SOE MATTERS

POWERING AHEAD

China National Aviation Fuel employees fuel a passenger aircraft at Fuyuan Dongji Airport in Heilongjiang province in early February. PROVIDED TO CHINA DAILY

Aviation fuel provider to step up global partnerships

By ZHONG NAN

China National Aviation Fuel Group Ltd (CNAF), the country's largest aviation fuel supplier by sales revenue, plans to invest in equipment manufacturing and innovation in economies related to the Belt and Road Initiative over the next several years to expand its global presence, said its top executive.

Beijing-based CNAF plans to further diversify its sales channels and enhance its production and service networks to develop both domestic and overseas markets.

Chairman Zhou Qiang said the group will accelerate reform of its overseas business management system and mechanism, adjust business structure and optimize its business model to push this strategy. It is a practical move for the company to enlarge its sales network to supply more of China's aviation fuel to airlines across the world, Zhou said.

Under its plan, the centrally administrated State-owned enterprise will better use the strategic platform functions of its Singapore branch — China Aviation Oil (Singapore) Corp, the largest physical jet fuel trader in the Asia-Pacific region and the key supplier of imported jet fuel to China's civil aviation industry — to efficiently coordinate overseas resources to compete with other established foreign rivals.

> CNAF is keen to set up a cross-sector partnership network that will eventually grow into an ecosystem connecting local governments, airports and general aviation companies."
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> **Zhou Qiang**, chairman of China National Aviation Fuel Group Ltd

The company is willing to form industrial alliances with Chinese SOEs and private companies to improve its strength abroad and minimize operational risks, Zhou said.

CNAF provided 5.31 million metric tons of aviation fuel to 730,700 flights between Jan 24 and May 21 to support the country's fight against the COVID-19 pandemic. The company also supplied 108,545 tons of aviation fuel to aircraft carrying medical teams, supplies and nonmedical personnel for emergency response activities throughout China.

During this period, the group provided 62,589 tons of aircraft fuel for air cargo, civil aviation and air transport services amid the pandemic fight in Central China's Hubei province.

Though the unexpected contagion has forced many airlines to either cut or suspend services over the past three months, and falling oil prices have also brought challenges to the company's business growth, CNAF managed to provide 24-hour supply services of aviation fuel to more than 230 airports in China to ensure safe and smooth operations during the country's contagion prevention and control campaign.

In addition to seeking new growth points overseas, he believes the fast-growing general aviation sector will be key in helping drive the nation's aviation fuel consumption as China has secured major progress in the general aviation industry in terms of surging flight hours and more certified general airports serving the sector. General airports provide services other than passenger, cargo and mail transport.

"CNAF is keen to set up a cross-sector partnership network that will eventually grow into an ecosystem connecting local governments, airports and general aviation companies," Zhou said.

As of the end of 2019, China had 246 certified general airports. This was the first time for China to see more general airports than civil airports, the latter of which mainly serve the civil aviation transport of both passengers and air cargo, according to the Civil Aviation Administration of China.

Backed by the 246 general airports, the annual total flight hours of China's general aviation industry reached 1.12 million hours in 2019, up 13.8-percent on a yearly basis.

The general aviation sector has huge potential to generate fresh momentum in upholding China's economic and social progress. It will serve diversified commercial uses including emergency medical care services, forest firefighting missions, power-line air patrols and emergency supply deliveries, said Zhang Yongjun, a researcher at the Beijing-based China Center for International Economic Exchanges.

As China has listed the general aviation industry as a strategic emerging industry, more airports are under construction and will be equipped with the latest digital solutions.

Supported by more than 13,000 employees, CNAF holds shares in 20 domestic and overseas companies and runs an intensive sales network, logistics and distribution system for aviation fuel, refined oil products and petrochemicals globally.

The Chinese firm currently offers wholesale, retail, storage and distribution of gasoline, diesel and petrochemical products in 23 provinces, autonomous regions and municipalities in China. It runs large-scale logistics and warehouse bases for refined oil products and petrochemicals in the Yangtze River Delta region, the Pearl River Delta region, the Bohai Bay area and in Southwest China.

SOE reforms to drive economic development

Three-year action plan to steer economy toward tech-driven high-quality growth

By ZHONG NAN
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As China prepares to soon unveil a three-year action plan for the reform of its State-owned enterprises to further focus on mixed-ownership reform and reorganization, industry experts said the move will aid the government's efforts to steer the economy toward innovation and technology-driven high-quality growth.

They made the comments after Premier Li Keqiang delivered the Government Work Report on May 22 at the opening of the third session of the 13th National People's Congress in Beijing, during which it was announced that China will launch a three-year action plan for SOE reform, improve the system of State capital regulation and intensify mixed ownership reform of SOEs.

The country will basically complete the task of relieving SOEs of the obligations to operate social programs and resolve their other long-standing issues. SOEs should focus on their main responsibilities and businesses, establish sound market-oriented operating mechanisms and increase their core competitiveness, according to the report.

These efforts aim to boost SOEs' earning ability and further cut their administrative and monopoly roles to better adapt to the changing market environment, said Fan Zhi, director of the corporate reform office at Beijing-based China National Salt Industry Group, the country's top table salt maker.

Pushed by mixed ownership reform, the group sealed deals with 13 companies last year including Guangdong Salt Industry Group and China Reform Holdings, to raise more than 3 billion yuan ($420 million) to support the listing of China National Salt Industry Holdings Co, one of its units, on the stock market this year.

Mixed ownership reform — a breakthrough component of overall SOE reform — saw notable progress over the past year. More than 1,000 new mixed-ownership enterprises were added and more than 150 billion yuan of social capital introduced via the capital market and other financing measures, according to data released by the State-owned Assets Supervision and Administration Commission of the State Council.

Lin Wei, a Global Strategy Group partner at KPMG China, said that because China aims to build a group of world-class, role-model SOEs that lead the way in high-quality development, it would be economically beneficial for more SOEs to take part in mixed-ownership reform to bring private capital into SOEs.

It is urgent for SOEs to take a strategic view of all business units within their portfolios to identify strategic options that create shareholder value as this will help them divest and exit noncore and nonperforming business and enable them to enter high growth areas by taking a hard look at their own competitive advantages, channel more resources and support more promising market segments, Lin said.

To offset the economic slowdown caused by the COVID-19 outbreak and foster fresh momentum, SASAC also said in early May that it is working on the three-year action plan and the key to reform in 2020 will be a better implementation of the plan.

"The reform will not only create more commercial vitality and expand SOEs' sale channels abroad, but also introduce a market-oriented remuneration system to better reward outstanding performance and incentivize innovation," Lin said, adding the involved parties should also consider, among other components, ownership structure, digital and technology adoption and how to create shareholder value.

Lin expects the planning process of the 14th Five-Year Plan (2021-25) period to offer a great opportunity for SOEs to think strategically and proactively about how to steer their own transformation and build key initiatives into their plans.

"SOEs operating in industries facing output overcapacity and strong private-sector competition have a strong need to enter overseas markets, and those whose customers' behavior is being reshaped by digital and technological changes have greater urgency to accelerate market-oriented reforms," Lin added. "Specifically, SOEs in the consumer and retail, general industrial, healthcare, transportation and logistics sectors should move with a greater sense of urgency."

SOE reforms in the second half will be accelerated to get back on schedule after falling behind in the first quarter, which was affected by COVID-19, said Li Jin, chief researcher at the China Enterprise Research Institute.

Under the government guideline, he said, mixed-ownership reform will be expanded and strategic restructuring will be strengthened in sectors including coal and electricity, steel and nonferrous metals.

CARING HANDS

CTCE overseas projects focus on safety, efficiency

By MA CHENGUANG and ZHUANG QIANGE

While battling the COVID-19 pandemic, China Tiesiju Civil Engineering Group, a 70-year-old State-owned enterprise with comprehensive construction capabilities, has smoothly and safely continued its construction work on overseas projects, helping host countries boost their economies in the process.

As confirmed global COVID-19 cases exceeded 6 million as of May 31 with over 368,000 deaths, the pandemic has placed great pressure on the company's overseas operations. Yet it has withstood the challenge thanks to effective preventive measures, said Xiang Jian, a CTCE information official.

To accomplish the dual task of epidemic prevention and control work amid continuous construction, CTCE set up an overseas leading group in March committed to the "most stringent preventive measures in construction to forbid any infections".

At CTCE's construction sites along Bangladesh's Padma Bridge Rail Link Project, which commenced in July 2018, the local epidemic threat was severe.

The 168.6-kilometer-long project, running from Dhaka station to Jessore, is expected to boost the local GDP by 1.2 percent when completed at the end of 2022. The $3.13-billion project is a major part of the Bangladesh-China-India-Myanmar Economic Corridor, and also an important component within the Belt and Road transportation infrastructure.

To battle the coronavirus, CTCE staff upgraded prevention and control measures, strengthened ventilation and disinfection at work sites and living areas, regularly monitored employee health conditions and introduced dining in shifts, said Liu Shousheng, a CTCE team leader.

It also set up 26 centralized settlements, providing residential facilities for local employees living in scattered areas, and shuttled workers to and fro to reduce the risk of infection, he said.

China Tiesiju Civil Engineering Group employees conduct construction work at the Padma Bridge Rail Link Project in Bangladesh. FU GAOFENG / FOR CHINA DAILY

CTCE also sent medical staff to work at construction sites. "None of the Chinese or Bangladeshi employees have been infected," said Kong Qinglin, the CTCE project leader.

As of mid-May, the output value of CTCE on the project had reached 296 million yuan ($43.5 million), thus safeguarding the cash earnings of the Bangladeshi employees.

CTCE's overseas team members also help host countries battle the contagion.

In Indonesia, CTCE is building a 25-km line for the Jakarta-Bandung High Speed Railway, Xiang said, adding that this year CTCE will increase its input of personnel and equipment.

On April 20, when certain regions mandated large-scale social isolation practices, CTCE's project management began to provide independent lodgings for Indonesian employees willing to live at various settlements, thus reducing close contact with the outside world, Xiang said.

In Mongolia, CTCE project managers at a new central wastewater treatment plant in Ulan Bator purchased 30,000 disposable surgical masks from China and donated them to the Mongolian ministry of construction, helping the country fight the contagion.

In battling the contagion, CTCE's overseas staff have devised creative measures to stabilize working conditions for employees at its sites. One strategy is to stockpile daily necessities to reduce unnecessary shopping trips, and another is to strengthen awareness of isolation tips.

At CTCE's branch company in Angola, employees helped plant more than 20 kinds of vegetables. "Our daily necessities are sufficient," said branch company Party Secretary Lu Honggang.

In response to concerns among construction workers and residents near the Bangladesh project, management dispatched employees to distribute epidemic prevention leaflets to locals, and created bilingual COVID-19 prevention cards, Xiang said, adding that this helped ease the worries of Bangladeshi employees and effectively reduced resignations.

With its overseas projects in full swing, CTCE has had to provide sufficient construction materials despite being hampered by contagion-impacted transportation and supply chain issues worldwide.

While COVID-19 rages the world over, CTCE has managed to ensure that supplies reach overseas projects on time by developing a smart overseas logistics platform.

The platform is based on modern information technologies such as Internet Plus mobile internet, quick response codes and location-based services ship positioning.

As of May 22, CTCE Materials Industry and Trade Co Ltd had approved 134 procurement contracts, 58 material suppliers and nine shipping agents through the platform, sending 32 batches of materials and equipment worth 195.55 million yuan, said Tan Xiaojie, the company's chief of overseas business department.

Despite the pandemic, China's first quarter investment in Belt and Road Initiative-involved economies still managed to rise 11.7 percent year-on-year, with a large number of temporarily-suspended projects resuming operation, Xiang said.

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