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## **FINANCIAL ASPECTS OF NATIONAL AUTOMOBILE TRANSPORT DEVELOPMENT**

**Abstract.** The article considers the features of the automobile transport development, which is an integral part of the national economy. The main aspects of financial and economic development of the national transport system are highlighted. The expediency of development and introduction of a qualitatively new organizational and management model of passenger transportation by motor transport in Ukraine is substantiated. In the course of the research, the amount of direct foreign investments in the development of the Ukrainian transport system is analyzed. This made possible to assert that in order to intensify investment activity in the automobile transport development it is necessary to improve the legislation, create a favorable institutional environment, increase social and economic well-being of the county's population, develop and implement a system of guarantees for investors from possible risks, stimulate innovation activity.

**Keywords:** national economy, road transport, transport system, foreign investment, export, import

**JEL Classification:** E65, L92, O18

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## **ФІНАНСОВІ АСПЕКТИ РОЗВИТКУ НАЦІОНАЛЬНОГО АВТОМОБІЛЬНОГО ТРАНСПОРТУ**

**Анотація.** У статті розглянуто особливості розвитку автомобільного транспорту, що є невід'ємною частиною національного господарства. Висвітлено основні аспекти фінансово-економічного розвитку національної транспортної системи. Обґрунтовано доцільність розробки і впровадження якісно нової організаційно-управлінської моделі пасажирських перевезень автомобільним транспортом в Україні. В процесі дослідження проаналізовано обсяги прямих іноземних інвестицій у розвиток транспортної системи України. Це дозволило стверджувати, що для активізації інвестиційної діяльності в розвиток автомобільного транспорту необхідно вдосконалити законодавство, створити сприятливе інституціональне середовище, підвищити соціально-економічний добробут населення, розробити і впровадити систему гарантій для інвесторів від можливих ризиків, стимулювати інноваційну діяльність.

**Ключові слова:** національна економіка, автомобільний транспорт, транспортна система, іноземні інвестиції, експорт, імпорт.

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## **ФИНАНСОВЫЕ АСПЕКТЫ РАЗВИТИЯ НАЦИОНАЛЬНОГО АВТОМОБИЛЬНОГО ТРАНСПОРТА**

**Аннотация.** В статье рассмотрены особенности развития автомобильного транспорта, который является неотъемлемой частью национального хозяйства. Изложены основные аспекты финансово-экономического развития национальной транспортной системы. Обоснована целесообразность разработки и внедрения качественно новой организационно-управленческой модели пассажирских перевозок автомобильным транспортом в Украине. В процессе исследования проанализированы объемы прямых иностранных инвестиций в развитие транспортной системы Украины. Это позволило утверждать, что для активизации инвестиционной деятельности в развитие автомобильного транспорта необходимо усовершенствовать законодательство, создать благоприятную институциональную среду, повысить социально-экономическое благосостояние населения, разработать и внедрить систему гарантий для инвесторов от возможных рисков, стимулировать инновационную деятельность.

**Ключевые слова:** национальная экономика, автомобильный транспорт, транспортная система, иностранные инвестиции, экспорт, импорт.

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**Introduction.** The harmonious development of the transport system, which not only satisfies the transport needs of society, but also directly affects its social and economic well-being is one of the most important factors in the efficient growth of the national economy [1]. In this context, the main lever of all transport and logistics chains of passenger transport, both at the local, regional, national and international levels, is automobile transport. According to expert estimates, the total amount of passenger transport by road constantly increased in the range of 9–15 % in Ukraine, five to six years ago however, the subsequent economic and political crises negatively affected the development of this industry, causing losses of at least 20% in passenger transportation volumes [2, p. 80]. Despite it, experts point out that the sector of the Ukrainian transport system generally satisfies the needs of the society in passenger transportation today, but the structure of vehicles is imperfect and does not correspond to technological and environmental characteristics.

Undoubtedly, there are a number of other problems hindering the development of the Ukrainian motor transport market at this time, in particular, the absence of a perfect regulatory framework; non-compliance with the criteria for international passenger transportation; imperfection of tariff-pricing policy; financial and economic threats associated with export-import of motor transport services; inefficiency in the existing economic mechanism of operation in the motor transport passenger transport sector; lack of proper conditions for modernization and innovative development of motor transport, etc.

According to this, it is important to study the main financial aspects of the motor transport development as an important part of the Ukrainian transport system, since they directly affect not only the complex solution of existing tasks, but also are crucial for the implementation of strategic priorities in this field.

**Analysis of researches and problem statement.** Many modern Ukrainian scholars have devoted their work to highlight the issues of the development of our country's motor transport.

Thus, P. Chuvayev noted in his research the importance of the gradual integration of Ukrainian automobile transport into the international transport system not only in order to generate high incomes, but also to increase foreign investment and improve all-Ukrainian road and transport infrastructure [3, p. 198]. The author argues that the activation of Ukraine in this direction will necessarily find financial support from foreign partners.

This opinion is shared by such well-known domestic scientists as D. K. Preiger, O.V. Sobkevych, O.Yu. Yemelyanova. Evaluating the strategic priorities of the transport industry reform in Ukraine, economists state that they have an exceptional role in the development of the national economy of the transport system in general and road transport in particular. It is precisely the transport that must outpace the progress of other sectors and thus strengthen the foreign trade relations of Ukraine, and, consequently, increase foreign exchange earnings to the state [2, S. 59].

The active innovation–investment policy with the proper support of the state, as a reliable tool for the efficient development of motor transport, is mentioned in the writings of Z.V. Valiullina, A.M. Novikova, M.V. Mamontova, M.I. Rudenko [4; 5; 6; 7].

It should be noted that the assessment of the financial aspects related to the development of Ukrainian motor transport at the present stage, does not receive due attention from scientists, and given the dynamic and polyfunctional nature of this sector of the economy, requires new integrated research every time.

Such an approach set the **purpose of the article** – an analysis of the financial aspects in the development of Ukrainian motor transport and the following **tasks**:

- to assess the state of development of Ukrainian motor transport, in particular, passenger transport;
- analyze the dynamics of foreign direct investment in Ukrainian transport;
- to identify the main directions and ways of attracting foreign investments in road transport;
- to investigate the structure of export and import of motor transport services in Ukraine;
- analyze the export–import dynamics of Ukraine in automobile and other means intended for passenger transportation.

**Research results.** Analysis of the Ukrainian motor transport development shows the need for a completely new system approach to the implementation of strategic directions of development in this industry. A number of unresolved problems led to a decrease in most financial and economic indicators over a long period of time, in particular, in relation to passenger motor transport. Thus, if the share of road transport in passenger transportation amounted to 55% of the total volume of transport by various modes of transport in 2009 [2, p. 21], this figure is 44% [10]. This may indicate, firstly, the ineffectiveness of implemented reforms, their narrowed nature in the area of "change in ownership – re-engineering of production – private (often illegal) carriers of small business".

M.P. Skohuk [9] emphasizes in his paper the fact that Ukraine has all the necessary preconditions and resources to ensure high-performance passenger motor transport, but the main problem is the absence of an effective mechanism for managing motor transport by the state authorities in the part of functions assigned to them. At the same time, the development and implementation of the organizational and management model of the passenger transportation process (taking into account the specificity of the route network formation, passenger capacity and timetables of vehicles, social, environmental, investment, technical and innovation components) will improve the development of this sector of the transport system to a qualitatively new level.

Secondly, it is the low level of motor transport competitiveness compared to other transport system units. Although the automotive sector still prevails in the overall structure of Ukrainian passenger transport (Fig. 1), such parameters as low quality of transport services, high wear and tear of vehicles, inconsistency of the bus fleet structure with real passenger traffic, especially in large cities, limited access to use transport services of the inhabitants in mountainous, rural areas, a significant number of illegal passenger traffic, etc., significantly affect the socio-economic development of motor transport in as a component of the Ukrainian transport system. As a result, potential passengers choose and more actively use other modes of transport.

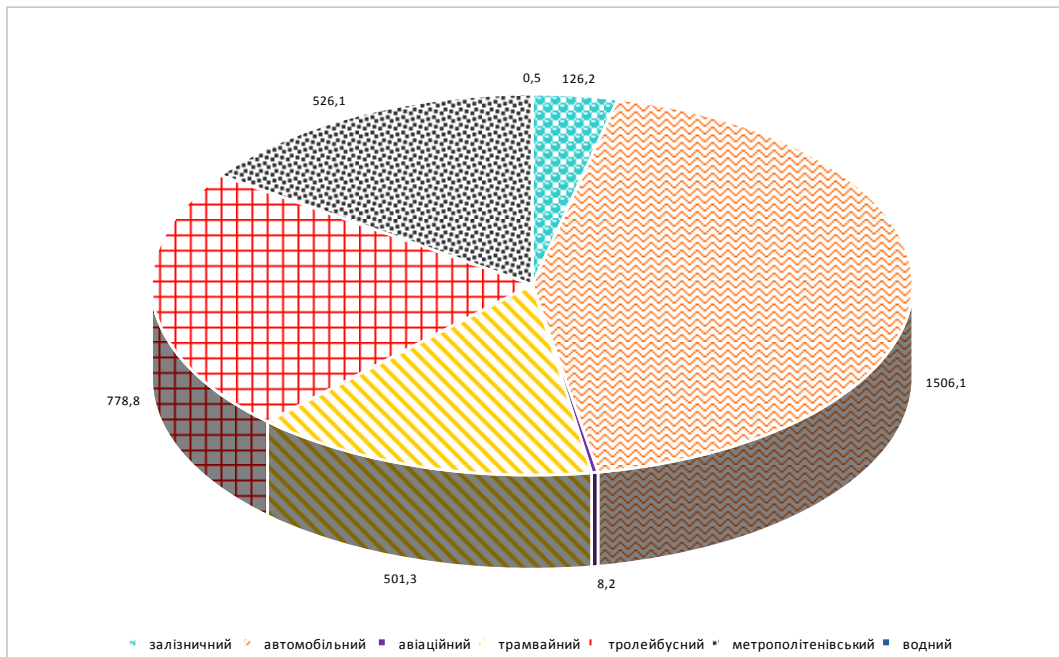


Fig. 1. Passenger transportation by various types of transport in January–September 2017  
Source: compiled by the author according to the data [8].

Therefore, the number of passengers carried by road decreased each year starting in 2012. If 50368.6 million passengers were transported in 2012, this figure amounted to only 2025 million passengers in 2016, and only 1506.1 million passengers during January–September 2017 (Fig. 2) [8].

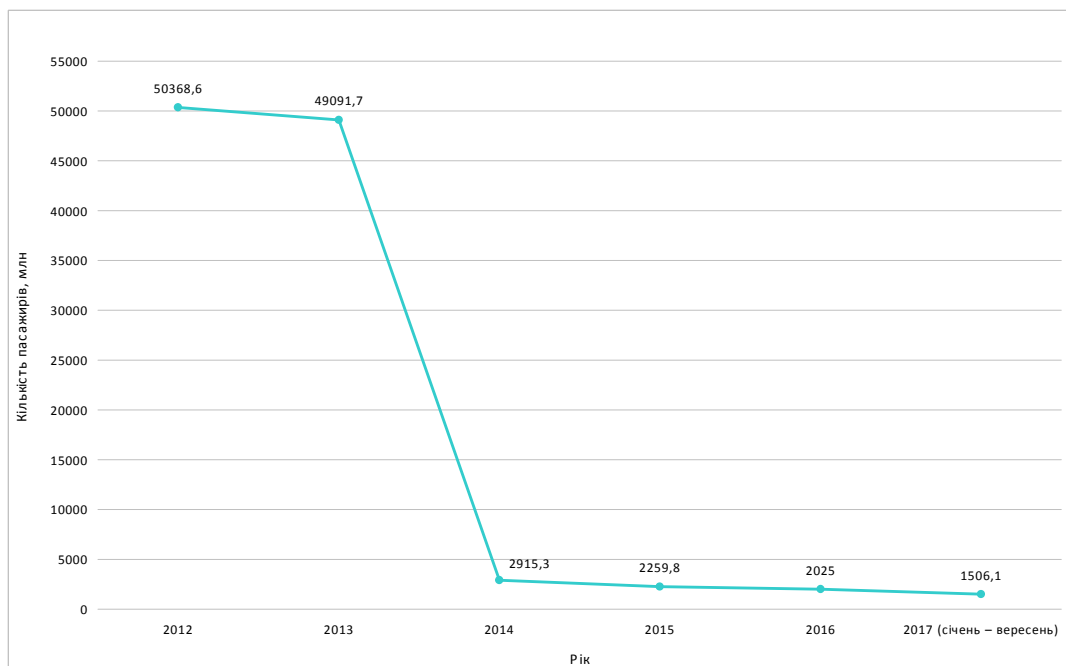


Fig. 2. Dynamics for the number of passengers carried by Ukrainian motor transport for 2012–2017.  
Source: compiled by the author according to the data [8].

Thirdly, the lack of investment activity, where the main source of capital investments in road transport companies are their own funds of these enterprises or bank loans. Obviously, these resources are not enough for the full functioning of the industry. This is confirmed by the statistics, according to which there was a decrease of 8.7% of total revenues of motor transport enterprises during the 9 months of 2017. The situation was aggravated by the reduction of state subsidies for compensating for privilege travel by 6.7% from the state budget and by 12.7% from local budgets [10].

An analysis of foreign investment in Ukrainian transport shows its reduction. Ukrainian transport industry received the largest volume of investments in the amount of 1535.3 million USD in 2014. Over the next two years, this figure dropped by 45.6%, and it was at 1054 million USD as of December 2016 (Fig. 3) [8].

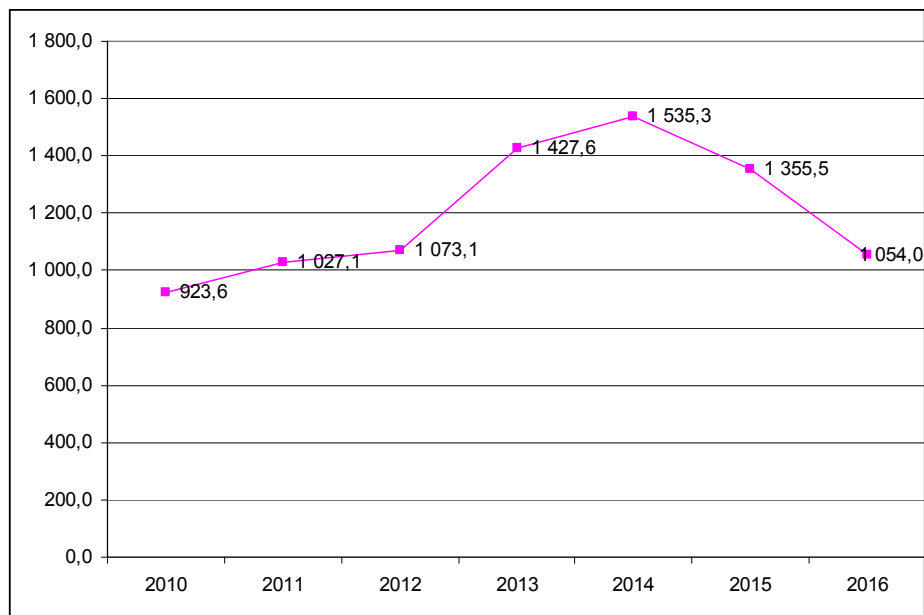


Fig. 3. Dynamics of foreign investments in the Ukrainian transport industry for 2010 – 2016, mln. USD  
Source: compiled according to data [8].

In our opinion, the main directions of investments for the development of Ukrainian motor transport should be road infrastructure (construction of new and major repairs of existing highways), implementation of the national organizational and managerial model for passenger transport, the actual production of vehicles, in particular, for passenger transportation, innovative activity (implementation of new scientific and technical projects), technological re-equipment of motor transport enterprises (Fig. 4, 5).

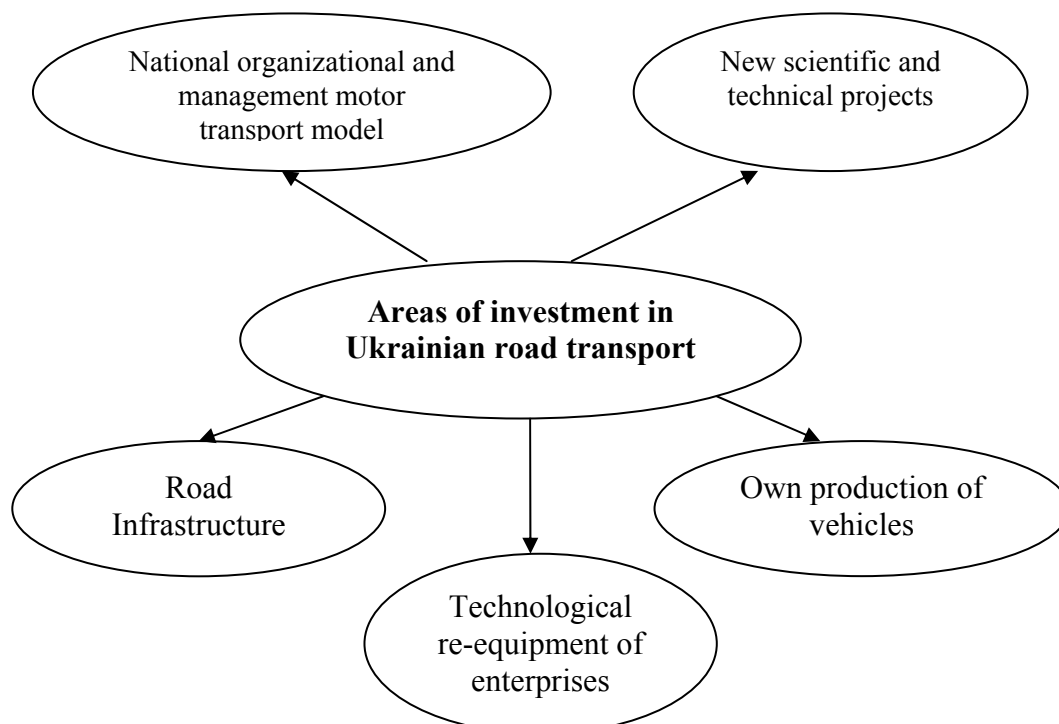


Fig. 4. Main directions of investment in Ukrainian motor transport

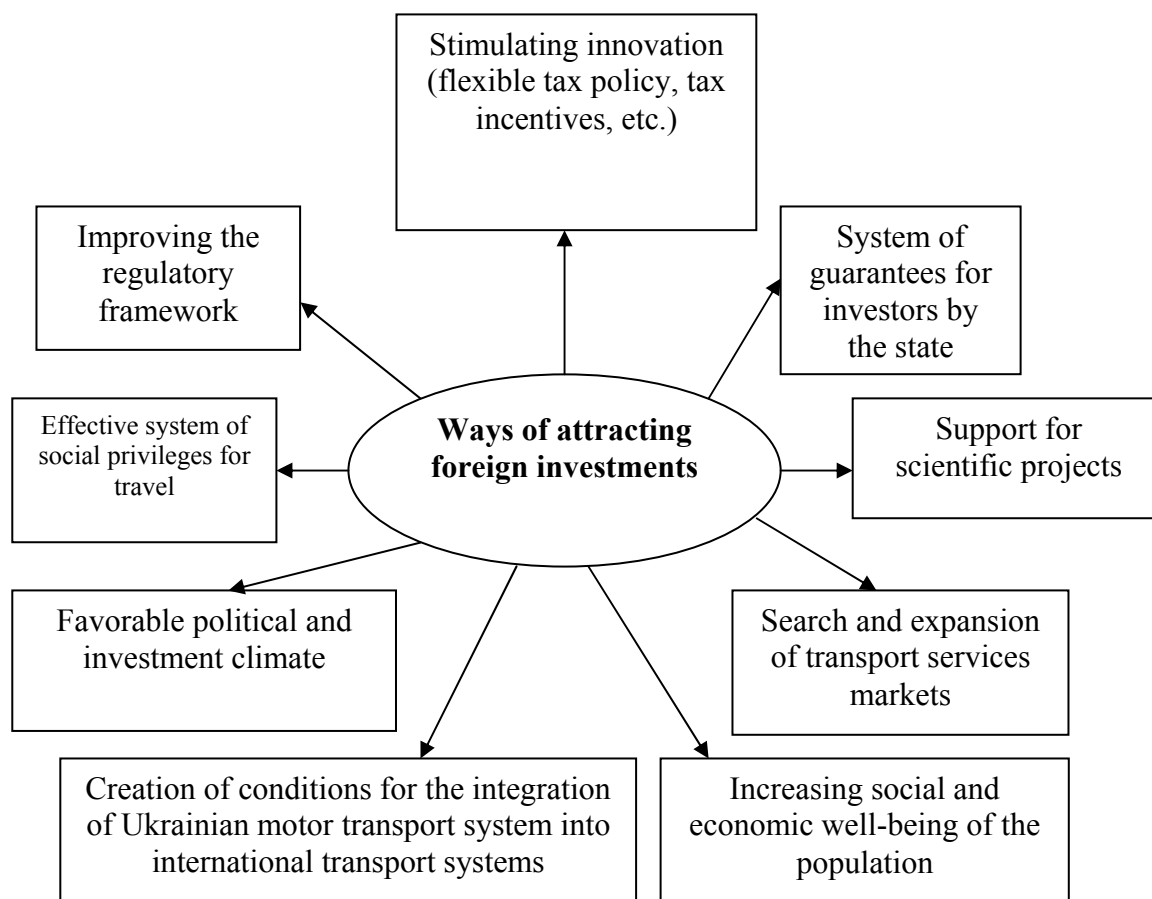


Fig. 5. The main ways of attracting foreign investments into the development of the Ukrainian motor transport market. Author's development.

There is no doubt, Ukraine has a significant potential attracting foreign investors. In the context of road transport, such advantages are geographic location, cheap skilled labor, attractive financial mechanisms, but this is not enough to attract the necessary investment. In order to boost investment activity in the development of Ukrainian motor transport it is necessary to improve the political situation, improve the legislation, create a favorable investment climate, increase social and economic well-being of the population, develop and implement a system of guarantees for investors from possible risks, establish adequate social privileges for travel, support innovation activity, applying a flexible tax policy, to provide support for domestic scientific and technical projects with improvement of Ukrainian motor transport activity at the state level. The implementation by the state of at least part of the listed measures will not only improve the functioning of the motor transport sector, but also the transport system as a whole, will accelerate the integration processes of Ukraine, including the international transport systems.

The total volume of exports of this type of services is evidenced by the considerable potential of Ukrainian motor transport to accelerate the integration into the European market of automotive services. Ukraine showed the highest rates of export in road transport services in 2012–2014 (Table 1).

As it can be seen, the amount of exports decreased almost twice in 2015, which can be explained by the political situation, as well as the complex nature of relations with the largest exporter of transport services for our country – Russia. However, the positive dynamics of past years and European aspirations of Ukraine give grounds to expect the emergence of new opportunities for the development of Ukrainian motor transport, the opening of new markets for the supply of their own motor transport services. In comparison with other types of transport, road transport lags substantially, however, the analysis shows a reduction in total exports of all types of transport.

Table 1

Dynamics of the export–import structure for transport services of Ukraine  
in 2011 – 2016, mln. USD

Services by type of transport	2011	2012	2013	2014	2015	2016
<b>Export</b>						
Automobile transport	391,9	447,2	438,9	459,6	249,0	237,9
Maritime transport	1104,5	1099,4	1022,3	850,8	735,9	661,6
Air transport	1481,8	1485,0	1299,1	1071,262	853,6	882,8
Railway transport	1772,8	1574,2	1531,9	1098,8	751,2	561,1
<b>Imports</b>						
Automobile transport	141,1	193,5	194,8	189,8	91,8	114,8
Maritime transport	137,3	196,4	187,8	243,6	191,7	141,1
Air transport	685,9	635,9	628,3	431,0	466,9	357,4
Railway transport	599,6	641,9	626,2	431,3	287,0	259,8

Source: compiled according to data [8].

It is obvious that, Ukraine has the largest share of transport services exports (38%) among the main types of transport for passenger transport, while the share of transport by sea (28%) and rail (24%) is slightly higher. And only 10% is accounted for road transport.

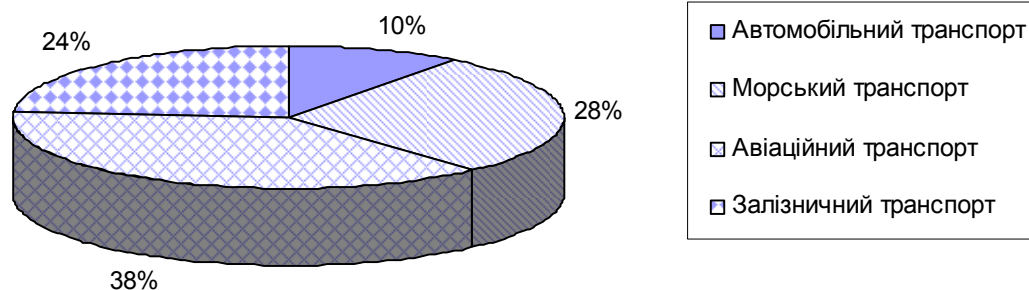


Fig. 6. Structure of transport services export by main types of transport in Ukraine in 2016

Source: compiled according to data [8].

As for the growth of import amounts for motor transport services in 2016, it can be assumed that there is a partial increase in competition on the domestic market between Ukrainian and European companies. In order to prevent the expansion of foreigners to the national market, it is necessary to immediately take appropriate measures to increase the competitiveness of Ukrainian carriers.

It is interesting to note that there is also a significant reduction in exports in 2017 compared to previous years in the overall structure of import and export of motor vehicles. If Ukraine exported passenger and other vehicles intended for the carriage of passengers in the amount of 214 million USD in 2012, this indicator, decreasing each year, reached 4.1 million USD as of October 2017. Instead, imports of such vehicles, having contracted in 2013–2015, showed growth in subsequent years and amounted to 1706.6 million USD in 2017 (Table 2) [11].

Table 2

## Structure of import and export of passenger vehicles for passenger transportation

	Imports			Export		
	Cost, mln. USD	Specific weight, %	Net Weight, t	Cost, mln. USD	Specific weight, %	Net Weight, t
2012	3247,1	3,9	278892	214,0	0,31	31289
2013	2995,4	3,9	241241	48,9	0,08	7347
2014	1211,9	2,31	90488	19,7	0,04	2766
2015	820,3	2,24	87753	12,3	0,03	620
2016	1441,5	3,71	133204	9,2	0,03	449
2017 (January – October)	1706,6	4,28	189413	4,1	0,01	154

Source: compiled according to data [11].

By 2014, the main exporters of motor vehicles from Ukraine were such countries as Russia, Belarus, Azerbaijan, Kazakhstan, and Uzbekistan. Since 2016, Ukraine exported most of this type of goods to Germany, Poland, Switzerland, the USA and Canada. Unchanged leaders in the import of motor vehicles to our country for a long time remain Germany, Japan and the USA.

**Conclusions.** The analysis of financial and economic aspects of motor transport development in Ukraine has shown that this sector of the national economy as one of the most important for passenger transportation segment of the transport system, is characterized by low efficiency and significant deficiencies in the management by state authorities. Among other research results, the following should be indicated:

1. Most of the reforms undertaken by the state in the transformation of motor transport proved to be ineffective, narrow-minded, devoid of a comprehensive approach. It is necessary to develop and implement a qualitatively new organizational and managerial model of the passenger transportation process by road, taking into account all important parameters and criteria.

2. The Ukrainian automobile passenger transport is characterized by a low level of competitiveness, which led to a significant reduction of passenger traffic over the past five years.

3. The aggregate amount of direct foreign investments in Ukrainian transport decreased significantly. In recent years, the largest investment in the domestic transport industry was in 2014 (1535.3 million USD), the lowest – in 2016 (1054 million USD).

4. In order to intensify investment activity in the development of Ukrainian motor transport needs to take a number of decisive measures, in particular, to improve the legislation, to create a favorable investment climate, to increase the social and economic welfare of the population, to develop and implement a system of guarantees for investors from possible risks, to stimulate innovation activity, etc. Otherwise, it should not be expected to increase the efficiency in the motor transport sector, and the integrationist aspirations of our state will remain at the level of initiatives and populism for a long time.

5. Ukrainian automobile transport has a significant potential, but the above-mentioned shortcomings inhibit all financial processes in this area. In particular, there is a steady reduction in the export-import of transport services, and not only in road transport. The positive dynamics of past years and the European aspirations of Ukraine give grounds to expect the emergence of new opportunities for the development of Ukrainian motor transport. Compared to other types of transport, road transport is lagging behind.

6. An analysis of the overall imports and exports structure for vehicles intended for the passengers carriage of showed a decrease in exports in 2017 compared with previous years. On the other hand, imports of such vehicles, having contracted in 2013–2015, already showed growth in 2016 and 2017.



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