

ACTIVITY - LEVEL ANALYSIS OF SOME ENTERPRISES

For activity-level analysis, we investigated three township enterprises in West Sichuan. They are Weizhou Cement Plant in Wenchuan County, Lixian Tibetan Printing House, and Nongjiale Hydropower Station in Lixian County. Assessments of the three enterprises are as follows.

Weizhou Cement Plant

Type and Size

Weizhou Cement Plant in Wenchuan County was established jointly by Weizhou Township and Wenchuan County in 1977. It is a collective enterprise and is directed by the township. The manufacturing unit belongs to the heavy industry category. In the beginning, the production capacity was 7,000 tons per year. By 1988 it had increased to 12,000 tons per year. The plant had 22 managerial staff and 165 workers in 1989. The fixed assets of the plant were 396.1 million *yuan*, the output value was 103.3 million *yuan*, and the profit 12.6 million *yuan*.

Organisation and Management

At present, the cement plant is managed according to the Contract Responsibility System. The features of the system are described as below.

The County Administration Bureau for Township Enterprises (hereinafter referred to as ABOTE) makes a bid. Then the ABOTE or the Township Government signs a contract with an individual or a group of people for direct management of the enterprise. The contract includes such items as contract period (usually for three years) as well as rights, obligations, penalties, services, and so on. The key contents are the specification of the planned output value, the profit, and its distribution. Generally speaking, during the contract period, the contractor, namely the chief manager of the enterprise, has the full right to make decisions about production and personnel management. The contractor's personal qualities become one of the key factors for the success of the enterprise. Another key factor is the quality of officials at ABOTE or the Township Office.

Weizhou Cement Plant is controlled by both the Wenchuan ABOTE and Weizhou Township Government. The latter is the contractee, while the Director of the Plant is the contractor. After signing the contract, the Director become fully responsible for the production and management of the plant. He appointed the Assistant Directors who in turn nominated heads of five divisions and of one laboratory. The Director approved the nominees. All these appointments were reported to the County ABOTE and the Township Government.

Workers of the plants did not sign a contract with the Director when they first entered the plant. But they were required to hand over five hundred *yuan* as earnest money. If a worker causes any accident, his earnest money will be deducted. If he does not, it will be refunded when he leaves the plant. All the staff and workers of the plant possess agricultural I.D.s. They come from the nearby villages of Weizhou Township. Most of them carry out farming activities when they are not working in the factory.

Technical Innovation

One of the key problems faced by the township enterprises was that their techniques were very old-fashioned and their technicians were not well-trained. There were mainly two approaches to technical improvement. One was to import technology and equipment from elsewhere. Another was to assign some employees to undertake the necessary technical training in a relevant institute. Weizhou Cement Plant had done both. In the beginning, there were no skilled workers. The plant therefore recruited some skilled workers who had worked in similar units elsewhere. Some of them were retired but skilled technicians. Meanwhile, the plant sent four employees to Jiangyou Cement School to learn the technology of cement production. In addition all the staff were given on-the-job training. By taking these measures, the plant fulfilled the basic technical requirements.

Marketing

There is a big difference between township enterprises and urban enterprises. Generally speaking, urban enterprises, as the mainstay of the national economy, are guided directly by national economic planning. They operate basically within the planned economic system. A majority of the urban enterprises can procure the needed means of production at State prices. The sale of their products is also directed by the State. On the contrary, township enterprises have many disadvantages. They operate within the market economic system and get little help from the State. Township enterprises have to buy the needed means of production by themselves at market price and they also sell their products at market price. The township enterprises are thus guided by the "invisible hand". In some cases, the local government, through the concerned bureau, such as the Bureau of Goods and Materials and the Planning Committee, etc., supplies a certain amount of the critical inputs for production, especially to enterprises that are very important for the local economy.

At Weizhou Cement Plant, limestone, which is one of the main raw materials, comes from a nearby mine run by Bingle Village. Production the limestone mine is not uniform. In the busy season, the farmers are engaged in farming and cannot mine the limestone ore. This results in the closure of the cement plant and is the main constraint against successful operation.

Other raw materials, except coal, also come from nearby villages and the plant purchases them at market price. As Weizhou Cement Plant is an important enterprise for Wenchuan County, the Aba Prefecture Government and the Wenchuan County Government allot a part of the needed coal to the plant, via the Aba Bureau of Industry, at medium price (higher than the State price but lower than the market price). Other inputs are purchased at market price from Dujiangyan City.

The product of the plant is mainly sold locally and in nearby counties, i.e., Wenchuan, Lixian, and Maoxian. Some cement is also sent to Chengdu for sale. The selling price of cement is determined by the plant and approved by the County Bureau of Prices.

"Success and Failure" in the Mountain Context

Indicators of "success" and "failure" of Weizhou Cement Plant are summarised in Table 6.1.

Table 6.1: Indicators of "Success" and "Failure" of Weizhou Cement Plant in the Mountain Context

Mountain Specificities	Implications of Mountain Conditions	Successful Operations	Failures
Inaccessibility	<ul style="list-style-type: none"> o Isolation from main-stream o High cost of transport o Poor market access o Information gaps o Poor services 	<ul style="list-style-type: none"> o Use of local raw materials, sale of products in local area o Full use of mass media 	<ul style="list-style-type: none"> o Have to bring additional raw materials from outside o Low value and high bulk products
Fragility	<ul style="list-style-type: none"> o Limited possibilities for employment o Limited availability of resources 	<ul style="list-style-type: none"> o Generation of off-farm employment o Use of available resources 	<ul style="list-style-type: none"> o Inadequate measures for environmental protection
Diversity	<ul style="list-style-type: none"> o Potentials of a great variety of small off-farm activities 	<ul style="list-style-type: none"> o Small-sized operation 	<ul style="list-style-type: none"> o Output of a single product
Niche	<ul style="list-style-type: none"> o Possibilities of specialisation 	<ul style="list-style-type: none"> o Use of local resources 	<ul style="list-style-type: none"> o 'Niche' not fully utilised
Marginality	<ul style="list-style-type: none"> o Little support from outside o Limited resources o Dependence on common property 	<ul style="list-style-type: none"> o Self-help o Close ties with local government 	<ul style="list-style-type: none"> o High dependence on outside o Not much integration with local community

Lixian Tibetan Printing House

Type and Size

Lixian Tibetan Printing House was established in 1986 by Lixian Buddhist Society and some other non-governmental organisations in response to the felt need to foster Tibetan culture. The initial investment of the establishment was 55,000 *yuan*. The other funds were collected from the local government, non-government organisations, and individuals. The printing house is a productive enterprise and belongs to the light industry sector. Tibetan Buddhist texts constitute the main output. Lixian Tibetan Printing House is a small enterprise in terms of the number of employees and the production scale. There are 180 staff members and workers (1990). Among them, 9 members are administrative staff, including one Director, one Vice Director, two Workshop Heads, two guards, and three accountants. All the others are workers, including 80 permanent employees and 90 semi-permanent employees. In 1990, according to the Director, the value of fixed assets was 900,000 *yuan*; the output value, 5 million *yuan*; and the profit, 750,000 *yuan*. Two years prior to this, the fixed assets amounted to only 600,000 *yuan*.

Organisation and Management

Lixian Tibetan Printing House is managed by the Director under the Contract Responsibility System, Lixian ABOTE. The Director has full control over the daily operations. The House pays annually 5 per cent of the total profit value to Lixian ABOTE. Lixian ABOTE, in turn, provides considerable support and help. The House at present has two workshops and three divisions. Two additional workshops are being planned and will be built in the near future. Among the staff and workers, 30 employees hold non-agricultural I.Ds. The others are a part of the agricultural population. Most of them, apart from some semi-permanent employees, are not, however, engaged in farming activities. Wages of the employees are not fixed and vary greatly. Some can earn 35,000 *yuan* per month, others earn 10,000 *yuan*. The House provides medical insurance and retirement pensions to the employees. It also contributes to a public welfare fund, out of which donations have been made to a local school and also to other projects.

Technical Innovation

Lixian Tibetan Printing House is a successful example in which technology and equipment were imported from outside. In the beginning, the employees did not know how to operate the offset printing press. Accordingly, the House made a partnership agreement with an advanced printing enterprise, the State-owned Quxian Printing House. According to the agreement, Quxian Printing House supplied offset printing equipment and skilled technicians to Lixian Printing House. The skilled technicians were responsible for the technical aspects of printing and for training the unskilled workers on the job. In this way, the House was able to solve the technical problems, and thereby contribute to its successful operation. In addition, the House had sent two employees to a printing college in Hang Zhou, Zhejiang Province, in Southeast China. Two employees were sent to Aba Vocational School to learn accounting. These trainees have become the backbone staff of the House. The House has introduced offset printing equipment and is going to start colour printing in the coming two to three years.

Marketing

Paper, the main means for production, comes from outside Aba Prefecture, mainly from Chengdu. In 1990, the House used 1,000 tons of papers. The printed materials were sold mainly within the counties of Aba Prefecture. Some are sold in Qingshai Autonomous Region.

Indicators of "Success" and "Failure"

Some indicators of "success and "failure" of the Printing House in the mountain context are listed in Table 6.2.

Table 6.2: Indicators of "Success" and "Failure" of the Lixian Tibetan Printing House in the Mountain Context

Mountain Specificities	Implications of Mountain Conditions	Successful Operations	Failures
Inaccessibility	<ul style="list-style-type: none">o Isolation from mainstreamo High cost of transporto Information gapso Poor service	<ul style="list-style-type: none">o Sale of products in local areao High value-low bulk productso Full use of mass mediao Partnership with outside enterprises	<ul style="list-style-type: none">o Need to get raw materials from outside
Fragility	<ul style="list-style-type: none">o Off-farm employment pressureo Limited supply of resourceso Environmental degradation	<ul style="list-style-type: none">o Provision of off-farm employment opportunities	
Diversity	<ul style="list-style-type: none">o Potentials of a great variety of small-scale off-farm activities	<ul style="list-style-type: none">o Multiple products on a small scale	
Marginality	<ul style="list-style-type: none">o Little support from outsideo Limited resourceso Dependent on common property	<ul style="list-style-type: none">o Close ties with agriculture and local community	<ul style="list-style-type: none">o High dependence on outside

Nongjiale Hydropower Station

Type and Size

Nongjiale hydropower station was established in 1979 by Nongjiale Township and began to generate electricity in 1981. The construction fund, totaling 970 thousand *yuan*, came from three sources. The first source (340 thousand *yuan*) was the money accumulated and collected from the Township. The second was the support fund from the Government (330 thousand *yuan*). The third source was the bank loan (300 thousand *yuan*). By 1990, the Power Station had paid back the bank loan. The hydropower station is a small one. Its capacity for electricity generation is 820 kilowatt and its fixed assets amount to 1.2 million *yuan*. In 1990, the Station had 28 permanent staff and workers. All of them were agricultural I.D. holders. The output value in 1990 was 210 thousand *yuan*. It is a collective enterprise and is run by Nongjiale Township.

Organisation and Management

The hydropower station is run by a Board of Directors. There are 9 members in the Board and all of them come from Nongjiale Township. Most of them are township and village officials. Nongjiale Administration Committee for Township Enterprises is directly responsible for the management of the station.

Technical Innovation

From the beginning, the station recruited some people who were familiar with the basic operations of hydropower stations. They became the technical backbone of the station and were responsible for teaching others on the job.

Marketing

The distribution of electricity is controlled by Lixian Electricity Bureau. Generally, electricity generated by the station is mainly for meeting the demand of residents in Lixian Town. Local residents have now partly substituted wood by electricity for cooking.

Indicators of "Success" and "Failure"

Some indicators of "success" and "failure" of the Hydropower Station in the mountain context are listed in Table 6.3.

Table 6.3: Indicators of the "Success" of Nongjiale Hydropower Station in the Mountain Context

Mountain Specificities	Implications of Mountain Conditions	Successful Operations
Inaccessibility	<ul style="list-style-type: none"> o Isolation from mainstream o High cost of transportation 	<ul style="list-style-type: none"> o Sale of electricity in local area o Use of local resource
Fragility	<ul style="list-style-type: none"> o Limited supply of resources o Environmental degradation 	<ul style="list-style-type: none"> o Substitution of wood by electricity
Diversity	<ul style="list-style-type: none"> o Potentials of a great variety of small-scale off-farm activities 	<ul style="list-style-type: none"> o Small-sized operation
'Niche'	<ul style="list-style-type: none"> o Possibilities for specialisation resource 	<ul style="list-style-type: none"> o Special product with local
Marginality	<ul style="list-style-type: none"> o Little support from outside 	<ul style="list-style-type: none"> o Close ties with agriculture and local community