

Some Consideration on Assets Operation in Transport Enterprises of China Railways

(Fan Jianlin, Graduate student, Sun Zhang, Professor, Shen Junzuo, Associate Professor, of College of Economy and Management, STU)

Abstract: Through an analyses of the necessity and the practical meaning of the assets operation in railway transport enterprises, the authors argue that a railway transport enterprise shall lay equal stress on assets operation and production management, and suggest to take concrete steps on the basis of the aforesaid management strategy.

Key words: railway transport enterprise assets operation

"In order to extricate the most state-owned large and middle-size enterprise from deficit predicament, enterprises from deficit predicament, and to set up tentative modern enterprise system, we plan to spend three years to reform, reorganize, remould and strengthen our state-owned enterprises." This is the great strategy goal of the state-owned enterprises reform which has been proposed on the first conference of 9th national People's Congress of China. The Railway is the artery of our rational economy, and the operating condition of railway's enterprises will affect directly continuous, rapid and healthy development of national economy. The Railway enterprises should catch up the opportunities, speed up development, strengthen the competitive ability, and more toward the modern groups of enterprise.

To use the law of value, propel the flow of capital in Socialist market economy, are the main measures by which we can adjust the industrial structure, and optimize resource disposition, it is also the practice way to release the huge economic potential power of our country. Merger of the enterprises, and reorganizations of assets become more popular among nowadays enterprise's development. The General Secretary of our Party Jiang Ze Min pointed out in his report: "by the link of assets, organize cross-region, cross-industry, cross-ownership and cross-nation modern enterprise groups which here strong competitive capacity is the important content in accelerating enterprise reform, improving change of economic development, promoting national economy. We can fine something mentioned above: assets operation is gradually accepted by the people as one of the enterprise operating models. In order to meet the need of market competition, the China railway should change from production operation to both assets operation and production operation.

1. The necessity and practical meaning of assets operation in a railway transport enterprise

1. 1. To transit from production operation to assets operation is a popular trend of modern enterprise's development

Production operation and assets operation are the two main forms of enterprise operation in the procedure of the growth and the consummation of economic market. The production operation is well known by Chinese people before, that is to say, the makers use money to purchase productive materials, to manufacture products for sell in the market, then to receive money again. This is a simple operating model and its main aim is to complete the productive task, meanwhile, its emphasis is usually placed on quantity and productive value of the products, but not quality and efficiency.

As the development of market economy and perfection of competition system, it becomes necessary to change from extensive operation to large scale operation and intensive operation. Assets operation means that an enterprise manages, deals with and recomposes the assets and liabilities, attains the biggest possible profits and economic benefits through the form of capital. The theory of assets operation comes from Bond Composing Theory, that is to say, the investors in Capital market should not put the all eggs in one basket," they should have a proper composition of different bonds, including various stocks and bonds, so that they can decrease the risk degree of investment. There are many forms of assets operation, of them which are connected with enterprise's development closely are merger of enterprises, purchase, stock reform and go on the market. The final aim of assets is not the quantity of products, but is the keeping and increasing value of assets.

During lost several decades, assets become more popular in the world, so do the enterprise merger and enterprise reorganization. According to statistic, there were 22729 cases of enterprise emerge, which included 240 billion Dollars. In the history of America, there were five periods of enterprise merger, during which America economy developed more rapidly.

In China, to employ the active effect of assets operation is an important measure to rescue state-owned enterprise from loss. For example, the Ministry of China Railway has recently signed on agreement with Guangzhou Railway Group on assets operation.

1. 2. Assets operation is the necessary condition for the development and extension of railway transport enterprise

As setting up the competitive system, it become more intensively in transport market competition. The China faces the competition coming from air, highway and water transport enterprises. The railway enterprise should use proper strategies both inside and outside of railway, it then become possible to success.

One of inside proper strategy is inside management strategy, a power extensive strategy, which means to control productive cost, promote productivity, develop new products, extend new market and improve management level etc., meantime, it can be achieved on the basis of existing capital structure.

Besides the inside management strategy, the another proper strategy is outside trade strategy, a capital extensive strategy, which means to employ the measures of enterprise merger, purchase, stock reform and going on the marker, to reorganize

and extend as well as release existing assets, so that to optimize The capitals structure and propel the evolution of enterprise. In China railway transport enterprise, Guangzhou-Shenzhen Ltd. Co. has successfully issued, its stocks on the stock markets of Hong Kong and New York, furnished a big amount of capital to the enterprise, and set up a good example in international market.

1. 3. Assets operation is the basic requirement for the institution of modern enterprise system in a railway enterprise

In order to promote the reform of railway enterprise and set up modern enterprise system, it is necessary to distinguish equity, right and liability of an enterprise which should be separated from government and operated scientifically. One of the important aspects of the overall competitive capacity of a modern enterprise is the practicable operation of assets and the rational proportion of liabilities. Only if the railway enterprise distinguishes its equity, right and liability from government department, can the railway enterprise develops and extends healthy by the way of reorganization, merger and union of assets operation.

2. Some measures in assets operation of a railway transport enterprise

2. 1. Setting up limited enterprise, issuing a stock on the stock market

Stock system is one of important form of modern enterprise systems. An important reform of a railway enterprise is to become a Ltd. enterprise, and issue it's a stock on stock market, which is a main way of raising funds by railway enterprises. Because railway is the artery of our national economy, the investors believe and are willing to invest in long term railway construction, we have mentioned a case about Guangzhou-Shenzhen ltd. Co. that has successfully issued stocks on the Hong Kong and New York stock market in section 1. 2. , we believe that it is a good test.

2. 2. Attain the aim of low cost expansion and pluralistic operation through the way of annexing enterprises

In modern history of America economical development, we can find that every large enterprise had annexed some other competitive enterprises before itself became a large enterprise. Through the way of enterprise merger, release the existing assets of railway enterprise, so that railway enterprise can keep and increase its asset's value.

By the way ,the should pointed out, that the key link in the extension of a railway transport is to assure the system condition, the low and policy environment and the general tendency of supply and demand in equity transaction, to enforce correct tactics of annexation between enterprises.

Ploy-element operation is a significant choose to promote development of the large and middle-size enterprise, which is also atypical model of growth. To realize the united operation among transport department, industrial department and Other department are an import and developing direction of railway transport enterprises. The preferred object should be those enterprises that have some relative links with

railway enterprise , which can be chosen as annexing object . Take some examples, high speed railway with sophisticate technology industries, urban railway with traditional railway industry, are ideal choice of annexing objects.

2. 3. Striding forwards foreign market for international annexation of enterprises

The primary aim of assets operation is to external the channel of raising funds and to promote keeping and increasing wits assets value. International capital market is a mature capital market, in which there are huge amount of international capital, and can be chosen as ideal channel to raise funds. Many foreign investors have great interests in the communications and transportation in China. Thus providing a good opportunity for railway transport enterprise to visit these investors and market abroad for the annexing of foreign enterprises.

Generally to say, there are two ways to issue stock on abroad. Stock market. The one way is that an enterprise issue its stock directly on abroad stock market, but because the procedure of issuing stock. Authorized standards and economic law' s environment are so different from those in China. It will be very difficulty for a railway enterprise to be successful, but Guangzhou Shengzhen Ltd. Co. is a successful case. The other way is to purchase an existing foreign Ltd. Co. which can issue its stock on international stock market stock market directly. This way will be more easily than first one.

But we should point out purchasing foreign enterprises may be attractive , needless to say there may be great risk in it. China railway enterprises do not know well about international market system and its political and law environment . So they may go fail if take some wrong steps. By the way, because some foreign investing banks are very good at operation on international capital . China railway enterprise should cooperate with them .

2. 4. Setting up a railway investment foundation

The investment foundation is helpful composition investing model by which the small money can be collected as a great amount of funds. Meanwhile, this model has been widely welcome by the numerous investors in the world . specially, the industrial investment foundation posses huge function on reorganization of capital market and enterprises. China railway is an important national economy industry, and it is a developing tendency that China should develop railway investment foundation besides the bond investment foundation. Thus on the side, China railway enterprises can raise some funds form international capital market, on the other side, they can raise funds from domestic market, so that they can infuse necessary investment to strengthen their competitive capacity.

According to the channel of fund resource, we think that railway investment foundation can be divided as domestic foundation and nation foundation. The former can be issued among domestic investors, the latter can be issued in abroad capital market.

2. 5. Establishing and consummating the inner finance department of an enterprise, and gradually completing the transition to investment

As foundation and consummation of capital market in our country, it becomes necessary that the investment bank and capital market appear as fund market center and medium. Nowadays we have a "International Financial Ltd. Co. of China", which has significant meaning to China Capital market foundation.

Because China railway is a very important large enterprise group, if China railway can organize investment by itself. We believe that we can get much benefit from rapid flow of enterprise inner fund. From reorganization of capital and from equity trade. Meanwhile, the railway investment bank can also raise funds directly from both domestic and international capital market on the basis of its optimized inner resource.

The prime condition for a large enterprise group to develop investment bank is that there exists perfect modern enterprise system. We realize that at present, considering the practical condition of China railway enterprise, it may be impossible for China railway to set up an investment bank during a short time. Instead, we can consider to set up financial company or fund transaction center among China railway enterprise. After smooth operation of financial company or fund transaction center for some time, meanwhile after capital market appearing a certain scale, the China railway can gradually consider to change these financial company or fund transaction center into railway investment bank. We know it will spend a long time, but we can foresee that the core power which will propel the development of China railway in future comes from successful operation of China railway investment bank.

3. Some noticeable problems in assets operation of the railway transport enterprise

3. 1. Maintaining a proper balance in the relationship between assets operation and production management

As the different operation moulds of enterprise, assets operation and production management are an organic body, though appear to be different operation patterns, goals and strategies. The development of enterprise needs internal management and external transaction strategy. The operation of enterprise also needs to combine assets operation with production operation. The production management is the basis of transport enterprise. To ensure security and enhance transportation is the perpetual thesis of railway transport enterprise. The asset's operation is the measure. Through the assets operation and the combination of enterprise, finance, we can enhance the production scale and technology level, accept more market and benefits. Without assets operation, enterprise can't expand quickly and it will become the water without source, then will lose the development power. To advance assets operation step by step in accordance with market competition and the growth demand of the enterprise, is considered as the first promise for the policy making to railway transport enterprise.

3. 2. Attaching importance to the exploitation and the cultivation of the talents

Assets operation is different from common commercial. It cannot become true through the simple market. It must depend on the specialist to finish much highly special work. However, assets operation is new in China, there is a great need for the professional people in companies. The blindness and the random operation in assets operation of a enterprise mainly lies in the fact that few people know how to operate. Therefore, it is urgent to cultivate a group of experts specialized in investment for the growth of an enterprise.

An excellent investment expert is not only an operation management expert, but also a finance and negotiable securities expert. As the operation management expert, he need master the enterprise management theory. As the finance expert, he need use all kinds finance tools to proper the development of enterprise.

To develop assets operation, railway transport enterprise must adopt excellent investment experts, attach important to the exploitation and cultivation of the talents, and construct the powerful competition system. It should construct the cultivate basis with the colleges and finance department.

3. 3. Intensifying the consciousness of the risk in management

Intensifying the consciousness of risk is very important to the enterprise development. It's a mistake to think that assets operation can brig benefits. Being an operator of an enterprise, it is in dispensable to intensity his conscious of the risk in management. Only by doing so, he can win in the world of business that is becoming more and more competitive.

The market competition is becoming intensive day by day. Only those modern enterprises who attach importance not only assets operation but also production management can win in the competition. Railway transport enterprise must recognize this practice.