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Chinese private jet sales slump nears end

Corporations replace individual tycoons as buyers

JACKIE HORNE, Contributing writer



Greater China accounts for a rapidly rising share of new business for charter operator VistaJet. (Photo by Jackie Horne)

HONG KONG -- China's private jet sector is undergoing a transformation from individual to corporate ownership as first-generation buyers sell off their planes after realizing the huge operational commitments involved.

Private jet sales in China have been slow for about three years. The country's fleet of private jets grew by a net 13 aircraft last year as compared with a gain of 57 in 2013, according to data from Asian Sky Group, a business aviation consulting company in Hong Kong. It counted 20 planes leaving the country

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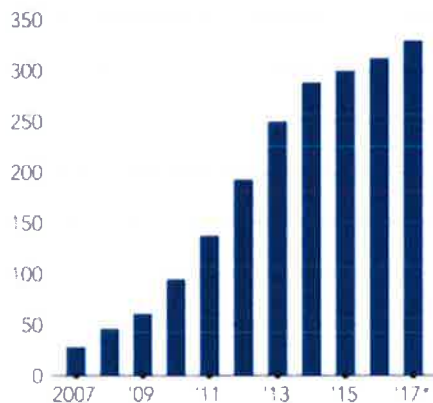
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last year. Figures for the first half of 2017 suggest some improvement, with the country's business jet fleet growing by a net 17 planes.

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Chinese President Xi Jinping's anti-corruption campaign has been a key factor in the slowdown. Business jets symbolize the kind of conspicuous consumption the central government has been clamping down on.

Number of business jets in China



As of year end *As of June
Source: Asian Sky Group

More recently, however, industry players have attributed slow sales of new aircraft to the fact that a large number of secondhand jets have been coming onto the market. Jeffrey Lowe, managing director of Asian Sky, said this has created a supply/demand imbalance, which is only now showing signs of clearing.

The consultancy estimates that used business jets last year accounted for about half of both Chinese and overall Asia-Pacific sales, close to the norm in

developed markets like the U.S. In 2015, new planes represented 62% of Asia-Pacific sales.

"But we do think the slowdown [in sales of new jets] is bottoming," he said. "Inventory levels are coming down, asking prices are no longer falling and the number of days it takes to sell a jet is flat-lining."

Lowe added that the profile of Chinese jet buyers is also changing. At the beginning of the decade, the typical purchaser was a tycoon who had never owned a private jet and would usually pay for his plane in cash. The planes were often used for personal missions such as ferrying children to overseas schools.

Many had no idea what they were getting themselves into. "They didn't realize how different it is to buying a car or a boat," said Thomas Flohr, founder and chairman of privately owned VistaJet, an operator of business jet charter flights. "Private jets ... incur high levels of operational and maintenance costs."

Flohr and Lowe both agree that industry dynamics are changing and following the U.S., where it is corporations rather than individuals purchasing planes for the purpose of enhancing business efficiency. In this case, the planes are financed from and held on corporate balance sheets, and managed through a corporate flight department.

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