



## Chinese start shopping for used private jets

China has entered the world market for used private jets as corporate buyers see the value despite earlier fears about aircraft safety.

Over just the past three years company heads and wealthy individuals have started considering used planes instead of new ones because of lower prices, faster delivery times and sometimes ample supplies in the market, people in the industry say.

Aircraft buyers in the China, a relatively young market for all private aircraft sales, have realised that used planes pose little safety risk, the analysts and vendors say. Those owners once feared that sellers of used planes were hiding safety problems.

"It used to be insulting to talk about pre-owned aircraft," said Vadim Feldzer, head of global communications for French vendor Dassault's Falcon aircraft. Buyers, he said, had feared the planes were unregulated. "In China it was out of discussion," he said.

Chinese buyers have started to look keenly at used jets over the past three years as they understand it better, said Jeffrey Lowe, managing director with aviation services firm Asian Sky Group in Hong Kong.

"The type of buyer has changed — a lot more business-oriented purchases — and so the pre-owned is very attractive," Lowe said. "Chinese buyers are more educated now, so they're looking for good airplanes at good prices."

The fleet of used aircraft grew in the Asia-Pacific region including China by 61 planes in 2017 across eight major brands, according to the Asian Sky Group's year-end 2017 Fleet Report. Of those sales, 36 were Bombardier aircraft and 21 made by Gulfstream, the report says. The total across brands added US\$1.2 billion to sales in China last year. All sales channels combined, 339 business jets were added in China last year.

## SMBC AVIATION CAPITAL SEES PROFIT UP ON YEAR

Dublin-based SMBC Aviation Capital announced in June it posted a pre-tax profit of US\$319.4 million, which was up 2.2 percent compared to 2017's figure of US\$312.5 million. Net profit was not disclosed. The company said its aircraft-related assets were worth US\$10.3 billion and its core lease revenue increased by 1.1 percent to

US\$934 million compared to 2017 with overall income from continuing operations steady at US\$1.03 billion for the year.

SMBC officials said the company continues to focus on "active portfolio management" and that it had sold 50 aircraft from its owned portfolio, including 19 aircraft to Airastle.

Dassault lets customers who buy new planes sell them back to the company, Feldzer said. A new Falcon 2000 aircraft may cost US\$40 million, he said, while a used one could cost just half that amount. "For a newcomer to business aviation it makes sense," he said.

Most used aircraft trade privately in China rather than through manufacturers, people in the industry believe. Because China is a young market, buyers buy a lot of older planes offshore.

Chinese buyers may prefer a used to new aircraft because of the faster delivery time, Lowe added. Original manufacturers can take a year to deliver a new one, he said, in part because they scaled back production earlier due to a world "oversupply" of pre-owned planes, he said.

Corporate buyers, especially if they have bought new planes before, appreciate used aircraft because of their "good value" as a company asset, Lowe said. They might buy used planes for their divisions and holding companies, he said.

But China still hasn't come around fully to used aircraft. The country's aviation regulator, the Civil Aviation Administration of China (CAAC), for example, discourages used jets brought in from offshore due to safety fears, said Michael Shih, vice president for business development with Textron Aviation in Shanghai. Textron makes Cessna and Beechcraft planes.

About 10 percent of the Asia-Pacific's private jet fleet is for sale, Lowe estimated, meaning about 40 planes in China.

"People realise from an acquisition cost perspective there's a price advantage," Shih said. "But from the CAAC perspective, they prefer the operators to use new (jets), because the overall infrastructure for general aviation is not well developed yet, so there is still concern that when you bring in a pre-owned aircraft, especially from a different country, there may be a certain element of the unknown."

But in March the CAAC "abolished the need for government approval" of sales and registration of used private jets, the state-run China Daily news website says. The change will help "boost" sales of used planes, the website says. China regulates used private jets just as it does commercial airliners, Feldzer believes.

Aircraft owners still have safety concerns, Lowe said, steering them toward relatively new used planes with fewer hours of use. "There are certainly aircraft out there with 100 hours on them, and the Chinese buyer, the Asian buyer is OK with that," he said. — RALPH JENNINGS