

China's Best In-House Legal Department

By: Vanessa Vidal

Established in 2009 with a legal staff of 22, Eastern China Airlines' in-house legal department was awarded "Chinese Company In-house Team of the Year" at the 2010 ALB China Law Awards. This is quite an accomplishment for such a new legal department, especially considering the turbulent global aviation market. As China's best in-house legal department, Eastern China Airlines Corporation Limited is also the country's top-three carrier listed on the Shanghai, Hong Kong and New York Stock Exchanges.

What's made the difference?

General Manager, Lijun Guo, who joined the company in 1994, has had a lot to do with it. "The legal department is now regarded as critical as [the] finance and audit departments in our company. It's a cost-effective and expert resource for all the company's legal affairs. Its influence is on the rise in every stage and aspect of the company's operations," he says. His efforts in recruiting and taking more responsibilities to increase the legal department's profile within the company can be credited for much of its success.

What have been some of the highlights?

Raising RMB\$14bn through A-share and H-share equity placements, the absorption of Shanghai Airlines via share swap – a high-profile and complex transaction involving RMB\$16bn asset acquisition, over 50 aircraft transactions with a total value of US\$10bn, the negotiation and preparation of the company's merger with SkyTeam, compiling a comprehensive anti-trust and competition, and creating compliance manual for all of its employees, providing key information on antitrust and competition laws in major jurisdictions, including US, Europe, Japan, China and Australia. Not bad in less than two years with a relatively small legal staff.

How did that success evolve over time?

The airline's expansion and adverse market conditions triggered a substantial increase in legal needs. As a result, the company increased its legal staff, and soon realized its capacity to handle major transactions, and ability to cut down cost by reducing its reliance on outside counsel.

Sounds familiar?

While Chinese companies have traditionally relied on outside counsel to handle their legal needs, more and more are turning to in-house counsels to do the job, and growing their legal departments to handle increasing legal demands. This is a trend that is very likely to continue.