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THE COMPLEXITY OF MANAGING THE AUTOMOTIVE INDUSTRY IN UKRAINE

Abstract. The article highlights the most serious problems of the modern automobile on the planet. The place of this industry in the economy of various countries is stated. The main enterprises of the branch in consideration of their development effectiveness are estimated. Further prospects of development of the industry in Ukraine in modern conditions are considered.

Keywords: public administration, automotive, governance mechanisms, automotive industry.

ПРОБЛЕМАТИКА УПРАВЛІННЯ АВТОМОБІЛЕБУДУВАННЯМ В УКРАЇНІ

Анотація. У статті аналізуються проблемні тенденції автомобілебудівної галузі у світі. Визначається роль цієї галузі в економіці різних країн. Аналізується стан вітчизняних підприємств автомобілебудівної галузі. Встановлюються подальші перспективи розвитку цієї галузі на території України в сучасних умовах.

Ключові слова: державне управління, автомобілебудування, механізми державного управління, автомобілебудівна галузь.

ПРОБЛЕМАТИКА УПРАВЛЕНИЯ АВТОМОБИЛЕСТРОЕНИЕМ В УКРАИНЕ

Аннотация. В статье анализируются проблемные тенденции автомобилестроительной отрасли в мире. Определяется роль данной отрасли в экономике разных стран. Анализируется состояние отечественных предприятий автомобилестроительной отрасли. Устанавливаются дальнейшие перспективы развития этой отрасли на территории Украины в современных условиях.

Ключевые слова: государственное управление, автомобилестроение, механизмы государственного управления, автомобилестроительная отрасль.

Target setting. The automotive industry has a significant impact on the positive socio-economic processes inside the society of different industrialized countries. This industry is one of the main pillars of the economy in France, Italy, South Korea and China. Exclusive economic prosperity was achieved in countries such as the UK, Japan, USA, and Germany, where one of the key roles of the sector is held by this industry.

Based on this it is necessary to determine the industries that can perform as strategic industries because of their socio-economic importance. The national automotive industry is one of these branches, which has an underestimated potential and all the possibilities to be considered as strategic. That is why the analysis and the establishment of the barriers of its effective development in the modern conditions acquire relevance.

Analysis of the recent research and publications. Basic scientific results on this subject are presented in the sci-

entific works [1–6]. The perspective directions of development of the industry, evaluating the competitiveness of domestic producers, the role of modern technologies in the improvement of the technological processes of manufacture of cars, the analysis of legal regulation of competitiveness of the national automotive industry were covered there.

Among the unresolved components of the overall problem it should be highlighted that there were studied only issues relating to the production of passenger. Secondly, the scientific works do not consider the problem of the existing automotive complex. In addition, the bulk of scientific developments are somewhat outdated, which leads to updating existing information on the subject.

The main purpose of the article is in the isolation of priority factors that prevent the national automotive industry from the effective development; development of initial arrangements that can resolve the crisis of the industry.

The statement of basic materials.

First of all, we should analyze a number of issues that are common to the global automotive industry as well as for the national automotive industry.

The first negative factor is excess of capacity, which is the basis of two interdependent phenomena. Firstly, it entails an increase in production costs, but, secondly, provides a smooth transition to the production of new cars (update range), thereby enabling production to be more flexible.

The second negative factor is the fact that the operation of the automotive industry requires the constancy of investments. So the lineup upgrade (industrial development of a new model) suggests the involvement of up to one billion US dollars. As a result, the production of new cars will be justified, i. e. would be economically acceptable (will achieve profitability), in the case of releasing at least a million copies, which in turn is reflected in the final cost of a unit of commodity products.

The third factor is the high level of competition among the car production enterprises, due to the size of the markets. This problem partly can be solved by combining the disparate concerns of automotive manufacturers, which already has led to a significant reduction of independent producers. The trend of integration was not perceived 20 or 30 years ago as a development opportunity but was considered as consolidation process of small enterprises by larger ones. Ultimately, this can lead to a certain monopolization of the market that is desirable for any sector of the economy.

The first problem can be solved by such factor as a consumer. The ability

to shift the unwanted part of the costs from automotive manufacturers on the consumer is a solution. On the part of the consumer it is a forced necessity to compensate the hidden losses of manufacturers through the acquisition of new products and upgrading the lineup.

The fourth factor is the global overproduction of automotive products. The last decade has seen a gradual decline in sales. Today the problem of overproduction became urgent for each automotive group as the volume of profits decreased, while the cost of development of new models is rapidly increasing, and does not stop the production process itself. This leads to the accumulation of enormous amounts of useless products. This is primarily due to a decrease in demand, which is a natural and expected phenomenon. Also it is due to the fact that cars are widespread in countries with advanced economy, but there are countries in which cars are still unavailable. So the most preferable car buyers are people living in the most economically prosperous countries. This shows that the functional effort of various departments of the concerns and marketing services are aimed to competitive struggle for the consumer from the economically developed countries. This has led to a global oversupply of automotive goods and the appearance of another problem such as the accumulation of large volumes of cars that cannot be sold in the future for a variety of reasons. Thus, we can single out the main features of the newly created problems.

1. Storage of a large number of vehicles requires the allocation of vacant land, which leads to inefficient use of

land resources, the destruction of hundreds of acres of green space.

2. Additional costs of the car manufacturers on rent or building the storage places for vehicles that eventually are covered by the final consumers.

3. The ultimate impossibility of implementing these vehicles and its immobilization for twelve months or more, standing idle for a long time and the impact of outside (rain, snow, water, sun, high/low temperature, etc.) and inside (long-term lack of oil in the engine) factors can cause irreversible processes in the car.

Search of the solutions of existing problems allowed formulating the most realistic scenarios. The first is the donation of such vehicles in freehold or their selling through the network at a much lower retail prices. Number two is full stop or decrease in production volumes of releasing vehicles at any time. Finally, it is the premature disposal of unused vehicles.

Since the first statement on the one hand is baseless in the current economic conditions, but on the other hand can be quite realistic. Its prospects are in the fact that car manufacturers will be able to compensate partially a deficiency of profit through the sale of automotive parts, accessories and provision of services, due to the form of transmission, which, undoubtedly, will take place in the operational cycle.

The second statement is not feasible for the reasons that it can become the basis of a series of new problems such as the loss of jobs in the primary sector, the loss of jobs in related industries (primarily metals), a slowdown in the main and related industries.

A third option is the most preferred and is already widely implemented in practice, however, only partially it allows removing stress, but do not solve the problem.

In the problem of overproduction of vehicles we can see another significant problem, which is important for the humanity. It is the depletion of natural resources, which are utilized in the production of vehicles and their components. In this aspect, the premature disposal (recycling) of unsold cars only shows a problem of the shortage of natural resources. It should be noted that the processes of car manufacture is based on the transformation of natural resources from one form to another, a proportion of which is significantly reduced. This leads to an increase of goods cost, a significant reduction in demand and sales, and total profits. Seeking for ways to reduce the cost of manufacturing cars under these circumstances, the previously unsold vehicles are involved. In this case, there is a need for raising the question of irrational use of natural resources and energy enterprises of the automotive industry.

Investigating problems of domestic and worldwide automotive industry it is clear that the car today is included in the list of the most popular products. Based on this, the opportunity of attracting its population, the sale of goods by enterprises of the national automobile industry in the domestic market is quite effective and long-term way of development of the state economy.

According to the estimates of national experts, the Ukrainian automotive industry allows us to create one job in the industry for at least six jobs in related industries, to ensure consistency

of scientific and technical activities and to create demand for goods and services in related industries.

National automotive industry is represented by enterprises of different ownership, that are engaged in the production of cars, trucks, buses, trailers, construction equipment, municipal vehicles, military equipment, as well as enterprises that produce components for them. The main competitive advantage of the national products to the manufacturers of Europe, China and Russia is the ability to manufacture not only cars, but also machinery, military vehicles, which are in demand on the world stage. The comparative analysis (from 2009 to 2011.) of production volumes of cars in Ukraine with the corresponding amounts of the Western European countries suggests the exceptional underdeveloped industry in Ukraine (see Table. 1). The negative component of the above is that there are no stable operating enterprises on the basis of 2016 – beginning of 2017.

Among the major national car manufacturers, which had the minimum production figures in the current political and economic conditions (2013–2017 years) we can distinguish the following (Table 2): a) JSC Zaporizhia Automobile Building Plant; b) Corporation Bogdan; c) LLC JSC Kremenchug car

assembly plant; g) PJSC AvtoKrAZ. It should be noted that the high level of equipment and infrastructure allowed CJSC “ZAZ” to collaborate with the global automotive concerns, such as TATA and Kia [8] LLC “KrASZ” (today the company completely eliminated) to produce cars of known Russian (Volga , Sobol), Chinese (Geely and Great Wall) and Korean (Ssang Yong) manufacturers [9]. Production capacity of enterprises included in the Bogdan Corporation allow to produce vehicles of Hyundai (cars, trucks, buses), Subaru, Skoda, Citroen, JAC and other world producers [10]. Automotive association “AvtoKrAZ” [11] has the capacity to produce vehicles for military and civil purposes.

Conclusions. Today, the domestic automotive industry is represented by three companies, the size and production capacity of which allow us to meet the needs of different types of vehicles: cars, trucks, military vehicles, public transport. There are companies that are structurally related to the industry and aim to meet the demand in the components for vehicles (spare parts and other accessories). Thus, the production potential of the domestic automotive industry is quite high.

Based on this it is thought that up to 50 % of the market of automobile and

Table 1

Indicators of the automotive industry in Ukraine and Europe [7]

Country	The number of cars produced per 1000 inhabitants, item.	The share of industrial production in the automotive industry, %	The share of automobile in the formation of the GDP, %	The number of staff, per. pes.
Slovakia	103	23,9	10,1	145
Czech Republic	105	21,2	8,9	225
Ukraine	9	0,8	менее 0,4	18,4

Table 2

Characteristics of the enterprises of the national automobile industry [8–12]

Object	Short characteristics of the object	Feature of the production process	Type of commercial products/ services	Last (January 2017) production rate, ite. [7]
JSC “ZAZ” (Zaporozhye Automobile Building Plant)	The first and currently the only company equipped with production units for stamping, welding, painting, body equipment, and vehicle assembly. Integrates manufacture, pre-and-sales, after-sales service	SKD and CKD	Cars and trucks, buses, components, car service	Cars – 0 CV – 59 Buses – 2
Corporation “Bogdan”	Different applied innovations, which are provided by the influx of investments. It produces a wide range of vehicles on the modern assembly lines. Suffice geographically extensive sales and service network in Ukraine	SKD and CKD	Cars and trucks, buses and trolley buses, maintenance services vehicles	Cars – 0 CV – 0 Buses – 0
PJSC “AutoKraz”	The company has casting, electroplating and thermal production, specializes in the production of military equipment. The share of exports is 70 %	CKD	Dump trucks, tractors, platform trucks, timber trucks and log trucks, automobile chassis of the installation for special equipment, trailers and semi-trailers, military vehicles, service, parts production	CV – n/a
PC “Kremen-chug car assembly plant”	Capacities of the enterprise allow assembling a wide range of vehicles mainly from China.	SKD	Cars and commercial vehicles, military equipment, pre-sale preparation, warranty and post-warranty support	Cars – 7 349 (2014 y.)

truck industry may and must belong to domestic producers; from 80 % to 100 % of market share of public transport (trolleybuses and buses) as well; satisfaction of the needs of military equipment must be carried out only at the expense of domestic producers. At the same time, we should objectively assess the future of the automotive industry in Ukraine, namely its competitiveness both domestically and abroad. Definitely it is clear that today, it is impossible to compete with the top five world leaders in automotive vehicles on both foreign and domestic markets, however, it is feasible to create and maintain competitive conditions in the struggle for the consumer in the middle class of vehicles in the. In the case of the necessary governance mechanisms in the industry, for domestic manufacturers of trucks and urban transport there would be no competitors in the country, and for its military equipment market should not exist. So, in the long term it will be the foundation for the development of new market spaces outside the country by domestic manufacturers of this type of vehicles. However, these conditions do not alleviate the problem, which is related to the reorientation of the automotive industry to produce more reliable, comfortable and affordable (more competitive) vehicle, in comparison with the existing vehicles of all types for domestic consumers.

In addition, there is an old question of innovation in the automotive industry. For the global automotive industry five years ago, these trends have taken shape, in which the stake was on the technology of the future like vehicles that operate on alternative energy sources. In this aspect, electric

and hydrogen vehicles the production of which is no longer an innovation. However, in the development of the domestic automotive industry vehicle production data seems promising and innovative.

Prospects for further research should be defined in the implementation of the proposals made above, the solution of which is the management issues that lies in the system of public automotive administration, also based on the development and implementation of appropriate governance mechanisms for industry.

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