

---

# HANGZHOU'S CHANGYUN GROUP CHEATS WORKERS OUT OF RIGHTFUL COMPANY SHARES

**By Dong Yuan**

*Plagued by corruption, the restructuring of the Hangzhou Changyun Transportation Group was nothing but a farce to line the pockets of company leadership. Its workers took action by organizing a campaign.*

The Hangzhou Changyun Transportation Group was founded more than 50 years ago in the city of Hangzhou, and is one of the leading transportation companies in Zhejiang Province. In addition to its main office building, the Changyun Group owns some 15 companies in Hangzhou, including bus stations in the western, southern, and eastern parts of the city, several transportation companies, an expressway company, an express mail company, a maintenance company, a consolidated trading company, and a goods and materials company. In 1999, over a year before it changed its ownership structure (*gaizhi*),<sup>1</sup> the Changyun Transportation Group invested a staggering sum of 126.3 million *yuan* in a bus station that it opened in the north of Hangzhou. In all, it is fair to say that the group holds a monopoly position in the city of Hangzhou.

When the Changyun Transportation Group reworked its ownership structure in 2000, its director, Wang Derun, became the head of the team managing the operation. Although Wang's new post was entirely different from his previous one, he proceeded to appoint himself the boss of the newly restructured group of companies. Wang and the group's bigwigs then employed a series of underhanded strategies—including undervaluing, hiding, and omitting to value assets; overvaluing liabilities; falsifying accounts; and taking advantage of preferential policies—to acquire the new group of companies with a registered capital of 50 mil-

lion *yuan*. Intangible assets such as the group's patents, brands, trademarks, and goodwill were simply left out of the valuation.

Changyun workers see this as a farce that essentially amounts to “selling oneself only to buy oneself back.”

**Come rain or shine, however, every Thursday at the appointed time, one can find the Changyun employees standing up for their rights in front of the group's headquarters.**

As a result of the aforementioned structural changes in Changyun's ownership, Wang Derun and the bigwigs who had run the group until then became multimillionaires overnight, creating a huge income gap between themselves and ordinary employees. Little wonder, then, that the employees sum up the situation as follows: “They are rich and buy cars and houses, and we are poor and eat gruel and soup.” Changyun employees all say that this series of events is proof of the unwritten rule that “running an enterprise is not as good as buying it, and having it bought by outsiders is not as good as buying it yourself.”

According to a regulation issued by the Hangzhou City government in 1999, “When a state-owned enterprise changes its ownership structure, employees who have worked in the enterprise since before 1983 may apply to have each of their past years of employment converted into 15,000 *yuan* worth of shares in the new enterprise.

State-owned assets in the old enterprise shall be used to award these employee shares.”<sup>2</sup> The regulation also requires that “the assets converted into shares remain in the enterprise and are converted into employee shares based on the number of years the employee has worked in the enterprise.”<sup>3</sup>

This regulation effectively confers upon the 815 employees who had been at Changyun since before 1983 the right to company shares, free of charge. But when Changyun transformed its ownership structure, Wang Derun and the officials who had previously run the group allocated huge stock options to themselves, while the 815 employees were forced to resign and to sign “voluntary retirement” agreements. They were thus deprived of their right to own company shares.

These 815 employees immediately organized a campaign to defend their lawful rights and interests. At first, employee representatives demonstrated in front of the Changyun Transportation Group’s main office building every Monday and Thursday, bearing banners that read, “GIVE US BACK OUR HARD-EARNED MONEY” and “RETURN OUR SHARES.” Now that midsummer has arrived and the weather is hot, they are demonstrating only once a week. Come rain or shine, however, every

Thursday at the appointed time, one can find the Changyun employees standing up for their rights in front of the group’s headquarters.

Translated by Paul Frank

The original article was published in HRIC’s Chinese language online newsletter: Dong Yuan [冬原], “Hangzhou’s Changyun Group Cheats Workers Out of Rightful Company Shares”, [杭州长运公司改制 “自卖自买” 工人示威风雨不误], *Huaxia Dianzi Bao* [华夏电子报] No. 205, August 16, 2007, <http://www.huaxiabao.org/article.asp?IssueId=205&ArtNb=3>.

### Notes

1. Translator’s Note: *Gaizhi* is a vague term, which literally means “changing the system,” and covers not only privatization but also listing on the stock market and the restructuring of internal and external governance. See Yang Yao, “Privatising the Small SOEs,” in *China’s Third Economic Transformation: The Rise of the Private Economy*, ed. Ross Garnaut and Ligang Song (RoutledgeCurzon, 2004), 91.
2. Translator’s Note: Hangzhou City Regulation No. 17, Article 4, Section 1 (1999).
3. *Ibid.*, Article 4, Section 2.