

SPECIAL NEWS
Domestic Economy Desk

Post-sanctions Iran helps
planemakers solve jet problem

Iran's return to the world economy is helping planemakers cope with a downturn in global demand, providing homes for airplanes orphaned by reversals in the growth plans of airlines elsewhere.

According to Reuters, planemakers are also gambling that the early delivery of such aircraft could help prop up a nuclear sanctions deal between Iran and world powers, Western sources said.

Since sanctions were lifted under the deal to reopen trade and modify Iran's nuclear projects, the Islamic Republic, trying to boost its economy after years under sanctions, has joined a waiting list of up to eight years for 200 new aircraft.

However, efforts to meet its most immediate needs have been boosted by financial problems facing other airlines across the globe as new airplanes come onto the market at bargain prices.

"We hunt opportunities in the market. If there are opportunities, we can take advantage of that," Iran's Deputy Roads and Urban Development Minister Asghar Fakhrieh-Kashan told Reuters.

Despite denials by manufacturers that the downturn is hurting, Iran's return to the market has brought to light pockets of surplus aircraft.

So far Iran has taken delivery of three Airbus jets. Industry executives say they were left on the planemaker's books when their Colombian buyer, Avianca, balked at taking delivery. Such orphan planes are often known as 'white tails'.

Last week, Iran also signed a deal for 20 ATR turboprops. Unusually in a risk-averse industry with high costs, four of those are already built and ready to be delivered: Short-circuiting their usual 18 months' waiting time.

Although it denies they are 'white tails', ATR took the rare decision to build them for Iran Air before the final contract was signed. Analysts say that too is a signal of market weakness as manufacturers wrestle with weakness in developing economies.

Turkish swap

While Iran's aviation industry is coming out of decades of cold storage as sanctions are lifted, Turkey has seen a slump in travel demand after a failed coup and attacks in major cities.

Now, Turkish Airlines is having doubts about taking one of the industry's key growth engines, a 350-seat Boeing 777-300ER.

Uncertainty over next month's scheduled delivery contrasts with Iran's urgent need for the same model — the first of which is due to be delivered to Tehran in April or May next year.

At Boeing's suggestion, Iranian representatives are now inspecting the Turkish configuration to see whether the airlines could swap deliveries, Fakhrieh-Kashan confirmed.

Iran has ordered 15 777-300ERs as part of a deal for 80 Boeing jets. They are crucial to Boeing's efforts to steady declining 777 production, pending the arrival of a new model.

Since all planemakers need US export licenses due to the number of US parts in their planes, any decision to block the Boeing deals would likely halt European activities in Iran too.

"It helps to bring Boeing to the same table as everyone else," said a senior European industry executive, referring to the talks to swap Turkish and Iranian deliveries.

Iranian officials have however been forced to defend the reshuffling from suggestions that Iran is getting cast-off airplanes. They stress the Avianca jets, for example, had been sitting unused for two years and had never flown commercially.

"It is good for Airbus and Boeing, but this is part of the game that everyone knows," Fakhrieh-Kashan told Reuters.

Tehran Province aims for \$2b in
foreign investment

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Tehran Province has set goals to attract \$2 billion in foreign investment during the year to March 21, 2018, said the provincial governor general.

Speaking at a meeting in Tehran, Hossein Hashemi noted that the goals will be followed up as long-term, mid-term and short-term plans, IRNA reported.



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Hashemi said managers of executive bodies have been tasked with pursuing measures to absorb foreign investment and put forward quarterly reports.

The investment targets are in line with plans to materialize the objectives of 'resistance economy'.

Leader of the Islamic Revolution, Ayatollah Seyyed Ali Khamenei outlined the policies of 'resistance economy' to boost national economy and reduce its vulnerability.

It calls for reducing dependence on foreign goods and buttressing the production sector.

Lufthansa in talks with Iran Air
on catering, maintenance deals

Lufthansa is in talks with Iran Air to provide catering, maintenance and pilot training services as it seeks to take advantage of emerging business opportunities in the country, executives at the German airline group said on Wednesday.

Foreign companies have been vying for contracts in Iran since economic sanctions were lifted last year in return for Tehran's modification on its nuclear technology development projects, Reuters reported.

"We are in very, very intense discussions, actually almost on a weekly basis," said Karsten Zang, Lufthansa's regional director for Persian Gulf, Iran, Pakistan and Afghanistan, at a press briefing in Dubai.

Lufthansa Group subsidiaries LSG Sky Chefs, Lufthansa Technik and Lufthansa Pilot Training are seeking the contracts with Iran Air whilst the group is also in talks to provide services to other Iranian aviation firms, he told reporters at a company briefing in Dubai.

Iran has signed orders for 20 new Western-built aircraft for Iran Air, taking delivery so far of two new Airbus A330s and an A321.

"We are talking with Iran Air because their new aircraft are coming. They need training, of course, and we have the experience in all of these fields but we can't give timelines," Zang said.

"We are hoping this business will pick up because the market as such is a huge mar-



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ket with high potential," Lufthansa Group's Senior Vice President for Sales Heike Birleben said.

Last year the group axed plans for its budget carrier Eurowings to launch a service to Tehran after deciding the market de-

mand was not there, although its other airlines Lufthansa, Austrian and Swiss already fly to Iran.

Iran ready to build
hydroelectric power plants
in Kyrgyzstan: Minister

Iranian Foreign Minister Mohammad Javad Zarif said Iran is prepared to help Kyrgyzstan build small and giant hydroelectric power plants.

"The Islamic Republic has much experience in building dams and power plants and can help the government in Bishkek in this field," Zarif said at a joint press conference with his Kyrgyz counterpart Aabyldaev Erlan on Wednesday, reported Fars News Agency.

"In addition to building small and big hydroelectric power plants, Tehran is ready to provide medicine and transfer new technologies to Kyrgyzstan," he added.

Zarif underlined that there are no restrictions for cooperation with Kyrgyzstan.

He also voiced Tehran's readiness to develop trade and economic relations with the Kyrgyzstan.

"Iran considers no limit in the development of cooperation with Kyrgyzstan, particularly in the trade and economic fields," Zarif said in an address to the Trade and Economic Conference in Bishkek.



He said that Iran was one of the first countries that recognized Kyrgyzstan's independence, adding, "We will not forget the friends who were helpful during hard times."

Zarif also pointed to Iranian President Hassan Rouhani's visit to Bishkek in December 2016, and said, "Ground has been paved for development of cooperation between the two states."

Iran raising iron ore pellet
production capacity



imidro.gov.ir

Iran's largest steel producer, Mobarakeh Steel Company (MSC) has completed the installation of a new five million ton per iron ore pelletizing plant in Sangon, northeastern Iran, and is ready to start commissioning following the final testing within next few days, according to a company statement.

Another MSC project — a five-million ton per year iron ore concentrating plant also in northeast Iran — is expected to be completed by March 2018, MSC Managing Director Bahram Sobhani said adding that about \$306 million has been invested for the pelletizing project, Platts reported.

MSC used to import a portion of its pellet requirements, but these have been halted for a year. Pellets are currently supplied by domestic producers.

Iranian companies produced 25.8 million tons of iron ore pellets in the Iranian year to March 20, 2017, and the capacity is expected to increase to about 42 million tons up by March 2018, according to Iranian Mines and Mining Industries Development and Renovation Organization (IMIDRO).

MSC recently increased its steelmaking capacity to 9.45 million tons per year from last year's 7.65 million tons, following the commissioning of a new casting machine which raised output at its main plant, in Isfahan, to 7.2 million tons per year.

The company is also increasing capacity at Saba Steel, its affiliated thin-slab strip producer in Isfahan, to 1.6 million ton per year from 750,000 ton year, which will increase MSC's overall nominal capacity to 10.3 million tons per year.

Kuwait: Iran may keep same oil output

From Page 1

Sanusi Barkindo said that we are optimistic that the policy measures we have taken already place us on the path of recovery.

OPEC members agreed in November to cut production by 1.2 million barrels per day for six months beginning from the start of the year.

Some non-OPEC producers, led by Russia, joined in December by committing to cut output by 558 mbd.

The OPEC chief did not take a position on whether oil ministers from participating countries would extend the cuts when they meet in Vienna next month.

"These 24 countries, I believe, will take a decision that will be in the best

interest of not only producers but also consumers and the global industry in general," he said.

OPEC and non-OPEC producers said after talks in Kuwait last month that they were looking into extending the output cuts, as compliance with the agreement has increased.

UAE Energy Minister Suhail al-Mazrouei said that it was "still premature to make any decision" on the cuts.

"The market is correcting itself. So far we have not seen huge fluctuation in the price, which is a good thing," he said.

"We want stability in the market," he added.

Barkindo said the joint action has put OPEC and other producers in the 'driving

seat' to dictate events instead of 'reacting to market developments.'

The cuts were agreed to help restore market stability "by addressing one variable, which is stock," he said.

"As a result of the rising stock over the past years, the equation has gone out of balance."

All producers taking part in the cuts are committed to restoring stability, he said.

Oil prices have dropped by around half since 2014 and currently hover just above \$50 per barrel.

Barkindo and al-Mazrouei also said at the Abu Dhabi conference that it's too soon to talk about Iran, Libya and Nigeria joining the cuts if the output reduction agreement is extended beyond June.