Govt plans measures to boost logistics sector

By LI JIABAO
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The Ministry of Commerce will start implementing a modern logistics technology project this year to reduce distribution costs and expand domestic consumption.

POLICY

Nine cities, including Guangzhou, Wuhan and Lanzhou, were selected as pilot cities for the ministry's initiative and will receive funding of 15 million yuan ($2.35 million).

"At the end of the 12th Five-Year Plan (2011-15), we will strive to have network coverage for common deliveries, including uniform distribution, above 40 percent in major cities, to reduce the equivalent volume of freight transport by at least 30 percent," said a document published on the ministry's website.

The document added that logistics costs in the commodities supply chain are expected to decline 2 percent at the end of the 12th Five-Year Plan.

This is the first time that the central government is funding the application of a modern logistics technology project driven by common deliveries, which allows several companies to share logistics services to achieve greater synergy, the Shanghai Securities News reported on Friday.

China's commercial logistics services have dispersed networks and outdated technical equipment and are poorly organized. Also, the last kilometer in the delivery process accounts for a significant portion of supply chain costs, the document said.

"Promoting the application of modern logistics technology and enhancing the level of common deliveries is the key way to modernize China's commercial logistics services and improve the organization level, which is of great significance in lowering distribution costs and improving distribution efficiency, as well as expanding domestic consumption," the document said.

Xu Wei, a researcher from the China Center for International Economic Exchanges, said the move may lower the prices of consumer goods and thus expand consumption, while boosting production by reducing companies' costs.

"Jobs will be added because the development of the supply chain needs a lot of labor. All in all, the ministry's move will have a positive effect on the country's economic expansion in the second half of the year," Xu said.

The ministry will build urban distribution networks supported by major logistics parks, public distribution centers and terminal nodes for common deliveries. It will also encourage the modernization of distribution models.

Distribution companies will also be urged to boost common deliveries through alliances and joint shareholding.

"In recent years, China's logistics sector faced rising labor, land and transportation costs. High transportation costs and frequent toll station fees have become an outstanding problem in China's supply chain because they not only increase the cost of logistics but also affect the quality of the transported commodities," said He Dengcai, deputy director of the China Federation of Logistics and Purchasing.

"It's important to fully extend the pilot program of replacing the business tax with a value-added tax because this will greatly ease the burdens of small and medium-sized companies, which are the main players in the supply chain business," Xu said.

The ministry will also support companies' efforts to update their logistics information systems and share data and resources with producers and regulators.

Companies are also being urged to use new technologies, including GPS real-time monitoring systems and RFID, or radio frequency identification systems.

The introduction of a standardized system is being urged for the production, packaging, loading and transportation stages. The ministry will also support companies that renew supply chain facilities, including building energy-efficient cold storage facilities and warehouses with automatic sorting equipment.

He from the logistics and purchasing federation said he also expects detailed regulations for land use to improve the supply chain.

"Surging land prices and rapid urban development in recent years drove convenient logistics terminals, such as community vegetable stalls, out of the reach of people," said He.

Xu added that private capital is of crucial importance to the development of China's circulation and distribution market and should be welcomed.

SAP to double Chinese staff by end of 2013

By GAO YUAN
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SAP AG, the largest maker of business management software, said on Friday it plans to double its China workforce by the end of next year despite the gloomy economic outlook.

The plan is being driven by the company's rapid expansion in serving small and medium-sized enterprises in the world's second-largest economy.

TECH

"Chinese SMEs will be more eager than ever to rely on information technologies to reduce their transportation and operation costs, especially when the economic outlook goes bad," said Robert Enslin, president of sales and a member of SAP's global managing board. "And that is what SAP is good at."

Enslin added that SAP's recruitment may be faster than expectations amid the rapid growth of the company's China business.

In the first half of this year, SAP added about 1,000 employees to beef up its sales team in China. The move was a part of the company's four-year $2 billion investment plan in China, which was announced late last year.

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SAP AG's headquarters in Walldorf, Germany. PROVIDED TO CHINA DAILY

The Walldorf, Germany-based company now has more than 3,500 employees in China.

SAP's revenues in China jumped by 30 percent year-on-year in the second quarter. The company expects its China revenue to hit 1 billion euros ($1.2 billion) "in the medium term", mainly boosted by demand from SMEs, Bloomberg News reported, citing Alexander Atzberger, senior vice-president of SAP and head of China strategy.

"The number of SMEs accounts for 79 percent of our total customers in China, and they helped to generate about half of the revenue," said Hera Siu, president of SAP China, without elaborating.

China's GDP growth slowed to 7.6 percent in the second quarter, the lowest quarterly expansion in three years. But the IT industry is growing faster than other sectors as the nation strives to lift its level of informatization.

"IT growth stagnated in Japan, where spending increased only in the software segment. By contrast, emerging markets, particularly in China and India, continued to record double-digit growth," said the company.

SAP is in a good position to enlarge its profit margin as the government encourages IT development throughout industries, a move that may boost demand for IT services, said Enslin.

In addition, the company is poised to conduct more cooperation and make more acquisitions deals to feed growing demand in emerging markets.

On Thursday, SAP signed an agreement with Huawei Technologies Co Ltd, the world's largest telecom equipment maker by sales, to jointly develop business-to-business IT service solutions and marketing.

"Teaming up with Huawei enables SAP to further explore emerging markets such as China, Africa and Latin America, where the Chinese telecom giant has established a sound service network," said Siu.

Another cooperation deal with China Telecom Co Ltd, which was announced on Friday, showed that SAP is striving to meet surging demand in emerging industries such as mobile Internet.

"We believe that adequate coverage is the key to success in China because of the size and structure of the country," said the company.

SAFE 'to invest $500m' in Blackstone property fund

By WANG XIAOTIAN and **CAI XIAO**

China is strengthening its efforts to diversify the world's largest foreign exchange reserves and increase returns on its portfolio by investing in a private-equity fund.

INVESTMENT

The State Administration of Foreign Exchange has decided to invest $500 million in a real-estate private-equity fund managed by Blackstone Group LP, the Wall Street Journal reported on Friday, citing anonymous sources.

The fund that SAFE has agreed to invest in is the biggest of its kind, as it has attracted more than $12 billion. Blackstone expects the fund to reach $13.3 billion at the final close in the next few months.

Both SAFE and Blackstone declined to comment on the issue.

The newspaper said SAFE will allocate about 5 percent of the $3.2 trillion foreign reserves to alternative asset classes such as private equity, while investment in government bonds, cash and other liquid assets remains the main trend.

The diversification of China's foreign exchange portfolio is vital for the country to maintain the value of its assets, said Zhang Anyuan, a senior analyst at the economic research institute under the National Development and Reform Commission.

"It's always welcome that SAFE could set different layers to its investment of foreign reserves, and setting aside such a small proportion for high-return but high-risk investment is necessary," said Chen Daofu, policy research chief of the Financial Research Institute at the State Council's Development Research Center.

But given the fact that international financial markets are facing rising pressure due to the current economic situation, liquidity and security should be granted increasing emphasis when authorities are making investment decisions, Chen added.

In 2008, the foreign reserve watchdog poured $2.5 billion into a fund managed by the US-based private-equity firm TPG and suffered losses after the fund's subsequent investment in Washington Mutual, the largest US savings-and-loan firm at the time, was wiped out after the lender's closure by the US government, the Wall Street Journal reported.

SAFE has constantly reiterated that security is its top priority when making investments using foreign reserves, and it has already taken appropriate measures to offset potential major risks.

LIU HUAIYU / FOR CHINA DAILY
The headquarters of the State Administration of Foreign Exchange in Beijing.

It has invested most of the reserves in low-yield assets such as government treasury bonds.

China is the largest foreign holder of US Treasuries, having invested about a third of its foreign reserves in those bonds. About 20 percent has been invested in euro-denominated assets.

The capital raising for Blackstone's Real Estate Partners VII fund will end in February.

Its Real Estate Partners VI invested the majority of its capital in business property in the United States, such as shopping mall-owner General Growth Properties Inc and hotel-owner Extended Stay.

But some recent figures have raised doubts over future returns. According to the results of a primary mortgage market survey released by Freddie Mac on Friday, fixed mortgage rates continue to reach record lows.

The 30-year fixed rate mortgage averaged 3.49 percent, while the 15-year fixed-rate mortgage, a popular choice for those looking to refinance, hit a record low of 2.8 percent.

Frank Nothaft, vice-president and chief economist of Freddie Mac, said market concerns over the strength of the economic recovery brought long-term Treasury yields to new lows.

"Existing home sales fell to 4.36 million homes (annualized) in June and represented the slowest pace since October 2011. Similarly, new home sales fell in June to their lowest level since January of this year," he said.

"Investing in real estate can be interesting for investors who wish to invest in real assets and are shying away from volatile financial markets" said Andre Loesekrug-Pietri, chairman of the Beijing-based European PE company A CAPITAL, adding that local and professional teams are very important as this always require local expertise.

Loesekrug-Pietri said the US property market has gone through a long readjustment since the subprime crisis, but as the US economy improves, the conditions may become more attractive in the coming years, both in residential and commercial real estate.

According to him, markets such as China, whose macro drivers for growth include urbanization and consumption, should continue to be attractive for real estate investment, in particular for sophisticated investors that can avoid overheated sectors and identify strong value for money in all market categories.

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China team to use own London network

By ZHANG CHUNYAN
in London

China's Olympic delegation is enjoying the services of the first domestic telecom operator to launch a mobile virtual network outside the country, during the London Olympic Games.

China Telecom, the country's largest fixed-line operator, will provide the service for all delegation members.

The service, called CTExcelbiz, is using leased capacity on the Everything Everywhere network, a joint venture between of France Telecom SA and Deutsche Telekom AG.

"The special service for the Chinese delegation includes free calls within the group, local mobile Internet access, and preferential prices to call China," said Ou Yan, managing director of China Telecom Europe.

With round-the-clock Chinese and English language customer services, the mobile virtual network operator will also provide delegation members with local information on transport routes and tourism services and for getting other important information to members.

China Telecom Europe launched CTExcelbiz on May 23 as a tailored pay-as-you-go mobile service aimed at meeting the specific communication requirements of the UK's Chinese population, be they permanent residents, students or tourists.

The mobile operator will provide services directly to its own customers, but does not own the network or the infrastructure behind the services.

Ma Jilong, director of marketing at the Chinese Olympic Committee, said that using a local mobile service will reduce communication costs, and help the 621 delegation members enjoy easy data access and communication with their families.

"This is the first time that a China Olympic delegation can use a Chinese company's own mobile service overseas," Ma added.

China Telecom hopes the service can be replicated during other international sports events in the future, and that it will also build its business in the highly competitive UK market.