

ECONOMICS

IN SEARCH OF A WAY TO DEVELOP A CITY BY REFORMING THE CITY-BASED ENTERPRISE (CASE STUDY: THE CITY OF VOTKINSK , THE UDMURT REPUBLIC)

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The authors suggest different ways of developing Votkinsk city in the situation reforming the city-based enterprise.

An important element of a city's economic culture is mass industrial production. The problems and issues of the functional specialization of a city's economy are actively studied these days. The period of industrial revolution and the development of manufacturing were important factors in defining the economic value of a city. New types of cities, ones that are characterized by their dependence on the metals industry, have appeared in Russia. Thus, an industry plays an important role in the formation of a city.

The city of Votkinsk was founded to support the needs of a manufacturing plant. Its history began in 1757. For a long time (XVII-XX centuries) the city thrived as the factory in Votkinsk manufactured anchors, railroad items, vessels, dredges, gold mining drags and others. The Votkinsk plant was often considered one of the best. The modern factory is housed in a huge machine-building complex. The plant also provides defense equipment for the country. It produces operational, tactical and strategic rockets like *Iskander-M*, *Topol-M*, *Bulava*. It participates in developing drilling equipment for oil companies. The factory in Votkinsk also took part in an international project aimed at building the Large Hadron Collider, manufacturing the components for the ATLAS detector of the accelerator.

Until recently many of the workers are still employed by the plant. The plant has assumed the responsibility for the social support of its workers. The factory and the city are bound together by a complex social and economic system, hence it maybe called a city-plant.

The results of our research confirm the hypotheses that we have put forward on the status of an enterprise as the basis of forming a city. A close mutual relationship between a city and an enterprise can have negative consequences for its social and economic order. For example, a rise in the unemployment rate at the enterprise can affect the confidence in the city and its future prospects. A decrease in the number of workers at the plant can cause a decline in the city's population as unemployed workers look for jobs in other cities. Lower taxes could disrupt the normal operation of the municipality.

In October, 17th, 1995 an agreement was signed between the government of the Russian Federation and the government of the Udmurt Republic on the status of the plant's ownership. The assets of the plant changed hands and came under municipal possession. The maintenance of the factory is now a financial burden of the city.

On May 11th 2009 a Decree (№526) was signed by the President of the Russian Federation creating a "Corporation" with the Moscow Power Engineering Institute. The Votkinsk factory was included in the structure of this corporation. Currently the corporation is a joint-stock company.

Our research shows that:

1. There is a large difference between the salary levels in the city and those in the enterprise. The high average level of earnings at the enterprise fosters the changes in consumer prices throughout the city.

2. With only a single large enterprise in the city it is difficult for that city to compete with other cities with many large enterprises.

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3. Young able-bodied members of the population leave the city in search of jobs in bigger cities.

4. Harmful working conditions in a number of shops at the enterprises can cause occupational diseases.

5. Financial and economic crisis in the country and elsewhere can cause a decrease in the manufacturing output of the plant and, hence, decrease the city tax revenue and operating budget.

6. The city infrastructure suffers from inadequate maintenance and deteriorating conditions: a dysfunctional system of water delivery, heating supply, and water drainage and an obsolete transportation network.

7. Underdeveloped programs for vocational training and retraining for the personnel of the municipality.

8. A general lack of experts in the field of public health services.

9. A deficiency of preschool institutions.

We admit that many municipalities are in a state of economic and budgetary deficit. Under these conditions local governments often cut down on expenses for sports and cultural development and hold back the growth of preschool institutions.

Thus, it becomes necessary for the city to find ways of developing new sources of revenue to fund the budget of its municipality, independent of the plant. For the city of Votkinsk, we propose an idea for implementing this goal by the means of SWOT analysis.

A SWOT analysis matrix would define the elements of strategically important steps that the city can take to develop new revenue sources. We propose the development of tourism business founded on the attraction of the birthplace of the famous composer P.I.Chaykovsky. This kind of ethnic tourism attraction would be a new direction for the economy of Votkinsk. Tourism development in Votkinsk will promote

not only culture preservation but also bring income to the city. It will also create the conditions for environmental protection. The development of ethnic tourism is connected with the development of ecological tourism. It assumes that visitors would pay to help protect natural territories. All monetary income derived from the visitors would go towards the development and protection of these natural territories.

Developing these directions would make it possible to achieve the following:

1. An improvement in the image of the city in the given region and that of Russia.

2. The creation of favorable conditions for business development.

3. An increase in investment activity in the city or region.

4. The creation of additional jobs for the population of the city.

5. An increase in the income of city population.

6. Less funds to pay for unemployment benefits.

International experience shows that the creation of similar conditions can improve the economic fortunes and the image of the city, leading to greater economic independence and a higher standard of living for its population.

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