurova Aviation, Solar Express, Iran Islamic Republic Airlines, Lufthansa Airlines, MNG Airlines, Onur Air Transportation, Pegasus Air Transportation, Saudi Arabia Airlines, Swiss International Airlines, Tarkim Aircraft Maintenance and Repair and Aviation, THY, Touristic Air Transport, Aeroflot Russian Airlines and Sunexpress Airlines. B group working license is the license which contains the work documents to be given for each type of service to the air carriers who will make all or part of the service types specified in article 5 at the airports according to the definition in the SHGM Airports Ground Handling Regulation.¹⁹

The airline business locations in Turkey in the field of services they move to outsource. Havaş, Çelebi, TGS in Turkey, they contracted maintenance to airlines, providing spare parts, breakdown and overhaul services.²⁰

Pegasus Airlines makes an agreement with Havaş to provide ground handling services. Pegasus Airlines flights at 23 airports in

¹⁸ <<http://www.resmigazete.gov.tr/eskiler/2016/08/20160823-3.htm> Access Date: 02.05.2018.

¹⁹ <<http://www.resmigazete.gov.tr/eskiler/2016/08/20160823-3.htm> Access Date: 02.05.2018.

²⁰ <<http://www.airporthaber.com/atlasglobal-haberleri/atlasjete-my-technic-bakim-yapacak.html> Access Date: 20.05.2018.

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Turkey have signed agreements carried out in order to perform location services until 2022 with Havaş.²¹

Atlas Jet, Corendon Airlines, Freebird Airlines, SunExpress Airlines are contracted with Çelebi and have ground handling services (<http://www.celebihandling.com.tr>). TGS Ground Services provides ground handling services for both Turkish Airlines and other airlines at 8 stations in Istanbul Atatürk, Istanbul Sabiha Gökçen, Ankara Esenboğa, İzmir Adnan Menderes, Antalya, Adana Şakir Paşa, Bodrum and Dalaman Airports.²²

2.2. Catering Service

Catering is a service provided during the flight. There are many companies that provide passengers (food and beverage) to passengers during the flight. These companies are generally referred to as catering companies.

Airline companies are working with the catering companies in the airports they have agreed to as hubs. But in places where the flight density is high, catering is done. Especially at long-haul flights, catering companies work intensively. Organizations providing catering services for airlines; LSG Sky Chef, Gate Gourmet, Servair, Do & Co, SATS, Flying Food Group.²³

The LSG Sky Chef, owned by Lufthansa Airlines, is a great catering company. It serves more than 300 airlines. Gate Gourmet is a

²¹ <<http://www.bagimsizhavacilar.com/pegasus-hava-yollari-ve-havasdan-yer-hizmetleri-anlasmasi/> Access Date: 20.05.2018

²² <<http://www.havas.net/tr/Hakkimizda/Pages/Istirakler.aspx> Access Date: 20.05.2018

²³ <<https://www.havayolu101.com/2013/04/01/havayolu-catering-ikram-sirketleri/> Access Date: 02.05.2018.

Swiss catering company. It serves more than 250 airlines. Servair catering company is a catering company based in France. It serves more than 100 airlines. The Austria-based Do & Co has announced an agreement with Turkey in the name of Turkish Airlines. It serves more than 60 airlines. Turkish Airlines Lounge at Istanbul Ataturk Airport is operated and operated by Do & Co. Singapore, Singapore-based SATS serves 45 airlines. It has agreements with Air France, FedEx, Lufthansa, Qantas Airways and Hong Kong Airlines. Flying Food Group is a catering company operating in Chicago, Honolulu, Los Angeles, Miami, New York, San Francisco and Seattle, and Shanghai in the United States, serving more than 70 airlines.²⁴

Sancak Inflight Service is a catering company established entirely with Turkish capital. Its first activities started in 2010 at Istanbul Atatürk Airport and Antalya Airport. In 2011, Istanbul Sabiha Gökçen Airport was also included. Showing growth in a very short time has become one of Turkey's largest catering company. Among the airlines it serves; Kyrgyz Airways is located in Daghestan Airlines, Grozny Avia, Rusline Airlines, Atlasjet Airlines, Iraqi Airways, Nordwind Airlines, UTAir, Air Moldova.²⁵

Apart from Turkish Airlines, Onur air which is operating in Turkey, receives the catering services from LSG Sky Chefs. Onur Air, which stands out with the simplicity of the refreshments, makes drinks and food combinations. For example, the menu consists of olive soft bagels and tea or coffee are great interest of passengers.²⁶ Atlas Jet

²⁴ <<http://www.havayolu101.com/2012/03/20/ucak-yakiti-olarak-kullanilan-jet-a1-nedir/> Access Date: 05.05.2018.

²⁵ <<http://www.sancakinflight.com/tr/tarihce.aspx> Access Date: 20.05.2018.

²⁶ <<http://www.hurriyet.com.tr/ucuz-ucusun-ucuz-yemekleri-17958211> Access Date: 20.05.2018

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,which is contracted with Sancak Inflight Service, provides catering services from this company.²⁷

2.3. Social Responsibility Projects

Another area of activity for which airlines are outsourced is social responsibility projects and advertisements. Turkish Airlines, in agreement with Wanda Digital, manages projects for global and local communications. In November 2017, Turkish Airlines worked with Native Media in local operations on media issues, and People worked with Initiative Agent in global media studies.²⁸

There are also many social responsibility projects implemented by airlines. One of the social responsibility projects implemented by Turkish Airlines is ‘‘Bir Fidanla Sen de Katıl’. Thanks to the this campaign, every child flying with Turkish Airlines has a sapling planted in his name. With this project that contributed to the mobilization of Forestry General Directorate of accomplishment, each passenger from 0-2 age group being a sapling of itself with 5 tl by sending SMS to 1923 as THY, and also to create a memorial forest in different cities of Turkey are aimed.²⁹

Another social responsibility project of Turkish Airlines was implemented in Japan. On March 11, 2011, a train belonging to the Sanriku Railways train line operating in Iwate Province for the country that suffered great damage after the earthquake and tsunami of 9.0 magnitude was dressed with different visuals of THY, and the cost of advertising from this project’s will be given to the region where the

²⁷ <<http://www.sancakinflight.com/tr/tarihce.aspx> Access Date: 20.05.2018.

²⁸ <<http://www.mediacaonline.com/turk-hava-yollarinin-dijital-ajansi/> Access Date: 02.05.2018.

²⁹ <<http://www.airnewstimes.com/thy-sosyal-sorumluluk-projelerine-bir-yenisini-ekledi-15290-haberi.html> Access Date: 04.05.2018.

disaster was experienced. With this social responsibility project, THY was the first airline to support the region among foreign organizations serving in Japan.³⁰ In addition to these, the social projects implemented by Turkish Airlines include the social responsibility projects implemented for Kızılay, Euroleague Basketball and martyrs.³¹

Another social responsibility project is the ‘‘Clothing Aid Campaign’’ launched for people in need of living in Bakırköy, where Atlas Jet applies. A social responsibility project has been carried out by providing 24 boxes collected by Atlas Jet employees to people in need.³²

Pegasus Airlines carried out a social responsibility project for children with autism and asperger syndrome. In order to cope with the problems of air travel to the families of children with autism and asperger syndrome, the flight simulation program was carried out within the scope of the ad ‘‘Precious Wings’’ a project carried out by the Association of Value Autism.³³

While carrying out social responsibility projects, airline companies cooperate with a number of Non-profit Organisation and similar organizations or carry out these projects within their own

³⁰ <<http://www.fortuneturkey.com/thyden-japonyada-sosyal-sorumluluk-hamlesi-21779> Access Date: 04.05.2018.

³¹ <http://arsiv.dha.com.tr/turk-hava-yollari-ile-euroleague-sosyal-sorumluluk-projesinde-de-birlikte_310298.html Access Date: 04.05.2018

³² <<https://www.atlasglb.com/bizden-haberler/190/atlasjet-calisanlarindan-sosyal-sorumluluk-projesi> Access Date: 04.05.2018.

³³ <<http://www.airporthaber.com/atlasglobal-haberleri/atlasjete-my-technic-bakim-yapacak.html> Access Date: 20.05.2018.

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capabilities. For example, in THY, a group called *bir Widen Your Heart bir* was formed and this group is involved in some social responsibility projects. (*Turkish Airlines Volunteers*) In addition, Turkish Airlines is involved in social responsibility processes by acting jointly with governments and other organizations involved in social responsibility projects.³⁴

2.4. Cargo Facilities and Storage

Airline companies use outsourcing to stock the cargo they carry. In this way, they minimize the costs and provide advantages because they save more time in focusing on their own basic capabilities by doing their storage activities in another business. The outsourcing businesses used by the airline companies in general are Element Logistic, Solmaz Transportation, Horoz Logistics, Atom Logistics, Ekol Logistics, Know Logistics, Fevzi Gandur Logistics. In line with the agreements signed by these companies, which are used as outsourcing, air transport companies carry out both storage services and cargo transportation in air cargo transportation.³⁵

Reduced storage costs due to agreements between the continents and the inter-cities provide great advantages to airlines.

2.5. Banks

Banks are another outsourcing that airlines use. Turkish Airlines has been in cooperation with Garanti Bank since 2001 and this partnership has been extended for another year as of April 1, 2017. Turkish Airlines is not only a program partner with Garanti Bank but

³⁴ < <https://www.turkishairlines.com/tr-tr/basin-odasi/sosyal-sorumluluk-projelerimiz/>

Access Date: 20.05.2018.

³⁵ < <http://www.atomlojistik.com/havayolu-tasimaciligi.aspx> Access

Date: 04.05.2018.

also a strategic partnership. Garanti Bank is in agreement with the Miles & Smiles program to increase customer loyalty and satisfaction.³⁶

At the same time, the airline is able to make flights to the passengers who want to buy air tickets via the airline companies' agreement with the cards are carried out. For example, Pegasus Airlines cooperates with Akbank, Albaraka, Denizbank, Garanti, Halkbank, HSBC, ING Bank, Kuveytturk, Odeobank, QNB Finansbank and Yapı Kredi Banks.³⁷

Airlines apply to banks under the name of outsourcing on financial stability, financial flexibility and ensuring adequate liquidity. In this sense, companies have to; the commission has to make payments, such as currency translation fees and interest rates. The use of airline companies from banks can be listed as follows:

- To fulfill operational cash needs,
- To provide the necessary liquidity in the short and long term,
- To carry out bilateral agreements in transactions such as capital cost and commission, currency translation,
- To take necessary actions in order to protect against financial risks.

For example; In addition to the liquidity owned by Turkish Airlines, it has the potential to provide a wide range of loans from

³⁶ <<http://www.airporthaber.com/atlasglobal-haberleri/atlasjete-my-technic-bakim-yapacak.html> Access Date: 20.05.2018.

³⁷ <<https://www.flypgs.com/basin-odasi/duyurular/duyuru-detay/kredi-karti-ile-islem-yapacak>- misafirlerimiz-dikkatine Access Date: 07.05.2018.

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banks. At present, the partnership has a credit limit of around USD 2.3 billion, which is unsecured in domestic banks.³⁸

All of the established businesses in Turkey are using the aircraft finance lease and operating lease intensively. Due to its partnership with the state, THY provides financing through Eximbank loans and leverage leases under the guarantee of treasury. The resources of local banks are inadequate especially in the financing of new aircraft and they are not suitable for long-term loans with low interest rates. In addition, aircraft finance is an area that requires special knowledge and knowledge. For this reason, companies use bank loans mostly in working capital financing. Although Eximbank loans are the most appropriate loans, they cannot be used by private companies due to a government guarantee.³⁹

2.6. Fuel

Aircraft need fuel to fly. Airline companies provide jet A1 fuel used in aircraft from oil companies. Since the fueling process requires a number of procedures, airlines are outsourcing and take advantage of the time by transferring fuel consumption to the fuel supplier companies.⁴⁰

³⁸ <<http://investor.turkishairlines.com/tr/kreditor-iliskiler/finansor-iliskileri> Access Date: 20.05.2018

³⁹ <BATTAL, Ü. (2018). Türkiye’de havayolu taşımacılığının finansman sorunları: dematel yöntemi uygulaması, *Ömer Halis Demir University İktisadi ve İdari Bilimler Journal*, 11(2),96-111.

⁴⁰ <<https://www.havayolu101.com/2013/04/01/havayolu-catering-ikram-sirketleri/> Access Date: 02.05.2018.

<<http://www.havayolu101.com/2012/03/20/ucak-yakiti-olarak-kullanilan-jet-a1-nedir/> Access Date: 05.05.2018.

Since each oil company cannot establish a fuel station at each airport, an airline can negotiate with different fuel suppliers for different airports. Certain applied procedures are available for fueling. The procurement process when performing these procedures must be at the time of ground time determined by the airlines. The persons responsible for the fuel demand are the captain of the airline. Fuel businesses providing services in Turkey are as follows:⁴¹

- THY Opet
- Petrol Office
- BP Turkey

Airline companies have agreements with the petroleum offices for certain periods. They supply fuel at fixed prices determined during the agreement.

Turkish Airlines, in agreement with Opet, signed a fuel refueling contract for a period of 1 year in which a part of the jet fuel need of Atatürk Airport will be met for a period of 1 month with the jet fuel requirement of 26 airfields. In 2009, THY and Opet established with 50 companies, THY-OPET. THY-OPET Aviation Fuels until 2011, they have agreed to provide storage / airplane supply services to the contracted airline companies in 23 airports (in 5 airports for 6 months).⁴²

⁴¹ MACİT, A., GÖÇER, S. (2017). Havayolu tedarikçilerinin havayolu ve havayolu müşterileri ile ilişkileri: Balık-kılçık modeli, *Journal of Emerging Economies and Policy*, 2(1), 6-7.

⁴² < <https://www.dunya.com/gundem/petrol-ofisi-thy-jet-yakiti-ikmali-sozlesmesi-imzaladi-haberi-119180> Access Date: 20.05.2018.

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2.7. Technical Services

Aircrafts are subject to mandatory maintenance by both international and national organizations. These treatments are daily, weekly and annual maintenance. At the same time, maintenance is carried out against any technical problems that may be experienced by air vehicles in the ground or in the air, or technical services are provided to solve these problems after a technical problem. The provision of technical services is very important for both airlines and passengers. The fact that an airplane fails to perform its existing flights due to malfunction causes huge income losses for the airline business. Therefore, the airline companies that are not able to provide themselves can go to outsourcing.⁴³

Maintenance companies that provide services for the airline in Turkey are listed below:

Turkish Airlines

Turkish Airlines Technic Inc. (Turkish Technic)

Pratt & Whitney Thy Technical Aircraft Engine Maintenance Center Ltd. Sti.

Goodrich Thy Technical Service Center Co.Ltd.⁴⁴

Pegasus Airlines

Turkish Airlines Technic Inc. (Turkish Technic)

Pegasus Air Transportation Inc.⁴⁵

⁴³ < MACİT, A., GÖÇER, S. (2017). Havayolu tedarikçilerinin havayolu ve havayolu müşterileri ile ilişkileri: Balık-kılçık modeli, *Journal of Emerging Economies and Policy*, 2(1), 6-7.

⁴⁴ < <http://web.shgm.gov.tr/tr/preview/4268-shy145> Access Date: 20.05.2018

Onur Air

Onur Air Transportation Inc.

Turkish Airlines Technic Inc. (Turkish Technic)

Abu Dhabi Aircraft Technologies (ADAT)

SR Technics Switzerland AG.⁴⁶

Atlasjet

Mro Technical Service And Trade Inc.

Turkish Airlines Technic Inc. (Turkish Technic).⁴⁷

MNG Airlines

Mng Airlines and Transportation Inc.

Mng Jet Aviation Inc.⁴⁸

Corendon Airlines

Air France Industries KLM Engineering & Maintenance.⁴⁹

⁴⁵ < <http://web.shgm.gov.tr/tr/preview/4268-shy145> Access Date: 20.05.2018

⁴⁶ < <https://www.onurair.com/tr/kurumsal/detay/Ucaklarin-Bakimlari/17/25/0>
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⁴⁷ < <http://www.airporthaber.com/atlasglobal-haberleri/atlasjete-my-technic-bakim-yapacak.html> Access Date: 20.05.2018.

⁴⁸ < http://www.mngairlines.com/TR/Servisler.aspx?Kutu=Ucak_Bakim_Hizmetleri
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⁴⁹ < <https://www.corendonairlines.com/be/page/basin-odasi/iata-uyesi-corendon-airlines> Access Date: 20.05.2018.

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Free Bird Airlines

Hürkuş Air Transportation and Trading Inc. Turkish Airlines Technic Inc. (Turkish Technic).⁵⁰

SunExpress

Turkish Airlines Technic Inc. (Turkish Technic).⁵¹

Tailwind Airlines

Tailwind Airlines Inc.

Turkish Airlines Technic Inc. (Turkish Technic).⁵²

Conclusion

The airline sector is a sector that is developing day by day and it is difficult to compete with other airlines in this developing sector and to maintain the current position of airline companies in the globalized world. In addition, the number of passengers and the number of employed employees increase in line with the increasing demand for air transport. Nowadays, many places are transported by air transport. It is one of the most preferred transportation systems for providing safe and fast transportation.

In this growing market, airline companies need assistance to ensure safe and secure flight service without compromising service quality. In this way, the airline companies, which use outsourcing,

⁵⁰ < <https://www.freebirdairlines.com/tr/bakim-muhendislik.asp> Access Date: 20.05.2018

⁵¹ < http://web.shgm.gov.tr/documents/sivilhavacilik/files/pdf/havacilik_isletmeleri/yer_hiz_kuruluslari.pdf Access Date: 02.05.2018.

⁵² < <https://www.tailwind.com.tr/hizmetlerimiz> Access Date: 08.05.2018

focus on their own basic activities, thus transferring other business areas to subcontractors and thus save on costs and time. Thus, they have an effective resource planning and job sharing.

In general, airlines are outsourced to ground handling, catering, social responsibility projects and advertising, cargo facilities and storage, banks, fuel and technical services. Thus, airlines have the opportunity to get more efficiency in their operations by using outsourcing. At the same time, the outsourced companies are left to the job specialist in the said activity and the quality of the service will be much higher than the services that the enterprise allocates its own time. The business focuses on its core competencies and tries to provide quality service in its core business.

In other words, outsourcing relieves the work on businesses and allocates them to other businesses. For example, aircraft need fuel to transport. As oil companies cannot build individual fuel stations to each airport, airlines are making agreements with fuel suppliers for airports. Fuel suppliers undertake all the procedures in this area and undertakes the task of fuel procurement. The airline companies share the work with the suppliers at certain costs without spending additional time on the fuel issue.

It is also disadvantageous that time, cost, and outsourcing are advantageous for businesses to focus on their core capabilities, sharing business information with supplier businesses and compromising security. However, due to the fact that the values it adds to the enterprise are unimportant, airlines are extensively used for outsourcing.

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