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CONCESSION AS THE IMPLEMENTATION OF PUBLIC-PRIVATE PARTNERSHIP IN SPHERE OF TOURISM AND RECREATION

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It is shown the sense of notion «concession», and «tourism concession». The conceptual foundations of concessions in Ukraine are investigated, which are reduced to a logical sequence of following components: principles, objects, concession bidding, the concession contract. It is characterized the nature of concession. It deals with international experience in the implementation of concession contracts. It has been found that the concession mechanism can form the basis for government programs of economic development. Concession agreements are promising implementation of public-private partnerships, which can ensure the development not only of tourism and recreation in Ukraine, but also the entire infrastructure. They form the foundations of system development of the sector as an integral factor in the economic system.

Keywords: *concession, tourism and recreation, public-private partnerships.*

Introduction. The development of tourism and recreation as economically and socially important component of the economy need effective mechanisms for development. One of the most modern mechanisms of the industry is public-private partnerships, including its shape such interaction as a concession. Today, 120 countries in the world have adopted the practice of cooperation between the government and investors on the basis of concession contracts. The rising popularity of public-private partnerships in the form of concessions due not so much a fashion as that this partnership provides a significant added value for both parties, because, settled state task forces of private capital [1].

Analysis of recent researches and publications. O. Rozmetova considers concession contract as an innovative form of investment in the tourism area. The author argues that concession, provided the optimal development of the legal framework and effective mechanisms will improve the material and technical base and the quality of service in state and communal property that cannot be privatized by large inflows of financial resources without changing the form of ownership [2, pp. 120].

Konsovskyi A. in his research "Development of organizational and economic foundations of concession agreements in the field of tourism" reviewed the main theoretical positions concessions; developed proposals to establish mechanisms for implementing concession agreements in the field of tourism, has created criteria for determining the competitive model concessionaire in tourism. Processes occurring in the development of tourism depends on the quality of procedures to develop cooperation between the state and the private sector [3, p. 13], an effective mechanism which can be a concession.

Nowadays very few national scientific studies deal with the use of concessions to tourism and recreation. However many foreign scholars engaged in research of theoretical, methodological and applied aspects of concessions in tourism: Paul FJ Eagles, Cynthia M. Baycetch, Xiaoye Chen, Lina Dong, Elizabeth Halpenny, Pia B. Kwan, Jasminka J. Lenuzzi, Xiye Wang, Honggen Xiao, Yubing Zhang [4], Anna Spenceley, Rita Casimiro [5].

Previously unsettled problem constituent. However, there remain many unresolved issues regarding the usage of concession contracts in tourism and recreation industry.

Main purpose of the article. The aim of this article is to examine the conceptual bases of concessions and the feasibility of their the usage in tourism and recreation.

Results and discussions. According to the Law of Ukraine "On Public-Private Partnership" in the implementation of public-private partnerships can be entered into a concession agreement.

In the legislation of Ukraine term concession is treated as a provision of the rights to meet community needs executive authority or local authority on the basis of a concession agreement on a fee basis and the term legal or natural person (business entity) to create (building) and control (operation) of the concession (string possession paid), provided the taking of business entity (concessionaire) obligations on creation (construction) and management (operation) the object of the concession, property liability and possible business risk [6, p. 20].

The European Commission defines concession as "transmission of public power infrastructure and other public services that it owns to a third person to manage them under condition of acceptance the business risks and commitments to their life" [7, p. 11].

Konsovskyi A. enters tourism concession, that is the transmission concessionaire of one or more (combined) of natural, historical, socio - cultural objects belonging to the state, including some of the tourist show, as well as other facilities provided by the current concession legislation for the construction,

modernization, renovation, operation, management and maintenance on certain consolidated in the contract terms, but always in tourist purposes [3, p. 15].

Conceptual basis of concessions in Ukraine reduced to logical sequence following components: principles, objects, concession bidding, concession agreement (Figure 1).

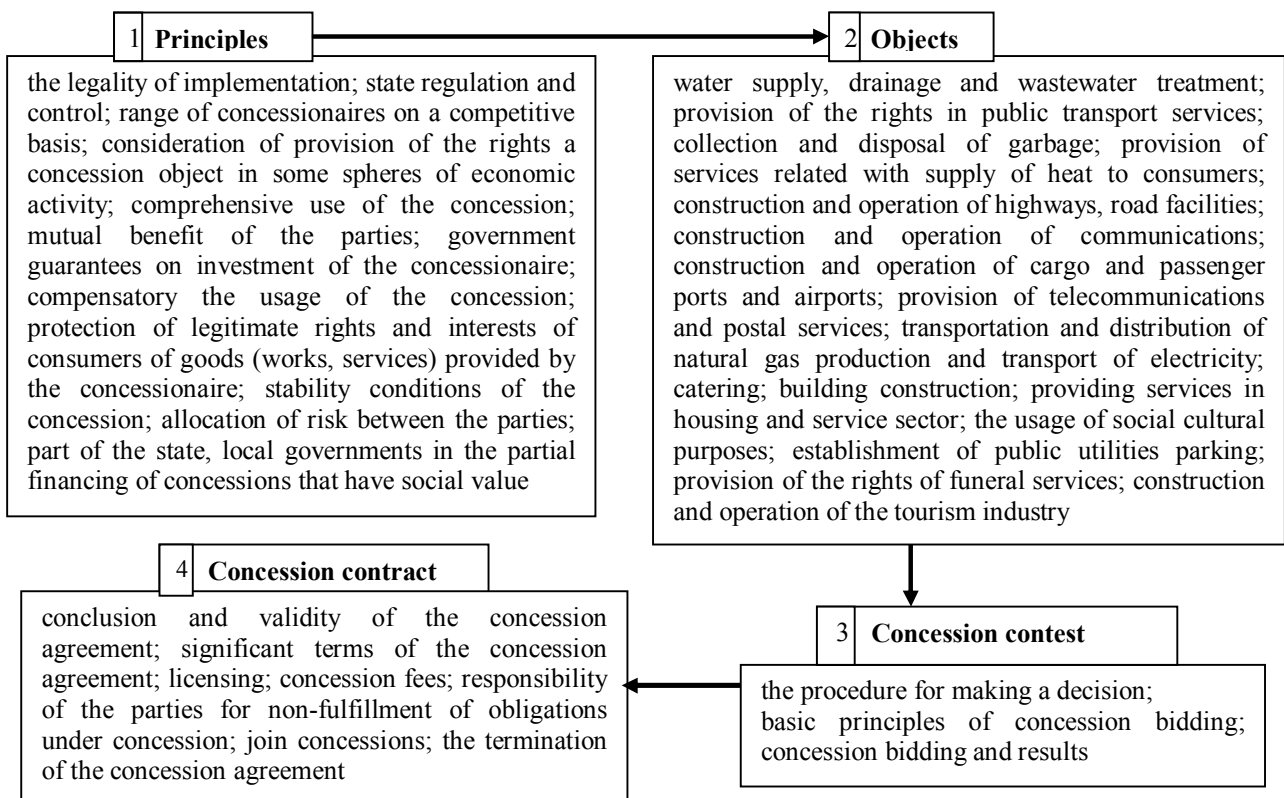


Figure 1. Conceptual basis of concessions

According to legal principles concession provides for the implementation of actions following algorithm [6, p. 20-26]:

- 1) concession bidding;
- 2) making a concession agreement under which authorized executive authority or local authority (concessionary) provides for a fee and term-based business entity (concessionaire) the right to build a facility license or significantly improve it and make its management (operation) to meet community needs;
- 3) transfer facility in concession (10-50 years);
- 4) licensing (if the concessionaire carries on business which is subject to licensing);
- 5) creation of a new object on the land or improving an existing facility under concession;

6) transfer facility to community property after the termination of the concession agreement or prematurely;

7) the possible redemption of the subject of concession: there is a right to repurchase the property under certain conditions of privatization.

In general, the content of concession can be reduced to the following provisions:

- the owner of the property or service system (state or local government) is placed on a competitive basis concession agreement with a private partner, giving him the exclusive right to exploit their property;

- usually private partner assumes full responsibility for the investment, operation and maintenance of the facility;

- the private partner shall report directly to the owner or governing body, created by him for the contract management of the concession;

- the owner or the authorized body is responsible for providing services to citizens, their quality and safety and, in particular, the cost of services provided [6, p. 75]

International experience implementing many concessions proves their effectiveness. In addition, S. Bik, A. Radzievskyi claim that a concession agreement with the purely legal terminology, have saved us a lot of global values – ancient works of art and culture, landmarks [9, p. 6]. Scientists claim that concession projects have brought changes worldwide (expedition of Columbus and the discovery of America, the construction of the Suez and Panama channels excavated in temples and tombs of Egypt - are all examples of contracts on the basis of the concession mechanism). Concessions are also used in tourism.

Eiffel Tower is the world famous tourist attraction built on the basis of the concession mechanism. Restoration and repair of the Taj Mahal, as measured by independent experts at 200-300 mln. USD is based on the concession mechanism. The project is a public-private partnership in South Africa SANParks included:

- I stage included a concession in ecotourism;

- II stage included a concession in the centers of retail and dining options in all national parks.

Private partner was given the exclusive right to use land for the construction of facilities and provision of ecotourism activities, while SANParks retained ownership on the land and buildings on it. Concessionaires pay SANParks annual payment, calculated in the tender process. Concessions in the centers of retail and dining options were structured as remodeling projects, management and transfer for a period of 10 years.

There is a global trend in ecotourism concessions: Australia – The Great Barrier Reef, parks in Canada and USA, protected areas Namibia and Mozambique.

Concession contract for the reconstruction and operation of the museum-estate Goncharov – generic Estates N.Goncharova, wife of A.Pushkin and historic buildings

in the village the Polotnjano Zavod was firstly signed in 2012 in Russia. According to the agreement the amount of investment is 300 billion. rub., 70% of which are financed from private sources, for a period of 49 years [9, p. 215].

Concession mechanism forms the basis for state economic development programs, confirming the British approach. According to the program «Private Finance Initiative – PFI» significant preference was given to the concession, which were concluded with private companies for the construction, operation, renovation and management of infrastructure facilities for a period of 15 to 30 years. A major concession program included the construction of municipal structures, management of public transport and transport infrastructure and services in health and education, information technology, research and development work. Investments PFI was 450 million pounds. T. Blair government continued to develop the concept of PFI bringing the period 1997-2003's. Great Britain was signed 563 concession contracts with a total investment volume of 35.5 billion pounds.

In December the UK government has published a report on a new approach to the development of public-private partnership called – PF2. The main new features were the diversification of funding sources, improved risk-sharing mechanism, changes in system operation of the concessions.

Construction and operation of the Trans European Transport Network (TEN-T), which includes all types of transport occurs mainly through concessions. Concession company profit for the operation of roads within specified contract period.

We can claim that concessions are promising implementation of public-private partnerships that can provide not only the development of tourism and recreation Ukraine, but also the entire infrastructure. Thus formed the foundations of system development industry as a component factor of the economic system.

Conclusions and further researches directions. Concession as implementation of public-private partnership in tourism and recreation involves the implementation of the following algorithm steps: concession bidding, making the concession agreement, the transfer facility in concession, licensing, creating a new object on the land or improving an existing facility according to the concession agreement, transfer the object to municipal property after the termination of the concession agreement or ahead of schedule, possible redemption of the concession. The effectiveness of the concession mechanism is proved by foreign experience.

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**КОНЦЕСІЯ ЯК ФОРМА РЕАЛІЗАЦІЇ ДЕРЖАВНО-ПРИВАТНОГО ПАРТНЕРСТВА В
СФЕРІ ТУРИЗМУ ТА РЕКРЕАЦІЇ**

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Розглянуто сутність поняття концесія та туристична концесія. Досліджено концептуальні основи концесій в Україні, які зводяться до логічної послідовності наступних складових: принципи, об'єкти, концесійний конкурс, концесійний договір. Охарактеризовано сутність концесійної діяльності. Висвітлено міжнародний досвід реалізації концесійних договорів. Виявлено, що концесійний механізм може формувати основу для державних програм розвитку економіки. Концесійні договори є перспективною формою реалізації державно-приватного партнерства, яка здатна забезпечити розвиток не тільки сфери туризму і рекреації України, а й всієї супутньої інфраструктури. Вони формуються основи системного розвитку галузі, як складового чинника економічної системи.

Ключові слова: концесія, сфера туризму та рекреації, державно-приватне партнерство.

**КОНЦЕССИЯ КАК ФОРМА РЕАЛИЗАЦИИ ГОСУДАРСТВЕННО-ЧАСТНОГО
ПАРТНЕРСТВА В СФЕРЕ ТУРИЗМА И РЕКРЕАЦИИ**

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Рассмотрено сущность понятия концессия и туристическая концессия. Исследованы концептуальные основы концессий в Украине, которые сводятся к логической последовательности следующих составляющих: принципы, объекты, концессионный конкурс, концессионный договор. Охарактеризовано сущность концессионной деятельности. Освещен международный опыт реализации концессионных договоров. Выведено, что концессионный механизм может формировать основу для государственных программ развития экономики. Концессионные договоры являются перспективной формой реализации государственно-частного партнерства, которая способна обеспечить развитие не только сферы туризма и рекреации Украины, но и всей сопутствующей инфраструктуры. Они формируют основы системного развития отрасли, как составного фактора экономической системы.

Ключевые слова: концессия, сфера туризма и рекреации, государственно-частное партнерство.