

Turkish Aerospace Industries Inc. (TUSAŞ), one of the companies that serves as a leader to the Turkish Defense Industry on the subject of cooperation with sub-industries, has signed a cooperation protocol with the companies they have determined as strategic sub-contractors on June 6. Subsequently TUSAŞ has made another important step towards the development of local sub-industries in the aviation sector.

K. Burak Codur

The companies that signed the protocol in the ceremony that was held at the TUSAŞ facilities with the participation of the Defense Industry Undersecretary (DIU), in alphabetic order are: Coşkunöz (Eskişehir), Epsilon Havacılık (Ankara), HMS Makina (İzmir), KÜÇÜKPAZARLI (Ankara), MEGE TEKNİK (Ankara), MFK MAKİNA (Bursa), MİKRON MÜHENDİSLİK (Ankara), UYGUR SAVUNMA (Ankara), YEPSAN SAVUNMA (Bursa) and YÜKSEL KOMPOZİT (Ankara). From among these companies, YÜKSEL KOMPOZİT, this despite not receiving an order yet from TUSAŞ has shown the signals that they will sign off on some significant work by successfully securing a place among TUSAŞ's strategic partners.

### **TUSAŞ is growing with Sub-Industry**

During the ceremony the first speech was given by TUSAŞ General Manager Muharrem Dörtkaşlı. Dörtkaşlı, who began by comparing the current situation to the past said that they had organized a similar ceremony in the year 2006 and that their work volume was around 2 million hours then and that they were able to give 50,000 hours which is one 40th of this to sub-industry and that they payment they had made for this labor was around 2 million dollars. Dörtkaşlı said that in those times the work done by TUSAŞ was mostly assembly and production work and gave the reminder that engineering work was less so that work that they had given to sub-industry was mostly to work around capacity limitations. After this information Dörtkaşlı announced the figures for 2011 in which he said the work that they transferred to sub-industries had a value of 1.2 million hours in terms of labor hours and the payment that was made for this reached 40 million dollars. The change in the number of parts received between the two periods was realized at an increase from 15,000 parts to 600,000 parts. TUSAŞ is till discussing the production and relevant processes of 5,400 parts with 94 companies. Dörtkaşlı also conveyed information about the nature of the work that they had transferred to sub-industry. He said that in the period of 2005-2006 their policy was to transfer machining, cabling and set/apparatus production to sub-industry; whereas today they will start transferring composite detail production, sheet metal and sub-assembly work as well. Dörtkaşlı said that today a major portion of the work that could be given had already been transferred to sub-industry and that in order to give more work TUSAŞ has to grow as well. He added that in order for this to take place additional steps have to be taken concerning the certification of sub-industry. Dörtkaşlı supplied detailed information on this subject and said that foreign companies are not as enthusiastic about the certification of sub-industries in aviation work and that this certification process could take up to a year. The solution suggested by Dörtkaşlı on this subject is for the government agencies, starting with the Defense Industry Undersecretariat, to guide foreign companies on this subject. Another subject that was emphasized by Dörtkaşlı

was the distinction between military and civil projects. Dörtkaşlı, who pointed out that the production numbers in some military project are very low, for example only 4 planes were produced for the Peace Eagle project, and the transfer of work to sub-industry in these kinds of projects sometimes require just as much or sometimes more work than the project itself so civil projects that extend into years and include high production amounts are more able to be transferred. Dörtkaşlı also made an interesting point in his speech when he mentioned that the subject of personnel transfer that had come up in the agenda between companies and caused various arguments had also begun to be a factor among the sub-industry companies and that these companies had been coming to them for a solution to this problem. At the end of his speech he also pointed out a nice coincidence to the participants that almost all of the companies that had signed the protocol were producing parts for the HÜRKUŞ (Free Bird) airplane that was expected to emerge from the hangar in June.

### **We are applying what we have learned from SSM**

OSTİM Board of Directors Chairman Orhan Aydın who took the stand next started his speech by emphasizing that TUSAŞ and similar organizations are very important for SME's (Small and Medium Sized Enterprises). Aydın, who said that it is no coincidence that there is a conglomeration of defense industry at OSTİM and that they were formed primarily by the existence of TUSAŞ, ASELSAN and other companies, that these companies served as a school, a teacher and a consultant for SME's and that there were no such establishments in other sectors. Aydın, who gave an example at this point, said that ASELSAN was on one side of the road and TEMSAN on the other; when the two were compared A significant portion of ASELSAN's work volume at around 750-800 million dollars was being done at OSTİM but no work was coming to them from TEMSAN at all. Aydın, who explained that this issue had been conveyed to the Ministry of Energy and Natural Resources, underlined the fact that they would work until they could make TEMSAN another ASELSAN. The main focus of Aydın's speech was DIU and sector applications. Aydın said that, starting with the signatures that were signed at the ceremony, behind each development in the defense sector stands the DIU, a model agency that knows what they are doing and possesses a strategy. In another comparison made on an example given from the energy industry, he pointed out the main reason for similar developments not taking place in the energy industry was the lack of a will such as the one of the DIU. Aydın continued by saying that as witnesses to the results of this example setting and strategic work of the DIU they have commended the approach of the DIU in other platforms as well and pointed out that if what the DIU has done is not done in other sectors it would not be possible to close the foreign trade and current deficit. Another example that Aydın gave on this subject was the Ankara Metro Tender. Aydın explained that because of the lack of an owner for the sector and work concerning railed systems, they were only able to take half of the 700 million dollar Ankara Metro job which they achieved by using a model they had learned from the DIU in which they had a condition for fifty percent local contribution included in the tender. Aydın said that what needs to be done is to start preparations 3 years in advance as they had done in the DIU model, that because no one had taken ownership of the sector this delayed work was only being done now; that they were working on a local rail vehicles conglomerate organization and said in a definitive way that they would show everyone that the next Ankara Metro line could be produced completely locally.

## **Now the Industry Must Come Forward**

In the last speaker of the ceremony, Murat Bayar's speech, he pointed out that the number of players in the defense industry and their talents had increased significantly in our day and that sector companies now made investments with their equity capital as well, that from time to time that had witnesses some surprising talents in this subject and gave the railed system developed by Durmazlar Makina San. ve Tic. A.Ş.; located in Bursa, with their own investment.

Bayar continued to describe how in the early days when the Turkish Defense Industry was first beginning to develop there were no sub-industries that companies like ASELSAN and TUSAŞ could give work to, therefore they developed all their talents within their own capacities and emphasized that this situation caused the development of sub-industries to work against main companies. While he agreed that public agencies need to provide guidance he continued to say that after a time the industry must step forward and draw the public. Bayar concluded by saying that the protocols which would be signed would reflect on the DIU and customers as financial activity, dynamism, agility and international competition. The ceremony was concluded with the signing of the protocols.

## **BALANCED GROWTH IN THE AVIATION SECTOR**

An interesting point was included in the article titled "The Brazil Report" of the May 22-28 issue of Flight International Magazine. According to this Brazil which has developed a wide variety of products from passenger planes to training and close range aviation support planes under the roof of Embraer and possesses one of the best aviation industries in the world, has fallen behind in the aviation sub-industry to a degree that is surprising. The magazine has connected this to two main reasons. The first reason is that Emraer was previously a public company and came from a tradition of vertical integration; the second is that Embraer is forced to work with subcontractors that possess foreign-based and matured products in order to make important technological advancements. The Brazilian example shows us that the degree of advancement in the aviation sub-industry of a country may not always be in correct proportion with the level of advancement of the country's aviation industry. In light of developments, we can make the assessment that the DIU and TUSAŞ are continuing to take steps to ensure the balanced growth together of the Turkish aviation sector, main contractors and sub-industries by giving support to sub-industries.

Picture 1: The youngest company among TUSAŞ's strategic sub-contracted companies became Yüksel Kompozit.

Picture 2: TUSAŞ General Manager Muharrem Dörtkaşlı

Picture 3: While TUSAŞ and MEGE Technique signed the cooperation protocol.

Picture 4: OSTİM Board of Directors Chairman Orhan Aydın

Picture 5: Defense Industry Undersecretary Murad BayarPicture 6: Küçükpazar Havacılık also took their place among TUSAŞ's strategic sub-contracted companies.

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