

## Development of Regional Tourist and Transport Infrastructure on the Basis of State-Private Projects

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**Abstract:** The priority directions of investment projects in the region including on the principles of public-private partnership are considered. Results of economic and social indicators in the sphere of the industry of tourism across Primorsky Krai for a conditional example of the stimulating effect of tourism on the accompanying branches of economy are analysed. Results of investment appeal of Primorsky Krai which are defined by the realized investment megaprojects, free port Vladivostok, territories of the advancing development including with attraction of Foreign investments are presented in study. Conclusions and offers are directed to realization of the conducted research.

**Key words:** Investment appeal, public-private partnership, transport, infrastructure, tourist industry, regional growth

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### INTRODUCTION

In the modern world, tourism is a dynamic sector of the global economy. The number of international tourist arrivals is increasing from 25 million in 1950-1,500 million in 2016. The share of the tourism industry accounts for 10-12% of global gross national product, all workplaces and world consumer expenses. The Russian Federation is a country with huge tourism and recreational potential. In all parts of the country the variety of attractions allows to develop all types of tourism, thus, attracting to remote regions of it more and more domestic and Foreign tourists every year.

Its providing requires creation of transcontinental transport corridors. It will allow to be integrated into the international transport system to strengthen uniform economic, social and political space of Russia. The statistics shows that Russia has no necessary resources for effective formation of the international transport corridors and development of the international tourism today. Power of the Russian transport resources about 85 million.

Realization of large cross-border transport and infrastructure it is state-private projects will inevitably bring commodity turnover and economic cooperation between Russia and the countries to new level.

For the remote territories of Russia it will allow to solve many regional problems and problems by reduction of social and economic asymmetry by means of creation of conditions for more intensive development of space and increase in transit opportunities many times.

One of regions of the Russian Federation, remote from the center is Primorsky Krai. At the present stage of its development covers an area of 164.7 thousand km<sup>2</sup> with a population of 1.9 million people, accounting for 0.97% of the area of the Russian Federation and is one of the fastest growing regions of the country which is considered Russia's gateway to the Asia Pacific Region. The territory has a specific tourist and recreational potential which includes not only tourist trails but a list of event activities, business, entertainment and cultural events including international level ones. However, the lack of infrastructure and supporting facilities limit the potential for full access to all the sights and interesting places. In order to maximize the potential of the tourism industry in Primorsky Krai and attract a wide segment of national and international consumers, there is a need for extensive investment in the expansion of existing and construction of new facilities.

The government recently stepped up its initiative of Public-Private Partnership (PPP) in the Primorsky Krai as a way of addressing limitations in the area of investment in infrastructure of the region. Solution of problems of socio-economic development of the region is the duties of the Ministry of Development of the Far East, responsibilities of which include the implementation of financial support projects on-site, development and approval of programs of financial support, selection criteria for infrastructure and other projects to provide financial support, organization of public discussion of agreements on public-private partnership. Minvostokrazvitiya monitors the performance of private

partner and public partner of the terms of the agreement on public-private partnership in the implementation of selected projects (GRF., 2015).

Investment attractiveness of the region, was particularly noticeable in the preparation and holding of the APEC Summit-2012 (Terekhov, 2012). The result of joint investment projects was the performance rating of public-private partnership in Russian regions for the period September 2014-March 2015 where Primorsky Krai complied with 37 positions and was included in the category with a medium level of PPP development 2016.

However, ongoing large investment projects in 2016 in crisis conditions, do not contribute to alleviating of socio-economic problems of the region as confirmed by the ranking of regions by PPP development level where Primorsky Krai occupied the 74th place (PPP Development Centre, 2016).

However, despite the adopted laws and the approved programs of strategic development of the Far East, each year the outflow of the resident population from the region continues. This is largely due to the fact that the vast majority of local residents do not feel their engagement in ambitious regional projects (Romanov, 2013).

As a result of the current situation and analysis of indexes of ratings of PPP in the study a hypothesis about expediency of realization of joint projects between business and power in the field of industry of tourism as a condition for creation of new workplaces and involving of local associations in development of Primorsky Krai is put forward.

This approach is primarily based on the practical implementation of PPP projects which should be developed not only on the basis of a single mechanism of interaction of industry and tourism infrastructure but also on the other sectors of the regional economy. Then the main goal of the research is to show the importance of tourism as an economic sector in the region contributing to the result of the practical implementation of PPP projects to create new jobs. The main task is to analyze the modern development of the tourism industry in the region, examining the investment attractiveness and to define the PPP instruments that should be the main direction of economic progress including through projects with the participation of Foreign investors. Perhaps with the government, today, the practical implementation of PPP projects in the sphere of tourism should be seen as "...the replacement of natural resource rents on other types of income in state and regional budgets, economic entities and population".

It is also necessary to take into account the crisis phenomena not only in the global economy, but in the national which reduce the potential economic growth in the region, thereby losing some investors. The world tourism organization UNWTO (2001, 2015) invites public and private partnership in the tourism sector as one of the effective measures and valuable tool for the development of a certain territory, especially in times of crisis. Taking into account that supervisory functions over the most important tourist and recreational resources such as public lands (beaches, mountains, national parks and lakes) as well as responsibility for the regional economic development and planning, border security, social and environmental protection are in the hands of the state, the development of PPP is an essential condition to address socio-economic problems of the region (UNWTO, 2001, 2015).

**Literature review:** The first steps studying the role of public-private partnership in the tourism industry were adopted by the world tourism organization in 2000, According to the survey, 98% of respondents of public and private organizations from 90 countries highlighted the importance of PPP development.

Public-private partnership is seen as a mechanism that is an effective tool to promote various development projects in the region (Sai *et al.*, 2015) as an institutional and organizational alliance between government and business in order to implement national and international large-scale and local but always socially significant projects (Ryazanova, 2015). In 2015 law about PPP, public-private partnership, considered as one of the ways of social infrastructure of development, the basis of which becomes long-term interaction between state and business with the participation and subsequent operation (provision of services on the created object) and (or) maintenance of infrastructure objects by private party.

In the conditions of Siberia and the Far East, the implementation of investment projects on the principles of PPP, aimed at attracting and retaining of labor resources, becomes especially, urgent (Tsvetkov *et al.*, 2016).

The Law of Primorye Territory No. 548-KZ from 04.02.2015 "About the participation of the Primorsky Region in projects of public-private partnerships", establishes the legal framework, the procedures, conditions and forms of participation of Primorsky Region in projects of public-private partnership and aimed at ensuring of stable conditions for the development of public-private partnerships in Primorsky Krai (Law of the Primorsky Territory). Incentive for participation of entrepreneurs in PPPs is an assurance of long-term

and stable business with regard to Russian political, social and economic factors (Kryukova and Lemyeva 2016).

The main objective of the development of public-private partnerships is a pace accelerating of economic development of regions by improving the efficiency of use of budgetary funds (Avtsinov, 2014).

The development of the region cannot happen without the stakeholders, therefore, public-private partnership acts as a mechanism for unifying local community, business and government (Vijayanand, 2013) “To collaborate in addressing the needs of society on a long-term legislative and mutually beneficial pooling tangible and intangible resources in the division of authority, responsibility and risk” (Kabashkin, 2014).

The structure of the tourism industry cannot be viewed separately from tourism infrastructure as it is a common interaction mechanism which cannot develop separately from each other. Lazarev determined the tourism industry as a conglomerate of independent firms with their own specific characteristics, combined totally or partially with common goal of providing services to the tourist. And the tourism industry is a complex of industries, companies and individual entrepreneurs-producers of raw materials, semi-finished and finished products for the enterprises of the tourism infrastructure and retail trade for the production and implementation of services to tourists. The development of public-private partnership in the tourism industry of the region is not just hotels, restaurants, shopping and entertainment centers but also the implementation of transport projects including the construction and reconstruction of airports, railways, ports, communication lines and other objects located on the territory of (Haddadi and Khodadadpoor, 2015). This approach to the content of tourism, raises the importance of the implementation of municipal PPP projects in this area and shows a direct relationship between socio-economic level of the development of the region and priority sector for attracting investment (Averbukh *et al.*, 2016).

As the result of the analysis of definitions of the PPP concept, it should be noted that public-private partnership is a system of relations between the state and business where the main tool is the socio-economic development of Primorsky Region.

## **MATERIALS AND METHODS**

The main complexity in the choice of a method is represented by the maintenance of PPP in the sphere of the industry of tourism which includes not only a travel, but also creation for this purpose of all conditions. The

main services provided to the tourist are transport, accommodation, food. The organizational and economic mechanism of cooperation and interaction of the state and the private sector has to be based on the principles of design joint financing, for creation and implementation of socially important projects and programs by satisfaction of public requirements not only tourists but also locals.

The local community, consists of association of people who trust the state and are ready to joint activity, thereby involving themselves in the solution of problems of social and economic development of the region. Methods of the system analysis were used for the characteristic of the industry of tourism and infrastructure projects of public-private partnership.

At a research of projects of PPP in the sphere of regional tourism, it is necessary to find at first the facts in secondary sources and then to analyse and unite them (Aghion *et al.*, 2010). Methods of the economical and statistical analysis were used for the characteristic of branches of the industry of tourism of Primorsky Krai, detection of features and tendencies of their development.

## **RESULTS AND DISCUSSION**

The investment strategy of Primorsky Region for the period up to 2018 has identified the tourism sector as one of the main directions for achieving accelerated economic development and improving the quality of life of the population of the region.

Transport infrastructure of the region is presented by the international airport, marina and the railway station with an extent of the railroads, making 1553 km. Railway transport of the region on the price level and service can be considered as the main for internal tourism. Extent of highways makes more than 7 thousand km.

The most common institutional forms of public-private partnership in the tourism industry in Primorsky Krai are the concession agreements. Among the regions of the Far Eastern Federal District Primorsky Krai ranks first in terms of development of tourist infrastructure and concentration of cultural and historical sites. The contents of the tourist infrastructure are presented in Table 1.

The economic system of the Primorsky territory is among the fastest growing and most attractive in the investment attitude systems of the regions of modern Russia that leads to a special importance of the tourism industry in the region. The results of the modern development of the tourism industry in Primorsky Krai are presented in Fig. 1.

Table 1: The contents of the tourist infrastructure and concentration of cultural and historical sites

Name	The quantity
State and public museums, picture galleries, art galleries	184
Monuments of history and culture (town planning, architecture, monumental and fine art)	Over 2000
Theatres	9
Cinemas	20
Circus	2
Oceanarium	1
Orchestras, concert organizations, cultural centers	Over 60
Recreational facilities	Over 300
Major sports complexes	About 30
Stadiums	10
Specialized exhibition centres	7
Nature monuments	214
Mountain peaks and structures that are the subject of mountaineering and climbing	10
Caverns (underground manholes, niches, grottos, caves) of which the objects of caving	160, 40
Objects of water alloy	22 rivers
The monuments of ancient history and culture	Over 2000
Hotels	251
Sanatoriums and other enterprises of Health tourism	35+514

Table 2: Economic and social indicators in the tourism industry in Primorsky Krai, 2015

The name of indicators	2015	+/- compared to 2014(%)
The turnover of paid tourist services provided to the public by small enterprises including microenterprises and individual entrepreneurs, thousand rubles	2142571,2	+10
The turnover of services in hotels (the volume of paid services) and similar accommodation facilities provided to the population by small enterprises including microenterprises and individual entrepreneurs, thousand rubles	9623585	+31.00
The number of workers employed in tourism and recreational activities	20,7	+43
The number of people employed in service industries and spheres of activity	63	+45
Receipts in budgets of budgetary system of the Russian Federation by kinds of economic activities: hotels, restaurants, thousand rub	709065	-5
The increase in the number of small and medium enterprises carrying out tourism and recreational activities	12%	+2
The volume of attracted investments into the industry, thousand rubles	5697408	+19

Compiled by the researchers according to the report for the Primorye territory

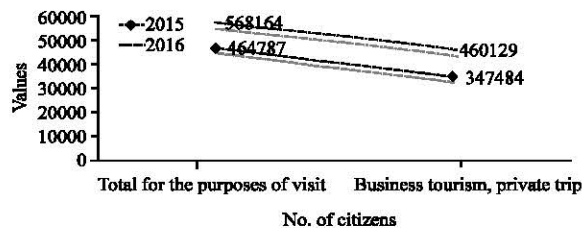


Fig. 1: Information on the number of Foreign citizens and stateless persons who visited Primorsky Krai in 2015-2016 (arrivals); Compiled by the researchers according to the border control

The obtained results of the modern development of the tourism industry in Primorsky Krai showed the growth of domestic and inbound tourist flow: according to purpose of visi-22%, business travel, private trip-32%. A huge stimulating effect is provided by tourism on the related sectors of the economy, thereby increasing their socio-economic indicators (Table 2).

The result of economic and social indicators in the tourism industry in Primorsky Krai for 2015 compared to 2014 showed an increase of 19% of the turnover of paid tourist services provided by small enterprises including microenterprises and individual entrepreneurs, rise of

turnover of the hotels services is 31%. The number of workers employed in tourism and recreational activities increased by 43%, the number of people employed in service industries and spheres of activity by 45%.

These figures confirm the hypothesis about expediency of realization of joint projects between business and government in the field of tourism as a condition for creating new jobs. Receipts in budgets of budgetary system of the Russian Federation by such kinds of economic activities as hotels and restaurants declined from 2014 by 5%. The decrease is primarily related to the low level of infrastructure development and the outdated material base of the enterprises. This fact once again confirms the necessity to intensify public-private partnerships in Primorsky Krai.

Application of mechanism of public-private partnerships to meet development challenges of the tourism industry, primarily is due to the globalisation of the world economic space and the policy of "Openness" of the Russian market for investors. The main directions of the investment attractiveness of the region are the Territory of Advancing Socio-Economic Development (TASED), (TAD), free port (porto-franco) Vladivostok, the major investment projects in the tourism sector

**Table 3: The largest investment projects in the tourism industry**

Project	The expected immediate outcome	Actual state	The implementation period of the project
Entertainment integrated resort zone "Primorye"	Total on-site will be built on 17 hotels of different class (3*, 4*, 5*) (with the possibility of placing of gambling institutions), yacht club, pier, ski slope in a shopping center, an office center, guest villas	Today commissioned the facilities of the first stage-running the biggest casino tigre de cristal	Phase 1 2016, phase 2 2019, phase 3 2022, The total area of the gambling zone is 620 hectares
Tourist and recreational cluster "Emerald valley"	Landscape-historical Park "Izumrudnaya dolina" and the museum complex "Tsargrad" on the basis of Krasnoyarsk settlement-the largest Jurchen archaeological monument on the territory of Russia, in the reign of jurjani	"Emerald valley" is a place of the colorful ethnic festival "Easter summers" and other events	Part 1 of the project, 2012-2019-Russian historical park part 2 of the draft 2015-2021-GRK part 3 of the draft 2015-2022-ecofarm
Tourist and recreational cluster the prymory ring"	"Prymorske" ring is a service to engage in go-kart racing, drift including the holding of Russian and international competitions, rides for vnedorozhnomu driving the buggy and quad bikes, see cross-country motorcycle races, paintball area, cozy children's town "Ringo park"	Phase 1 of the construction on the territory of sport and tourist complex "Seaside ring" operates	The duration of the project: phase 1: 2010-2014 Phase 2: 2015-2018 (construction of complex) phase 3 (future)
Sports concert complex "Fetisov arena"	The construction of the sport and concert complex "Fetisov arena" is the largest indoor sports and concert venue in Primorsky Krai The arena seats up to 7500 people, has a Parking on 1500 places, a conference hall, press center, restaurant and 8 VIP boxes	The project is executed	The project is executed
Primorsky state opera and ballet theatre	The theatre has 2 venues: a Large hall (1,390 persons) and small stage (312 seats)	The project is executed	The project is executed

Compiled by the researchers

**Table 4: Investment attractiveness of the Primorsky territory**

Investment projects	Directions of investment sites	The number of jobs	Investment volume
TAD Nadezhdinskiy	Logistics and high-tech industry including light and food industry, production of building materials, assembly-line production	Over 9500	About 75 billion rubles of private investment
TAD "Mikhaylovsky"	Placement of the modern agro-industrial productions with a full stroke of processing, storage and effective logistics of agricultural production	Over 7000	About 140 billion rubles
TAD Bolshoy Kamen	Construction of modern shipyard		
Free port of Vladivostok (porto-franco)	Port zone with special tax regimes, customs and administrative regulation. Mode of operation is 70 years with possibility of prolongation	13000	Above 28 billion rubles

Compiled by the researchers

including public-private partnerships and attracting of Foreign capital. The region has implemented major investment projects (Table 3).

The largest investment projects in the tourism industry facilitate the involvement of local communities in their joint implementation in the field of preservation of cultural heritage, ecological tourism and other directions that are useful to society and for the overall socio-economic development of the region. One of the main mechanisms of economic development model in Primorsky Region and investment attractiveness is the territory of advancing socio-economic development and free port Vladivostok (Table 4).

Free port of Vladivostok operates on the territory of 15 municipalities of the Primorsky territory including the territory and water area of the seaports located in these municipalities. One of the main features that involves the regime of Territories of Advancing Development (TAD) and free port is a significant reduction in the tax burden. The law "About the free port of Vladivostok" provides a measure on a simplified visa entering through border

crossing points located on the territory of the free port and provides significant tax benefits and administrative preferences for investors, implementing projects in as residents.

In general, the major investment projects in the tourism industry, the legislative framework for the implementation of PPP projects, investment attractiveness of the territory and created conditions for tax benefits are the main tools of PPP which contribute to the economic progress of Primorsky Krai.

Trust relationship between government and private business increase the number of PPP projects in Primorsky Krai each year (Fig. 2).

At the beginning of 2017 187 investment projects on 18 branches across Primorsky Krai were registered in the registry. The largest number of investment projects in Primorsky Krai are in the following sectors: transport and logistics complexes, tourism development, agriculture, fishery sector objects. The total cost of investment projects by industries is shown in Fig. 3.

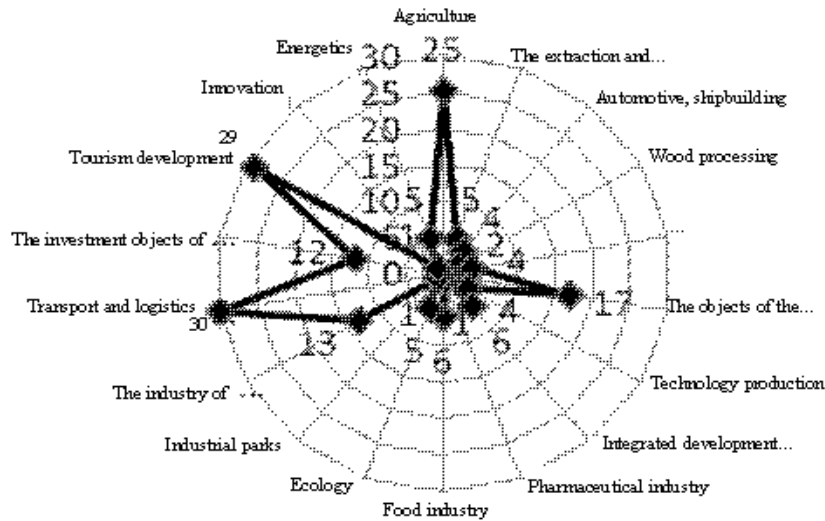


Fig. 2: Number of investment projects by industries; Compiled by the researchers on the basis of the register of investment projects of Primorsky Krai

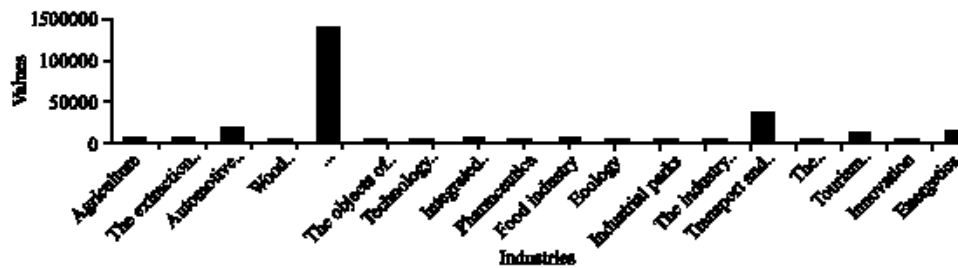


Fig. 3: Cost of investment projects by industries; Compiled by the authors based on the register of investment projects of Primorsky Krai

The cost of investment projects by industries showed the greatest investment in the oil refining and gas industry. Despite the large number of projects in the sphere of tourism their total cost was 12% of the oil megaproject.

As a result, tools in the public-private partnership of the tourism industry in Primorsky Krai are specific strategic and policy documents, forming a favorable environment for implementation of partnership projects including the program of state support of business in priority areas.

### CONCLUSION

Public-private partnership cannot be seen only as a legal mechanism that defines the rights, responsibilities and risks between government and business; Public-private partnership at the present stage of development is the Institute of market economy with distinct social and economic roles. To staticize development of state-private projects in the sphere of transport infrastructure:

- Air transport
- Creation in Vladivostok of an aviabub
- Development of aviamessages with regions of Russia and other countries
- Railway transport
- High-speed message
- Introduction of new railway tourist routes
- Motor transport
- Construction and reconstruction of roads
- Water transport
- Optimization of the mode of the movement of boat routes
- Construction of piers in island territories

The development of tourism sector in the region based on the principles of public-private partnerships showed the main directions of development of partnership relations with business and the creation of a favorable investment climate in the region, thereby creating new jobs.

The sphere of interests of investors in Primorsky Krai is not limited by one sector, today the investor goes to the projects that are interesting to him, that he considers promising, so, society should not remain on the sidelines. The association of people for joint activities and their involvement in socio-economic development problems of the region at the municipal level is very important as it will allow to solve successfully many of the issues taking into account the interests of citizens.

### **SUGGESTIONS**

The researchers suggest at the regional level to determine the conditions and mechanism for the creation of public-private partnership in the tourism sector to develop economic mechanism of management and local community participation in development projects of infrastructure facilities in tourism, operating on the basis of public-private partnerships.

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