

Chinese Tycoons Take to Skies in Pursuit of International Deals

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SHANGHAI – Chinese tycoons once bought private jets to flaunt their wealth. Now they have something else in mind: flying farther and faster in pursuit of international deals.

Mainland Chinese buyers spent \$12.75 billion on 255 private airplanes over the past five years, according to Global Jet Capital, which finances private jet purchases, roughly four times the total of the previous five years. U.S. companies Gulfstream Aerospace Co. and Boeing Business Jets were among the prime beneficiaries.

The surge came despite President Xi Jinping's clampdown on corruption and extravagance that began in 2013. While that campaign continues, it has been tempered by the government's push for Chinese companies to expand overseas, leading to last year's record \$226 billion in foreign acquisitions, according to Dealogic.

These austere-but-ambitious dictates transformed the private jet from a plaything for China's superrich into a corporate utility, according to



"There's a realization now that this isn't a luxury leisure tool, like a yacht -- it's a transportation tool," said Jenny Lau, president of Sino Jet, a Hong Kong-based operator and broker.

Tellingly, half the jets purchased in China in 2016 were secondhand, said Jeffrey Lowe, managing director of jet broker Asian Sky Group -- a shift from past years when most Chinese buyers who could afford jets were too image-conscious to think of buying a used one.

"They weren't comfortable buying someone else's airplane," Mr. Lowe said. "Now it's all about getting good value."

Greater China's fleet of 477, as counted by Asian Sky Group, remains modest relative to the U.S., which has more than 10,000 planes. The brokerage firm expects the Greater China fleet to grow by just 1% this year, but Mr. Lowe said that figure doesn't necessarily reflect sales activity, since old jets are being replaced by newer models in many cases as owners upgrade their aircraft.

During the Asian Business Aviation Conference and Exhibition in Shanghai this April, manufacturers, financiers and jet operators were among those welcoming what they said was Beijing's growing acceptance of business jets as a normal feature of China's new, outward-looking corporate scene.

Several made reference to Premier Li Keqiang's pledge to promote general aviation and build scores of new airports in his main annual policy statement in March, and Shanghai Airport Authority President Jing Yiming used the expo to announce that his city would soon build China's first airport dedicated to business jets.

Such developments will propel Chinese orders to 90 medium to large-size private jets a year for the next decade, according to Global Jet Capital.

The emergence of financing and leasing models will also help, said David Henderson, the company's managing director for Asia sales.

Chinese companies can now lease a \$60 million jet for \$600,000 a year, after they pay a deposit of \$12 million to \$18 million, Mr. Henderson said.

Jet brokers say recent buyers include many from China's booming tech sector, but they declined to give names, saying customers prefer not to draw attention to what some consider an extravagant purchase.

But sales these days focus more on the aircraft's suitability for long-range business than on luxurious interiors, said Jason Liao, chief executive of China Business Aviation Group in Beijing, which brokers and operates private jets.

The ability to fly nonstop from China to the U.S., and to carry the large entourages that are a feature of Chinese business delegations, are key selling points, he and others said.

When the chairman of one listed Chinese company started planning a 2016 global tour aimed at taking his firm into the big leagues, Mr. Liao said he helped him buy and customize a Boeing Business Jet, an adapted version of a 737 airliner that typically sells for around \$80 million.

Mr. Liao said the client, whom he declined to name, used the plane to seal a number of deals in the U.S., Europe and Russia.

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The market for large jets which offer extended range and can ferry big delegations is especially skewed toward China, said Greg Laxton, CEO of Boeing Business Jets. He noted that 29 of the company's 157 jets in service

are in China, adding sales in the country has led all regions for the last five years.

Gulfstream remains the top choice for Chinese tycoons, ahead of Canada's Bombardier Inc. and Dassault of France, according to Asian Sky Group. Gulfstream has delivered 110 jets to China since starting business here in 2003, said communications director Heidi Fedak.

The Hurun Report, a Shanghai provider of intelligence on China's wealthiest individuals, counts Alibaba Group founder Jack Ma, Dalian Wanda chairman Wang Jianlin, and Baidu Inc. founder Robin Li among the country's Gulfstream owners.

China took delivery of 16 top-of-the-range Gulfstream G650s last year, said Mr. Lowe, making it one of the top markets globally for the jet. Gulfstream declined to comment on 2016 deliveries.

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