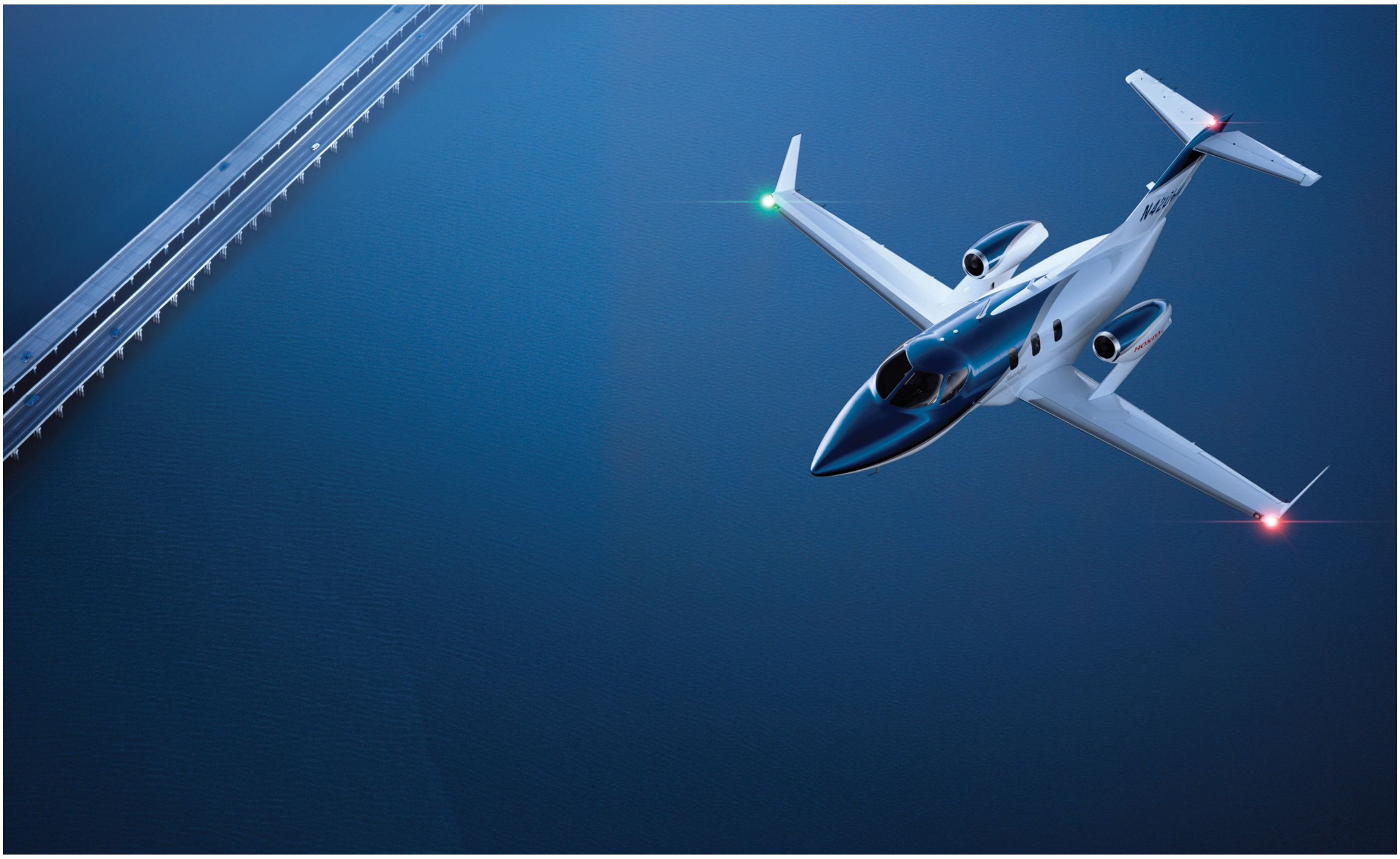
IRAN – THE NEXT BIG BUSINESS JET MARKET

News / Business aviation



Emad Sharghi, the founder and CEO of aircraft brokerage firm, Executive Aircraft Sales, likes living in different places.

He and his wife have lived in the UK, the US and, for the last seven years, in the UAE. His children are heading to college soon, so he and his wife are considering moving again next year.

“We each wrote down the top three places we would like to move on a piece of paper, before showing them to each other,” says Sharghi.

At the top of each of their lists was the same city: Tehran.

“I left **Iran** in 1978. Until two years ago I had been back two or three times. In the last seven months I have been six times,” says Sharghi. “It is a really pleasant and friendly place to visit. Over the last few years I have taken a number of people to visit and I have been so proud of how they have made us feel at home.”

The move is not just about a place to live.

“Iran’s business aviation **market** could easily reach the size of Turkey”

“Iran’s **business jet** market is where Turkey was in mid 1990’s,” says Sharghi. “If sanctions are removed – and I am optimistic – Iran’s business aviation market could easily reach the size of Turkey.”

Forty years ago Iran was the biggest aviation market in the Middle East. Iran Air ordered two Concorde aircraft in 1972 and Tehran was served by most of the world’s airlines. It was the Middle Eastern hub before airlines like Emirates had even launched. But this ended with the 1979 revolution. The US and many other countries brought in tough sanctions immediately that made the sale of aircraft with US content in Iran impossible. Now, some of these sanctions may be removed.

Iran and the USA, the UK, France, Russia, China and Germany have agreed what they called a Joint Comprehensive Plan of Action (JCPoA). The plan basically agrees that when International Atomic Energy Agency verifies that Iran is not seeking to develop or buy nuclear weapons, some sanctions against Iran will start to be lifted.

Sharghi is not the only aircraft broker who is excited about the country.

“There is latent demand for business aviation.”

“We are really excited about the opportunities. We have been doing some groundwork in Iran for a few months,” says Kurosh Tehranchian, chairman and CEO, of Axon Aviation. “There is latent demand for business aviation.”

Axon Aviation has opened an office in Tehran but cannot conduct any business there whilst sanctions remain. Visitors can also not access email that is stored on US servers.

How many business jets will Iran buy?

“Iran today is how Russia and China were 20 year ago after decades of Communism,” says Alireza Ittihadieh, chairman of Freestream Aircraft Bermuda. “We need to wait for sanctions to officially be removed, but it will clearly become a big market.”

After Saudi Arabia, Iran is the second largest economy in the Middle East and it has the second largest population (after Egypt). Much of the economy is dominated by energy – the World Bank says that it ranks second in the world in natural gas reserves and fourth in proven crude oil reserves.

Low oil prices will hit the economy in the short term, but GDP should also get a boost if sanctions are lifted. Sanctions mean that the government is also a shareholder in many banks and industrial companies. The World Bank ranks it 130th out 189 countries in its 2015 Doing Business Report.

Iran has 75 airports capable of taking business jets Iran has plenty of runways. This is a significant number for a country outside of the US and flying in the country is easier than China, for example. (Iran is roughly size of Alaska or twice the size of Texas. Alaska has 30 business jet airports, Texas 230).

Ittihadieh adds: “It is not just about jets. There will be big opportunities for helicopter companies –

particularly Bell which has a big fleet – and for Cessna for smaller aircraft for crop spraying and general aviation.”

The partial removal of sanctions will lead to an influx of international businesses that want to visit. With 19 UNESCO World Heritage Sites – including amazing ancient ruins such as Persepolis, founded by Darius I in the 518 BC – it will also become a popular tourist destination.

But visitors may be cautious about flying on Iranian airlines. Sanctions stopped airlines from obtaining spare parts and the country’s safety record is bad. The Aviation Safety Network, run by Flight Safety Foundations, lists 16 incidents in Iran in the last five years resulting in 312 deaths. Many large companies have policies that will not allow employees to fly on domestic flights.

“It may take time for Iran to get a business jet culture,” says Ittihadieh. They simply have not had the opportunity. “But it will definitely come.”

> “The streets of Tehran are full of Ferraris and Porsches”

Tehranchian agrees: “The streets of Tehran are full of Ferraris and Porsches despite a 200% import tax on luxury goods – which does not apply to aircraft. As soon as the door is open Iran will become a big market.”

In 2004 Tehranchian co-founded Ocean Sky, an operator (along with Niki Rokni who is also a partner in Axon Aviation Group). “There will be lots of opportunities for operators and MROs but our interest is in sales,” says Tehranchian.

Although financing aircraft is allowed, under the sanctions, financiers will take time to get comfort from Iran’s legal system. Iran has not ratified the Cape Town Convention. Financiers may prefer financing aircraft that are operated from the UAE.

> “If sanctions are removed I think it will take three months for the first business jet sale.”

Whilst all of the brokers are optimistic, sanctions are not being removed overnight.

“Iran is going to be a big market,” says Sharghi, “and this is the most optimistic I have felt about the possibility of the removal of sanctions for years. But the first business jet will probably not be sold for 18 months after sanctions are dropped completely. It could be three years but it will happen.”

Tehranchian is more optimistic about the first sales. “There is latent demand. If sanctions are removed I think it will take three months for the first business jet sale. It has the demand, it has the infrastructure and the money is there.”

Iran's potential in numbers

	Iran	Russia	Saudi Arabia	Turkey	UAE
2014 Population	80.8 million	143.8 million	29.37 million	75.84 million	9.446 million
2014 UHNWI	645	1,230	1,495	915	1,275

	Iran	Russia	Saudi Arabia	Turkey	UAE
2014 GDP	$406.3 billion	$1.86 trillion	$746.2 billion	$799.5 billion	$401.6 billion
Source: World Bank					
2015 GDP Forecast	0.6%	-2.7%	4.6%	3%	-
Landmass (sq km)	1,531,595	16,377,742	2,149,690	769,632	83,600
Business jet airports	75	117	46	57	12
Airports per square mile	20,421	139,980	46,732	13,502	6,996
Business jet fleet	8			110	

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