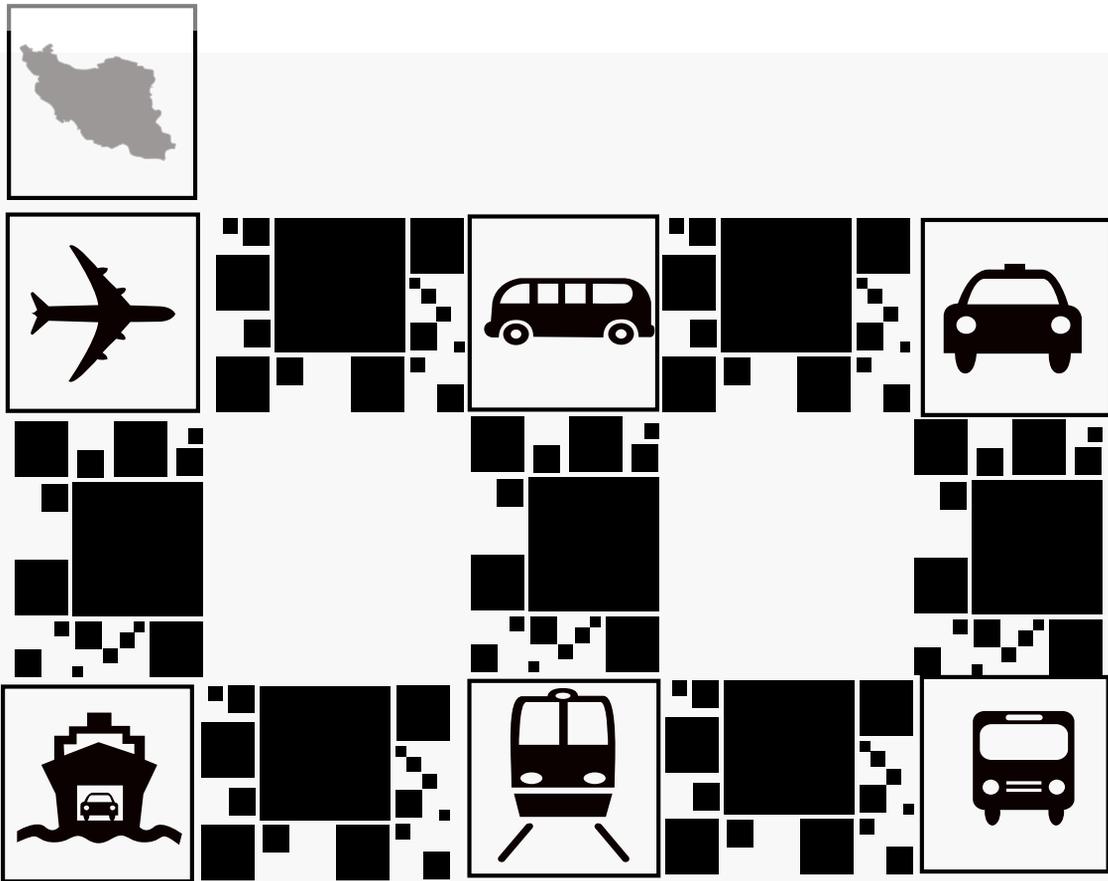


Iran Logistics Industry



December 2016

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Iran Logistics Industry at a Glance



Number of
international passengers

6,747,787

2014

Number of
internal passengers

17,582,008

2014

Amount of internationally
transported goods

40,561 tons

2015



Number of
passengers (2014)

24,452,603

Number of stations

477

Number of
locomotives

901



Number of truck
trips (Imports)

76,522

The average weight of
transit products

21 tons

Number of truck
trips (Exports)

287,262



Number of
container ships

159

Total capacity of ships

5.2 million tons

Iran
territorial waters

5,800 km

1. Introduction

As home of one of the most ancient civilization of the world, Iran has a broad variety of business and logistics attractions to offer. During last years, the Iranian government was actively seeking to develop the logistics infrastructures industry and improve its global ranking.

Iran used to be one of the most important countries in the way of silk road in ancient times, and nowadays because of its strategic location in the Middle East is considered as one of the important hubs in the world.

Some of the key points about Iran logistics conditions are as the following:

- Vast country (near 2,500 km sea borders and 6,500 km land borders)
- Neighbors - Iran has land and sea borders with 13 countries directly
- Easy access to open seas
- Easy access to many countries in the Middle-East
- Located in 5 international transit and business corridors: International North-West Transport Corridor(INSTC), Transport Corridor Europe Caucasus Asia (TRACECA), International East-West Transport Corridor (IEWTC), South Asia Corridor and Asian Land Transportation Infrastructure Development (ALTID)
- Usage of 4 way transportation with proper infrastructure such as: roadway, railway, airway and seaway
- Great capacity of exchanges between Iran's northern neighbors and southern
- Several appropriate and strategic ports such as *Shahid Rajai Port*
- Free Trade Zones, especially beside Persian Gulf
- Low price of fuel and energy
- Low labor costs
- Suitable railway transportation network

Finally, as an important point in Iran's contemporary history, the election of a moderate president in 2013 and its comprehensive deal with other leading countries around the nuclear deal has been the restarting point for many changes in the country.



2. Iran – International Logistics

Logistic Performance Index

The Logistic Performance Index (LPI) is based on a worldwide survey of operators (global freight forwarders and express carriers), providing feedback on the “**logistic friendliness**” of the countries in which they operate and of those with which they trade. They combine in-depth knowledge of the countries where they operate, informed qualitative assessments of other countries they trade in and, their experience of global logistics environment. Feedback from operators is supplemented with quantitative data on the performance of key components of the logistics chain in the country of work.

The LPI consists therefore of both qualitative and quantitative measures and helps build profiles of **logistic friendliness** for these countries. It measures performance along the logistics supply chain within a country and offers two different perspectives: international and domestic.

The LPI overall score reflects perceptions of a country's logistics based on efficiency of the customs clearance process, quality of trade and transport-related infrastructure, ease of arranging competitively priced shipments, quality of logistics services, ability to track and trace consignments, and frequency with which shipments reach the consignee within the scheduled time. The index ranges from 1 to 5, with a higher score representing better performance.

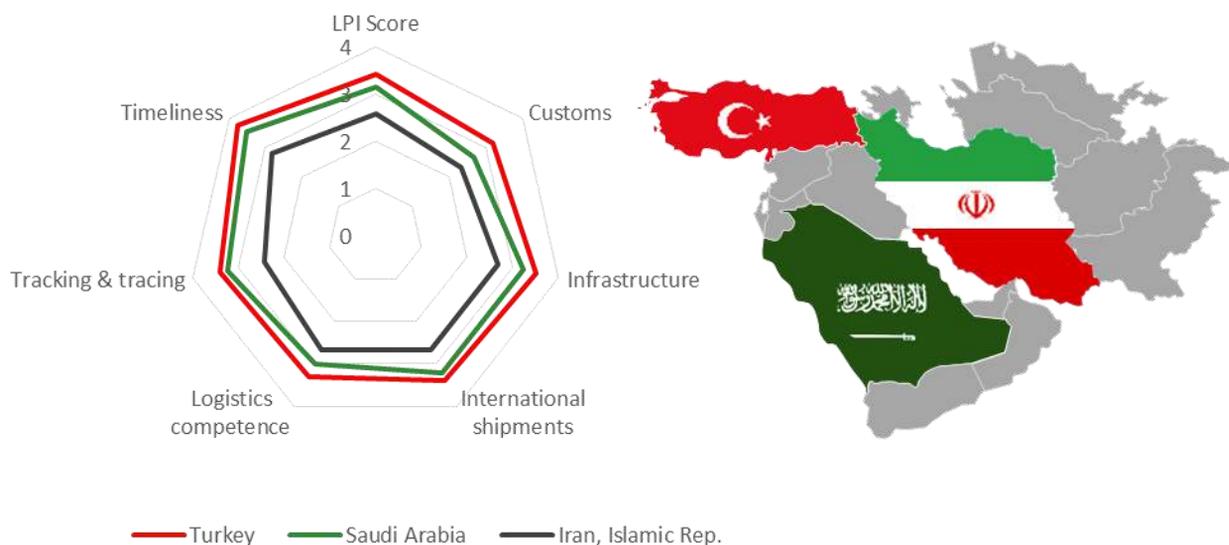
Countries are assessed on the basis of six key dimensions:

- Efficiency of the clearance process (i.e., speed, simplicity and predictability of formalities) by border control agencies, including customs;
- Quality of trade and transport related infrastructure (e.g., ports, railroads, roads, information technology);
- Ease of arranging competitively priced shipments;
- Competence and quality of logistics services (e.g., transport operators, customs brokers);
- Ability to track and trace consignments;
- Timeliness of shipments in reaching the destination within the scheduled or expected delivery time.

Region	LPI Score	Customs	Infrastructure	International shipments	Logistics competence	Tracking & tracing	Timeliness
Region: Europe & Central Asia	3.03	3.16	3.14	3.17	3.24	3.62	3.23
Region: East Asia & Pacific	2.98	3.02	3.08	3.07	3.12	3.54	3.14
Region: Middle East & North Africa	2.6	2.78	2.96	2.81	2.86	3.29	2.89
Region: Latin America & Caribbean	2.48	2.46	2.69	2.6	2.67	3.05	2.66
Region: South Asia	2.42	2.45	2.68	2.56	2.56	3.03	2.62
Region: Sub-Saharan Africa	2.36	2.29	2.49	2.42	2.39	2.84	2.47
Iran, Islamic Rep.	2.6	2.33	2.67	2.67	2.67	2.44	2.81

Within the Middle-East region, Turkey and Saudi Arabia have similar LPI scores across most aspects, while Iran still is far behind them.

The Iranian government has acknowledged many of these deficiencies and has prioritized improvements in the future. Post the adoption of the JCPOA, a substantial step forward can be expected, which should result in Iran's LPI increasing over the coming years.



Iran Trade Status

Iran's total non-oil exports in 2015 (including gas condensates) was 93.5 million tons and 42,414 million USD.

Iran's total imports in 2015 reached 35 million tons and amounted to 41,490 million USD.

Iran is the 56th largest Export country, with the five largest categories by value (in million USD) being:

- Oil gases and gaseous hydrocarbons - 1,580
- Propane - 1,422
- Petroleum bitumen - 1,239
- Polyethylene film grade - 1,108
- Iron and steel products - 1,092

Iran is the 51st largest Import country, with the five largest categories by value (in million USD) being:

- Animal maize - 1,405
- Wheat seed - 862
- Soybeans - 728
- Rice - 680
- Soybean meal - 672

16%

Iran's export share in the Middle East
(including oil)

0.62%

Iran's export share in the world
(including oil)

12%

Iran's import share in the Middle East

0.25%

Iran's import share in the world

Iran's key ally in trade is China both in the export and import of products. The following statistics show the top five export/import countries and the trade value in billion USD in 2015.

Export

These countries make up for 65.7 % of Iran's total exports:



China
7.2



Iraq
6.2



UAE
4.9



Afghanistan
2.5



India
2.5

Import

These countries make up for 65 % of Iran's total imports:



China
10.4



UAE
7.8



Korea
3.6



Turkey
3.0



Switzerland
2.5



Amount of international transported goods (2015)

Import: 36,383 thousand tons
Export: 137,710 thousand tons



Amount of international transported goods (2015)

Import: 3,233 thousand tons
Export: 7,345 thousand tons



Amount of international transported goods (2015)

Import: 1,536 thousand tons
Export: 6,621 thousand tons



Amount of international transported goods (2015)

Import: 32,312,463 kilograms
Export: 32,918,602 kilograms

3. Iran – Logistics Today

Iran Railway

Iran's first line was the Trans-Iranian railway, built in the 1930s to connect the Caspian Sea at Bandar-e-Torkaman with the Persian Gulf at Bandar-e Imam Khomeini. The topography of Iran consists of rugged, mountainous rims surrounding high interior basins and this has played a large role in stifling development of a comprehensive railway network. **The Trans-Iranian railway for example required more than 3,00 bridges and over 100 tunnels.**

Iran's rail infrastructure requires significant investment. Currently there is less than 13,000 kilometers of track. For a country of its size, some 1.64 million square kilometers, this is far from adequate for both passenger travel and international trade. If you compare the length of Iran's railway lines to that of country's with a similar area, Germany has 19 times more than Iran, Poland 10 times more and Turkey has more than double.

There are however significant plans to invest and expand railway infrastructure with an expected spend of over 8bn USD in the coming 5 years. The ultimate goal is increase total rail cover to over 25,000 kilometers by 2025. This is much needed and should add significant value to Iran's economy over time, allowing more domestic and international trade.



869

Number of locomotives in 2014



2,205

Number of passenger cars in 2014



22,715

Number of freight cars in 2014

	2012	2013	2014
Number of passengers	27,015,250	25,533,120	24,802,384
Exported tonnage	6,485,003	6,457,287	6,682,003
Imported tonnage	2,861,493	1,900,467	3,693,018
Tonnage of non-oil transit	704,801	361,232	715,497
Number of freight cars	22,230	22,562	22,715
Number of passenger cars	2,105	2,160	2,205
Total number of locomotives	778	821	869

Iran Airway

There are 8 active airports in Iran. Imam Khomeini Airport, located 30 kilometers south west of Tehran, is the largest and most profitable one. In 2015, it handled over 6.5 million passengers, and this is expected to grow to 8 million in 2016.

According to the Minister of Transportation and Metropolitan Development, there are 266 aircraft in Iran, however **only 108 of which are currently active and just 12 were built after the year 2000**. There is an intention to modernize their fleet however, with nearly 550 planes likely to be purchased by 2025. **Post the adoption of the JCPOA, Iran Air has already put forward a purchase order of up to 100 Boeing Aircraft.**



47,688

Number of international revenue generating flights, (2015)

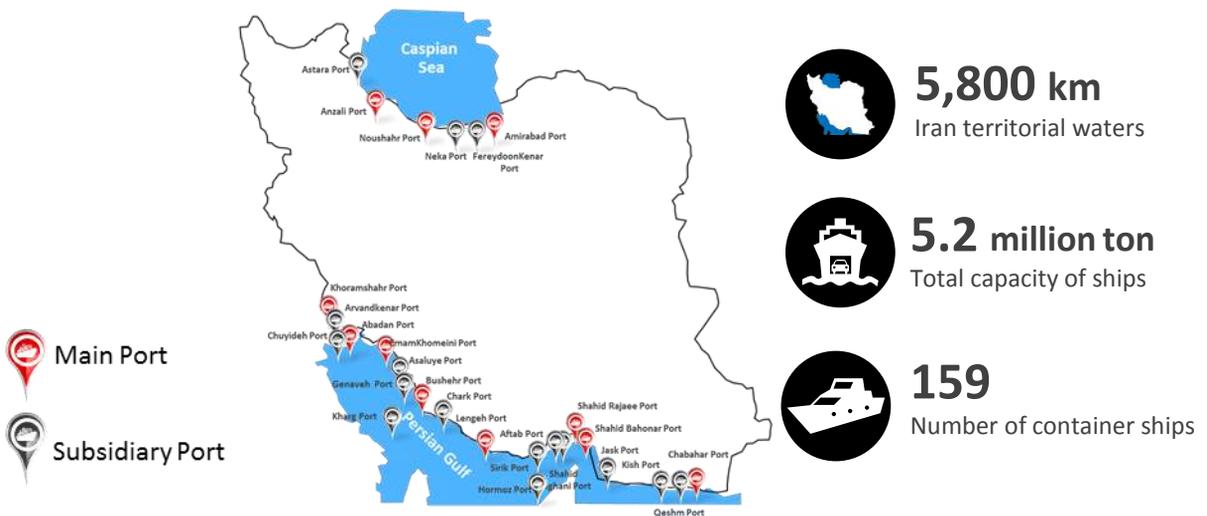
162,598

Number of domestic revenue generating flights, (2015)

Year	Number of domestic passengers	Number of international passengers	International flights distance (thousand km)	Domestic flights distance (thousand km)	Tonnage of domestic load	Tonnage of international load
2011	16,447,336	5,149,895	67,419	106,427	65,556	67,124
2012	16,543,171	5,003,872	65,019	149,523	25,262	49,801
2013	16,757,734	6,099,606	62,709	152,070	13,763	29,235
2014	17,582,008	6,747,787	78,670	118,647	12,514	33,358

Iran Seaway

With almost **90 percent of Iran's foreign trade taking place through its territorial waters**, Iran's ports (of which there are 11 primary ones) are especially important. The Islamic Republic of Iran Shipping Lines Group is the primary domestic player in this area, and following the adoption of the JCPOA, have announced their intention to be one of the worlds top 10 shipping lines by 2020.



Iran Roadway

Iran has a total area of 1,648,195 square kilometers including 31 provinces. All provinces, capital and main cities, villages and urban areas are connected via roads. Roads similarly link Iran internationally via borders at the north, west and east of the country. In total there are 83,485 kilometers of “inter-province” roads, including main roads, highways, freeways and access roads and a further 140,000 kilometers of inner-town and suburban roads. **There are over 11 million registered vehicles in Iran.**

All freeways and highways are asphalted and surfaces are in good condition. Around 28,000 kilometers of inner-town and suburb roads are not asphalted however the surface condition is good and all are accessible for small trucks and vehicles.

Road marking and guard rails are under maintenance and supervision of the Ministry of Roads and Construction. All roads are under control of the Traffic Police and security-wise under control of the Security Police Force. On all highways, main roads and freeways, the speed control is under supervision of the traffic police and all highways and freeways are equipped with speed-cameras. All trucks and transit trailers are equipped with GPS in order to allow the police to locate and control them.



76,522

Number of truck trips
(Import)

499 km

The average distance
traveled per trip (internally)

287,262

Number of truck trips
(Export)

25,748

Number of truck trips
(internally)



1,609 km

The average distance transit
per trip internationally



21 tons

The average weight of
transit products

Classification	Network Length (km)
Freeway	1,692
Highway	7,516
Main Road	21,402
Access Road	43,174
Inner-Town Road	599
Suburb Road	136,638

4. Iran – Logistics Big Players

There are 3 main categories for Iran logistics' stakeholders: Government and local Authorities, Associations and Academia, and Operators. Each of these contain a number of subcategories. The diagram below explores this further.

Operators	Government and Local Authorities
<ul style="list-style-type: none"> Islamic Republic of Iran Shipping Lines (IRISL Group) Sina Port and Maritime Company Tidewater Middle East TukaRail Co. Persian Gulf International Transportation Co. Tosse Tarabar Iranian T.T.I Chain International Transportation Kaveh Logistics Behdash Sepahan Company Iran Air Khadem Logistics Holding Asia Seir Aras Co 	<ul style="list-style-type: none"> Ministry of Roads and Urban Development Road Maintenance and Transportation Organization Ports and Maritime Organization Civil Aviation Organization The Railways of Islamic Republic of Iran
	Associations and Academia
	<ul style="list-style-type: none"> Iran Logistics and Supply Chain Society Logistics Study and Research Center of Imam Hossein University The Institute for Trade Studies and Research



IRI Shipping Line		Tidewater Middle East		TukaRail Co.	
Gross Profit	2.2 million USD	Gross Profit	16.2 million USD	Gross Profit	14.5 million USD
Income/Sales	10.7 million USD	Income/Sales	42 million USD	Income/Sales	58 million USD
Capital	475 million USD	Capital	28.9 million USD	Capital	58 million USD
Shareholders percentage of ownership		Shareholders percentage of ownership		Shareholders percentage of ownership	
Social Security Investment Co.	21.82	Dena Faraz Energy	63.9	Tuka Foulad Investment Co.	40.85
Governmental Trading Corporation of Iran	5.79	Ganjineh Arman Shahr Investment Fund	1.49	Armed Forces Social Security Investment Co.	33.55
Civil Servants Pension Fund	4.27	Other shareholders	34.61	Tuka Transportation Co.	5.41
Other shareholders (less than 4%)	68.12			Other Shareholders	20.19

5. Iran Logistics' Strengths and Weaknesses

Strengths

Railway:

- Drawing out long and short-term plans of railway development in goods and passenger transport, infrastructure and equipment;
- Less environmental pollution;
- More safety than other transportation methods;
- Low production costs;
- Low finished costs;
- Strong emphasis by the leader and senior managers of Iran on the development of railway transit.

Airway:

- Large number of airports across the country with proper infrastructure;
- Strategic geographic location. Using the Iranian air corridors allows for a reduced travel time between Europe and Asia;
- All but one province have an airport. Overall there are 54 airports in Iran;
- A planned increase of the fleet size after the lifting of sanctions.

Seaway:

- Drawing out comprehensive development plan of Iranian commercial ports;
- Having close distance to both European and Asian ports;
- Iran ranks first in the region for the number of oil tankers and maritime infrastructure and equipment;
- More than 90% of Iran's trade with the rest of the world is operated through maritime transportation;
- Some ports, like Amirabad, are equipped with multimodal transportation facilities.

Roadway:

- Strong local competencies to develop the road infrastructure;
- Foreign Investment is encouraged;
- High potential for the manufacturing of commercial vehicles locally;
- The country is situated between numerous international corridors, especially the north-south connection.

Weaknesses

Railway:

- Insufficient number of locomotives relative to the railway lines and to available carriages;
- Old carriages;
- Lack of professional facilities for goods transportation;
- Lack of railway lines leading to commercial ports such as Chabahar, Asaluyeh and Bushehr port;
- Slow growth of rail transportation in comparison to roadway transit;
- Lack of multimodal and combined goods transport;
- Lack of diesel repair facilities.

Airway:

- Obsolete air fleet;
- Lack of collaboration and coordination with other transportation sectors;
- Low profitability of the Airports: out of 54 airports, 51 are not profitable;
- Lack of open skies policy. There is no competition between airlines resulting in a low optimization of the service;
- Low productivity aviation industry due to poor management;
- Lack of regular flights to export destinations.

Seaway:

- The lack of competition resulting from strict regulations is harmful to the development of the sector;
- Lack of coordination between internal and international rules and laws;
- Insufficient standard containers for transporting special goods;
- Services provided by ports do not match international standards;
- Non-conformity to the latest technological achievements.

Roadway:

- No precise objectives have been defined for this sector in the 6th development plan;
- Lack of proper strategy to develop and renew infrastructure;
- High dependency on governmental resources to develop infrastructure;
- Governmental decision-making slows down procedures;
- Average fleet age is 20 years (trucks);
- Insufficient number of trucks especially along international corridors;
- Trucks do not fit European norms, and thus are not allowed to enter the European territory;
- Insufficient road infrastructure especially in the East-West corridor;
- The road network is highly centralized around Tehran.

6. Conclusion

Iran is a country that links the west and east of the world, and it always has had a great strategic importance for trading, transportation and logistics.

This white paper thought to present a brief introduction to Iran's Logistics Industry. Key figures and facts in regards to the industry include:

- Iran's total non-oil exports in 2015, including gas condensates was 93.5 million tons and 42,414 million USD.
- Iran's total imports in 2015 reached 35 million tons and amounted to 41,490 million USD.
- China, UAE and Iraq are the top three trade partners of Iran.
- Iran Government has important plans for expanding Railway and Airway industry of Iran.
- Iran's Rail infrastructure requires significant investment. Currently there is less than 13,000 kilometers of track and this is far from adequate for both passenger travel and international trade.
- In the Airway sector, Iran is suffering from an obsolete air fleet; lack of collaboration and coordination with other transportation sectors and low profitability of the airports.

In conclusion, Iran's logistics industry needs a lot of investment and it is seen as a profitable sector for foreigners to invest. A large market of 80 million inhabitants that are affected by the current infrastructure (old, non-secure and slow) and a government that is trying to improve the infrastructure, especially after sanction relief.

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About ILIA

ILIA Corporation is a management consulting firm in Iran

ILIA Corporation advises clients on market entry, strategy, and operations. We develop practical, customized insights that enable clients to act upon and transfer skills that are market specific. Founded in 2008, ILIA has offices in Iran, Germany, and China.

What sets us apart

We believe a consulting firm should be more than an adviser – thus we put ourselves in our clients' shoes, selling outcomes rather than projects. We align our incentives with our clients' by linking our fees to their results and collaborate to unlock the full potential of their business.

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About ILIA Corporation

ILIA Corporation is a boutique management consultancy firm, focused solely on helping local and international organisations operate in Iran.

ILIA empowers clients through every stage of the market entry process, from in-depth **Market Insights**, through to comprehensive **Implementation Solutions** and ultimately support during the **Execution Process**.

Operating in Iran for nearly a decade, serving Fortune 500 companies, SME and government institutions alike, we provide clients an experienced consulting team and leverage an unrivalled network of local experts, to help you unlock the full potential of the Iranian market.

ILIA Corporation Belief & Mission

After many years in relative economic isolation, we believe **Iran is entering a transformational phase** in its development. The Joint Comprehensive Plan of Action reached in 2015 reintroduces Iran to the global market place, opening significant opportunities to local and international businesses.

Unlocking Iran's full potential requires a deep understanding of the business environment, political system and religious and cultural practices. Operating in Iran for nearly a decade, **ILIA's local knowledge, experience and network is unrivalled**. With access to, and experience working with, local business leaders, elite families, political figures and cultural and religious lobby groups, ILIA is the perfect partner for clients as they navigate this complex market.

ILIA's mission is to be the preeminent Market Entry specialist in Iran, supporting clients through every stage of the process, from in-depth **Market Insights**, through to comprehensive **Implementation Solutions** and ultimately support during the **Execution Process**.

ILIA Corporation Services



Market Insights

Iran is a complex economy, presenting unique challenges to new entrants. ILIA empowers clients via high level **industry scans**, in-depth **market research** and comprehensive **feasibility studies** to increase decision making accuracy when considering an entrance into the Iranian Market.



Implementation Solutions

Employing skilled local talent, complemented by internationally experienced and qualified senior personnel, we partner with clients in the **business modelling and planning** stages. We help **define and develop corporate strategy** and leverage our vast network to ensure everything is in order for a smooth market entry.



Execution Process

From the moment a Go-Decision has been made, ILIA is there with you through every step. Whether proceeding with **incorporation, employment, operation** or **registration** of your business, we provide the contacts and know how required to facilitate this. Issue management is our expertise – we get things done in an ambiguous operating environment.