

*The Middle East**When Iran wakes up*

The Iranian transport economy is liberalising, but still has to modernise.

An immense and particularly little known country, Iran does not yet play an important role in the transport flows between Asia and Europe, or between the ex-Soviet Union and the Gulf states. But it does have an important transport market.

Here, the economy is largely centralised and State controlled. Two examples are proof enough of this: very recently, every buyer of a heavy goods vehicle came to take delivery in the capital, Tehran, wherever his place of work. And the state subsidises fuel distribution, which enables prices to be kept artificially low, to the point where a litre of diesel cost only 200 rials, or 2 Euro cents! The only problem is that Iranian refineries are of an older generation which does not allow them to adapt the proportions of the various by-products of oil, and so Iran has to import diesel!

Transit making progress

Transport activity is both indigenous (almost 70 million inhabitants) and transit-based. A quarter of transport exchanges are made with Turkey, and Turkish transport companies

“The centralised economy of Iran subsidises fuel, but has to import diesel.”

are practically the only ones to have subsidiaries in Iran, with the exception of the giants TNT and DHL.

Independent drivers represent 85% of all HGV's in the country.



But it is the port of Bandar Abbas, on the Persian Gulf, which represents the most important point of entry to the country. It attracts the major part of imports from China, Thailand, South Korea and the United Arab Emirates, although the imbalance between the very weak exports and the imports is flagrant. The role of this port has become increasingly more important since the beginning of the second Iraq war, with a 60% increase in transit traffic. And the good quality of the Iranian road network enables the country to serve as a transit route towards the former Soviet republic countries which do not have direct access to the sea (Turkmenistan,

Azerbaijan, Armenia and Uzbekistan in particular).

The proportion of state enterprises in road transport has fallen sharply, even if some of the largest fleets in the country (public works, petroleum products) are still more or less directly controlled by the government. According to official figures, there are said to be between 260,000 and 400,000 HGV's engaged in road transport. The vast majority of these – some 85% – are in the hands of owner-drivers.

The progressive liberalisation of the market obviously plays a part in this, but the growing number of independent transporters is creating imbalance between supply and

p...



demand, with the inevitable consequence of a general lowering of transport prices, even more so as the resale price of an old vehicle remains low, because fuel prices are artificially depressed. Many owner drivers are also obliged to have a second job in order to subsidise their needs, at least during the first five years of life of their trucks (credit, at very high rates, is generally paid back over five years). Independents, paid by the kilometre, have to cover a minimum of 16,000 km per month. Where regulations are concerned, Iran is trying to catch up. In November 2005, a law was passed limiting the number of hours able

to be driven daily to eight, but as the principal of dual teams is particularly widespread, vehicles usually drive fifteen hours per day. Overloading, by contrast, remains a real curse. But even the system of attributing transport missions is still a long way off western norms. In the major ports, it is still an open auction, with the lowest price getting the job. Elsewhere, in Ispahan for example, the government controls a transit centre which practices fixed prices and where it is first come first served. But little by little transit and expedition companies are emerging which will make the market evolve towards greater stability and

SALARIES AND INCOMES



Average salary of a national transport driver : **300 EUR**
 Average salary of a international transport driver : **500 EUR**
 Average income of an owner driver for national transport : **500 - 1000 EUR**
 Average income of an owner driver for international transport : **1000 - 1500 EUR**

A SOUGHT-AFTER MARKET

Apart from Volvo Trucks (10,000 vehicles per year) and Renault Trucks (4,000), the Iranian market is largely supplied by Mercedes (2,500 to 3,000 per year). Two other European manufacturers are also present: MAN (219 units over the first six months of 2004 and Iveco (508 units for the same period). MAZ and Turkish company BMC are also represented, but only residually. Kamaz is set to install a CKD factory shortly, and the Chinese manufacturers are showing a marked interest. A first consignment of 300 Dongfeng models

which, by attracting regular transport flows, will be able to offer better price conditions to drivers, or even insurance. But there is no structure in place, by contrast, to organise return loads. Despite all the obstacles which still stand in the way of the emergence of a modern road transport system, Iran today represents the second market for a manufacturer such as Volvo Trucks, behind only the USA, an irony of the economy. Mercedes and Renault Trucks are the other manufacturers to be developing production or local assembly activities. The local market is undergoing something of a boom. The desire of the government to lower the average age of the fleet has a lot to do with this: from a current average of 25 years, the objective is to come down to 8 years. Premiums are being paid to break old lorries, and attempts are being

made to make finance more accessible. Together with this, it will be compulsory from 2007 that all new lorries registered meet Euro-3 norms (currently Euro-2 norms are in force). The reasons which generally persuade a country to renew its fleet are unfortunately not always applicable in Iran. Fuel consumption, for example, is hardly a consideration at all. Another factor not to be forgotten is that old lorries can still be repaired by their owners, whilst an hour's labour in a European manufacturer's approved workshop is invoiced at 8 Euros. Nevertheless, it is estimated that the Iranian market, which today represents around 31,000 vehicles of over 6 tonnes annually, should move up to 40,000 by 2010.

■ Claude Yvens