

## Note to Iran: Buying Boeing Jets Is Good – but Don't Brag About a 50% Discount

■ An Iranian official seemed to brag that Iran got a 50% discount on its \$16.6 billion purchase of Boeing jets. But at Boeing and Airbus, nobody pays the list price.

Ted Reed Dec 27, 2016 7:16 AM EST

An Iranian official says the country paid half price for **Boeing (BA)** jets, which he seems to view as something to be especially proud of. He shouldn't.

Iran, wake up. Everybody pays half price for Boeing jets -- except for those who pay even less. And it is the same at **Airbus (EADS)**. Nobody pays the list price.

"Volume customers -- that is, anyone who needs more than a dozen jets -- get 50% off Airbus and Boeing list prices if they ask politely and wear a tie," said Richard Aboulafia, aviation analyst at the Teal Group.

On Sunday, Iran's official *IRNA* news agency reported that Iran's deputy transport minister said his county will only pay half of the announced price for 80 new Boeing planes, according to *The Associated Press*.

"Regarding the style of our order and its options, the purchase contract for 80 Boeing aircraft is worth about 50% of the amount," said Asghar Fakhrieh Kashan, according to the *AP*. He did not elaborate.

Boeing spokesman Doug Alder said, "We don't discuss the specifics of any agreements." Moreover, airlines that buy aircraft from Boeing and Airbus make agreements not to disclose the actual price they paid.

However, "It is well known that large orders come with large discounts, whether from Airbus, Boeing, **Bombardier** or **Embraer**," said aerospace analyst Scott Hamilton of Leeham.

"Iran's statement of a 50% discount is in keeping with this reality," he said.

Aviation consultant Addison Schonland added, "The reason the minister in Iran made that statement was to indicate to his people how clever they were."

However, Schonland said, "a small airline might pay 50% for aircraft, but the test is 'What would **American (AAL)** or **British Airways** or **United (UAL)** pay if they bought 100 jets at a time?'"

"They would not get 50% off -- they would probably start at 60%," he said. "Iran got a deal, but it was not quite the deal they thought they got."

On Dec. 11, Boeing and **Iran Air**, Iran's national airline, said the carrier will buy 50 737 MAX 8s, 15 777-300ERs and 15 777-9s, with a combined list price of \$16.6 billion.

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And 10 days later, Airbus and Iran announced another deal, in which the carrier agreed to purchase 100 jets, including 46 A320 family jets, 38 A330 family jets and 16 A350s. Price was not announced. Deliveries are to start in 2017, while Boeing deliveries begin in 2018.

Boeing's deal with Iran is controversial. Although the company has the U.S. government's approval to fill the order, some Republicans in Congress are opposed and President-elect Trump has been critical of the Iran nuclear accord that enabled the deal.

Financing may also be a problem. Schonland said he expects the likely solution is that the **Bank of China**, a major aircraft lender, will end up as the financier.

"The Chinese would like to get rid of dollars and turn that money into profitable assets," he said. "The planes could be sold to the Bank of China, which could lease them to the Iranians. For them, it's a logical thing."

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Perhaps the worst case for the lender, if the loan were not repaid, could be that Chinese customers -- who already provide about 25% of all Boeing orders -- would take possession of the aircraft.

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