





# ECONOMIC ASPECTS OF THE CREATION OF MOBILE UNITS PROVIDING EVERYDAY SERVICES IN OFF-ROAD CONDITIONS IN WESTERN SIBERIA

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**Abstract.** This article proposes a solution to alleviate socio-economic problems faced by rural areas in Western Siberia, such as the municipal districts of Omsk region, which are seasonally cut off from national transport infrastructure due to extreme climatic conditions. Specifically, it explores issues related to the provision of basic, everyday services in such regions. Based on an opinion poll which identified a significant need for better provision of everyday services such as hairdressing salons, repair shops and so on in remote regions of Western Siberia, the authors propose a model for an investment project to develop mobile units to provide such services. The costs of setting up such units and the period of time required to recoup those costs, as well as the benefits they will bring to the societies in question, are examined in depth. The provision of government financial support for setting up businesses engaged in this kind of social enterprise is also explored.

Keywords: Western Siberia; Rural territories; Off-road conditions; Mobile Units

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## **1. Introduction**

The service industry plays an important role in supporting populations and in the socio-economic development of countries throughout the civilized world. The social importance of everyday services is highlighted by the fact

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that services take a share, on average, of 31% of the US consumer budget; this figure is 37% in the UK, 41% in Sweden 41%, and about 13% in Russia (Shainyan, 2007). Transport is an essential part of the industrial and social infrastructure (Tvaronavičienė 2018). The low level of development of Russia's transport infrastructure can be explained not only by a lack of funding, but also by the severe natural and climatic conditions experienced by most parts of its territory. As a result, the majority of Russian regions are described as having seasonal problems with off-road conditions, in that many villages and even entire territories are not connected by ground transportation to the rest of the country for much of the year. The only alternative available in this case is air transportation, which also requires certain infrastructure. Taken together, these problems lead to a decrease in the level of satisfaction among rural populations with the way in which their everyday needs and social requirements are met during such times.

Analysis of condition of rural areas in Omsk region indicates at its low socio-economic development. Particularly, there is a decrease of population because of a significant migration from the region due to the deterioration of living conditions (Table 1).

Indicators		e tatai populati	Years	in region		2015 to
	2011	2012	2013	2014	2015	2011, %
Population at the end of the year, '000 people	884,4	822,4	818,2	813,3	807,8	91,3
Migration increase, people	-215	-3050	-4306	-6098	-6784	31,6 times more
The ratio of the average wage in the countryside to the wages of the urban population, %	59,6	59,8	60,8	62,8	64,7	5,1
The average number of workers employed in agriculture, '000 people	26,9	24,5	21,8	21,2	19,5	72,5
The number of cultural and community institutions	1079	1084	1079	1059	1051	97,4

Table 1. Indicators of living standards of the rural population of the Omsk region

There is a need for the state to take a pro-active stand on creating the conditions for socio-economic development: to improve the quality of transport services, to reduce the total expenses for those dependent on transport, to improve the national transport system's competitiveness, to strengthen innovation, and to encourage socially and ecologically oriented development within the transport industry (On approval of the state program of Omsk region "Development of transport system of the Omsk region", #262-P, 2013; On approval of the state program of the Russian Federation "Development of the transport system" #319, 2014).

Public services enterprises in industrialized countries use the latest technology for providing services and regularly modify the existing equipment in accordance with developments in science and technology (Frolova and Rogach, 2017).

The most profitable areas of consumer services in the US and Europe are dry cleaning and laundry, as well as health and beauty salons. Franchising is one of the most common ways of network business development (Shainyan, 2007).

In Russia, the service sector is developing in large cities. In small areas, especially in those with low infrastructure development, the public and private partnerships need to be developed. The assistance of state structures and funds in preparation of socially significant projects, their partial investment ensures development of comfortable life for the population.

# 2. Analysis of recent publications on the issue

Aspects of the development of social infrastructure in rural Russia which experience off-road conditions are noted in the works of (Akhmetshin et al., 2017; Akhmetshin and Osadchy, 2015; Shumakova et al., 2012; Poltorykhin et al., 2015; Nardin et al., 2015; Shumakova et al., 2015). On the strategy of sustainable development of rural territories of the Russian Federation for the period through to 2030 #151-r., 2015; On general principles for the organization of local government in the Russian Federation, #131, 2003). S. Marsat and B. Williams note that in the UK investors are concerned about the disclosure of social information given the historical importance attached to social issues in the country. This is consistent with other recent studies which show that investors around the world are currently concerned about the social activities of the companies they invest in (Marsat and Williams, 2014, p. 11).

Issues of corporate social responsibility are given a lot of attention in many countries; for example, the European Commission has highlighted the responsibility of enterprises for their impacts on society (A Renewed EU Strategy 2011-14, 2011), as reflected in their Green Paper on "Promoting a European framework for corporate social responsibility" (GREEN PAPER: Promoting a European Framework for Corporate Social Responsibility, 2001). The companies should focus exclusively on maximizing shareholders' wealth has long been the dominant assumption in economics studies (Shannon et al., 2009, p. 143). However, taking social responsibility into consideration in the provision of everyday services is of interest because it suggests that firms are motivated to make decisions that do not always clearly maximize the wealth of the owners.

D.V. Moser and P.R. Martin note that the activities in the field of everyday services meet the needs of a broad group of stakeholders, not only the business owners (Moser and Martin, 2012, p. 798).

Some foreign authors, such as Wegren S.K. (2016), Velikii, P.P., Morekhina, M.Iu. (2006) and Granberg L. (2016), link the unsatisfactory quality of social and domestic services in rural areas with the lack of support from the state for the agro-industrial complex, since the agribusiness enterprises are the main places of work in the village (Glass and O'Brien, 2016), which in turn undermines the country's food security (Wegren et al., 2017; Wegren et al., 2018).

Meanwhile, the economic aspect of the formation of mobile units providing social and everyday services in offroad conditions is understudied and remains open.

**The purpose of this study** is to develop activities aimed at improving transport infrastructure to meet the everyday needs of rural populations in off-road conditions, including the formation of projects investing in the organization of mobile units which can provide everyday services.

**The subject of research.** Tarsky Municipal District of the Omsk region with the district center in the city of Tara is a typical representative of the northern areas of the region. The climate here is sharply continental. The average annual air temperature is zero degrees Celsius. Rarely the weather reaches an absolute minimum in the winter - minus 45, and a top maximum in the summer - plus 45 degrees Celsius.

The main industries are agriculture, forestry and timber industry. The biggest share of economic entities operating in these sectors is small and medium-sized businesses.

The distance from the district to the regional center - 302 km. Area of Tarski district is 15,600 sq. km. 45,600 people live in Tarski district. There is a natural decrease, the population in 2014 - 45,832 people, in 2015 - 45682. Moreover, 42.3% of the population lives in rural areas. These areas include one urban settlement, which comprises three communities and 21 rural settlement, which include 73 communities.

With a lack of district budget, which is 939,9 m. rub. in 2015, the social sphere is prioritized for the Administration.

# **3.** Materials and methods of study

The goals and objectives of the study were achieved through the following scientific methods: economic and statistical, abstract and logical, design and constructive, as well as the methods of expert evaluations, microeconomic analysis of the economic phenomena and processes, and other methods of socio-economic research.

The provisions of the management theory, economic theory, statistical analysis, microeconomic forecasting were applied in the work. The works of well-known economists, legal acts regulating the sustainable development of rural areas, statistical materials and Internet resources were used in the study.

In particular, in order to evaluate household and social needs of the population in rural areas carried out an opinion poll among the population Tarski district of the Omsk region. Authors of the article with use of expert evaluation formed a list of 26 questions with many possible answers including:

- Note the presence of facilities in the territory of rural settlement (health, education, culture and arts, physical culture and sports, trade and public catering, consumer services, telecommunications, transport infrastructure, highways);

- Are you satisfied with the quality of (transport services, roads, heating, water, electricity, gas);

- How do you rate the conditions (teaching in schools, education of children in pre-school institutions, health care, cultural services, habitation);

- How do you rate the level of (supply of food and industrial goods, consumer services, the availability of public transport);

- Which factors, in your opinion, have the greatest influence on the development of social infrastructure: (State agricultural policy, the level of development of agricultural production, location of rural areas over the location of cities, large settlements, habits, historical experience, the traditional way of life of the rural population, the level of engineering development of the territory; the roads).

- Your suggestions to improve the level of provision of household and social needs of the population in your villages.

Experts in the formation of the issues made by scientists of the Omsk State Agrarian University and specialists of the Ministry of Agriculture and Food of the Omsk region.

In the study, it was surveyed from 5 to 10 people between the ages of 20 and 65 from each village. The research results allowed to identify the main factors influencing the development of social infrastructure in rural areas (table 2).

Factor	% of respondents
State agricultural policy	9,5
The level of development of agricultural production	14,2
Location of rural areas over the location of cities	9,5
Habits, historical experience, the traditional way of life of the rural population	4,8
Level of engineering development of the territory	23,8
Roads	38,2

Table 2. Factors influencing the development of social infrastructure

The main factors constraining the development of social infrastructure identified as roads and low engineering development of the territory. When respondents were asked about the changes in living conditions over the past 5 years, the following answers were obtained (table 3).

Factor	deterioration	Without changes	improvement
Terms of education of children	42,8	38,1	19,1
Terms of raising children in preschool	33,3	23,8	42,9
Medical service	28,7	52,3	19,0
Cultural service	38,1	47,6	14,2
Living conditions	19,1	57,1	23,8
Supplying food products	33,3	42,8	23,8
Supplying industrial goods	42,8	38,1	19,1
Consumer services	90,5	-	9,5
Availability of public transport	28,6	57,1	14,3

Table 3. Analysis of the responses to questions about the changes in the living conditions of the rural population, %

As can be seen from the data, more than 90% of respondents noted the deterioration of public services, more than 40% – deterioration in the terms of education and the supply of industrial goods. Living conditions in the bulk of the respondents remained unchanged, only 23% of respondents could improve their living conditions, while for 19% of respondents they will be only worse.

Reduction of social infrastructure objects in remote areas impacts negatively on their development and accompanied by a deterioration of transport services.

# 4. Results of study

The poll revealed significant needs in a range of social infrastructure facilities such as hairdressing salons, gas stations and others. Therefore, this study proposes the creation of mobile units to provide some of these essential everyday services. These mobile service units are intended to provide a range of social assistance and everyday services to residents of remote areas of the country. The basic model would include a hairdresser; repair, maintenance and servicing of household appliances; clothes repair and tailoring; and shoe repair. Social security and pension fund experts, lawyers, notaries, representatives of credit, trading, banking institutions, etc. can also work from mobile units. These mobile service units would operate most effectively with the creation of regional and interregional centers for social assistance and everyday services. The economic activity of the mobile units would involve implementation of the following costs in the context of services provided.

## *1. Hairdressing salon.* Investment costs for the creation of a mobile hairdressing salon are presented in Table 4.

I able 4. Investment costs of sett		Price per piece,	
Expenses	Pcs	USD.	Amount, USD.
1. Vehicle	1	15 384.61	15 384.61
2. Equipment (special rigging) for water supply	5	-	92,31
3. Heating, ventilation, air conditioning equipment	1	284.62	284.62
4. Electrical supply and lighting equipment	4	-	947.69
5. Furniture and other special materials	19	-	404.62
Total	Х	Х	17 113.85

Table 4. Investment costs of setting up mobile hairdressing salon units

# Detailed interpretation of certain types of investment costs is presented in Appendix 1.

# Current costs of creating a mobile hairdresser in a year constitute 19,397.07 dollars. Their composition, structure, and explanations are given in Appendix 2.

The calculation of the expected profit is presented below.

The throughput capacity of one hairdresser is 20 pers./day. A working shift is 10 hours (600 min.) Throughput capacity of 1 specialist per year is the following: 20 pers./day  $\cdot$  247 working days = 4,940 pers. Throughput capacity of 2 specialists per year: 40 pers./day  $\cdot$  247 work days = 9,880 pers. The average price of the service provided is 2.31 USD. Revenue per annum (1 specialist): 4.940  $\cdot$  2.31 = 11 411.4 USD Revenue per annum (2 specialists): 9.880  $\cdot$  2.31 = 22 822.8 USD.

If there are two specialists in a mobile hairdresser, the time taken to serve the local population (3,857 people) would be three months. Let's estimate the effectiveness of this project using financial and economic indicators (Tables 3-5). The total expenses (investment and current) are presented in Table 5.

	S units in the mot Jean
Indicator	Amount, USD
Registration of an individual as a private entrepreneur	12,31
Investment costs	17 113,85
Current expenses	19 397,07
Total cost in the first year	36 523,22
Revenue per annum	22 800
Profit (loss)	(13 723,22)

**Table 5.** Predicted returns on mobile hairdressing units in the first year

Table 6 calculates how long it will take for a mobile hairdressing unit to meet its setup costs.

T 11 .		Pay	back period, yea	ars	
Indicators	2015	2016	2017	2018	2019
Profit/ USD.	3 402,92	3 675,38	3 9362,62	4 168,62	4 377,18
Investment costs/ USD.	147 113,85				
Cash flow on the project/ USD.	-13 710,92	-10 035,54	-6 1012,92	-1 934,31	2 442,77
Payback period/ years				4,4	

**Table 6.** Predicted mid-term returns on mobile hairdressing units

According to this calculation, the costs of a mobile hairdressing unit would be repaid after 4.4 years.

2. Repair, maintenance and servicing of household appliances; clothes repair and tailoring; and shoe repair Investment costs for setting up mobile service units for repair constitute 18,513.85 USD. (Table 7).

Table 7. Investment cost	s of setting up mobile repai	ir units	
Expenses components	Pcs	Price per piece, USD.	Amount, USD.
1. Vehicle	1	15 384.62	15 384.62
2. Equipment (special rigging) for water supply	5	-	92.31
3. Heating, ventilation, air conditioning equipment	1	284.6	284.6
4. Electrical supply and lighting equipment	4	-	947.69
5. Furniture and other special materials	19	-	1 804.62
Total	X	X	18 513.85

# Detail information of certain types of investment costs is presented in Appendix 3.

The calculation of the expected profit is presented below.

Current costs of setting up mobile location social purpose of repair in the first year of operation amounted to 18,025.9 USD. Their composition, structure, and explanations are given in Appendix 4.

The capacity of the mobile service - 30 people a day. Since the demand for these services are experienced by about 20% of the rural population (3875 persons.), the term of service of the rural population of Tarski district is 128 days.

Based on a working shift of 10 hours (600 min.), the throughput capacity of 1 specialist is 10 pers./day. The throughput capacity of 3 specialists would therefore be: 30 pers./day  $\cdot$  247 work days = 7,410 pers./ year

The term of service of the rural population of Tarsky district is 128 days. This amounts to 1.9 turns per year (247 working days).

The average price of such services is 2.85 USD. Revenue per annum is: 7,410 · 2.85=21 118.5 USD

The predicted costs, revenue and profits of mobile repair units are presented in Table 8.

Indicator	Amount, USD
Registration of an individual as a private entrepreneur	12.3
Investment costs	18 513.8
Current expenses	18 025.9
Total cost in the first year	36 552.1
Revenue per annum	21 090
Profit (loss)	(15 462.1)

Table 8. Predicted returns on mobile repair units in the first year

Table 9 calculates how long it will take for mobile repair units to cover their setup costs.

Indicators		Payb	ack period, yea	rs	
	2015	2016	2017	2018	2019
Profit, USD	3 064.2	3 307.7	3 540.9	3 753.4	3 941.1
Investment costs, USD	18 513.8				
Cash flow on the project, USD	-15 449.7	-12 140.5	-8 599.5	-4 846.2	-905.1
Payback period, years					5.2

#### Table 9. Predicted mid-term returns on mobile repair units

According to this calculation, the project will be repaid after 5.2 years.

## 4. Discussion of the results

An assessment of the cost-effectiveness and feasibility of implementing a project investing in mobile hairdressing units is presented in Table 10. The forecast also examines the feasibility of implementing the investment project in 2016-2019.

Year of operation	Earnings,USD	Project costs, USD	Profit, USD		E	Evaluatio	on of the	budget effe	ectiveness	
	Proprieta	rry funds			Tar	get tax p	roceeds,	USD.		Target tax proceeds, USD
2015		14 036.9		pa				the F	to	, to
	Size of state s	support, USD		put		tax		o th RF	paid to budget	utions 1 getary
2015		3 076.9		imputed	l tax			ch to th of RF s	h p l by	utio
	Operating re	esults, USD		Tax on income	Personal income 1	Transport	Total	of which budget of subjects	of which the local	Contributions non-budgetary funds
2015	22 800	19 397.1	3 402.9	168	1 080	615.4	1 288	958	330	2 508.9
2016	24 624	20 948.8	3 675.4	181.4	1 080	615.4	1 301.4	958	343.4	2 508.9
2017	26 347.7	22 415.4	3 932.6	194.2	1 080	615.4	1 314.2	958	356.2	2 508.9
2018	27 929.2	23 760.2	4 168.6	205.8	1 080	615.4	1 325.8	958	367.8	2 508.9
2019	29 324.9	24 948.2	4 377.1	216	1 080	615.4	1 336	958	378	2 508.9

Table 10. Assessment of cost-effectiveness and feasibility of implementing mobile hairdressing units

Modern equipment, imported stocks of supplies and advanced sterilization equipment ensure the autonomous operation of a mobile laboratory complex for a long time. A mobile laboratory complex maintains comfortable working conditions at an ambient temperature of  $-30^{\circ}$ C to  $+40^{\circ}$ C.

An assessment of the cost-effectiveness and feasibility of implementing an investment project to create mobile repair units is presented in Table 11.

According to the "Procedure for provision of subsidies at the expense of the regional budget to small and medium-sized businesses for financial support (compensation) for part of the costs associated with the implementation of socially important projects in the municipalities of Omsk region", found in the subprogram "Development of small and medium-sized enterprises in Omsk region" in the state program "Development of the economic potential of Omsk region" (approved by Resolution of the Government of Omsk region dated 10.16.2013 No. 266-P), a proportion of the investment costs might be covered by state support (subsidies).

	1400	e 11. Assessment	of cost-cifecti	veness and	reasionity	or mpi	ementing	moone repai	i units	
Year of operation	Earnings, USD	Project costs, USD	Profit, USD			Evalu	ation of b	udget effecti	veness	
	Proprie	tary funds			Ta	arget tax	a proceeds	, USD		Target tax proceeds, USD
2015		1003,4		d d o	al tax	rt		to set	ch the	tio n- ry
	Size of state	support, USD		Tax on imputed income	-	Transport tax	Total	which the budge of RF subjects	f which id to the local budget	Contributio ns to non- budgetary funds
2015		200		Tax mpu inco	Persor ncome	ran ta	To	wh e bi of J		ntr to idg
	Operating	results, USD		1	P inc	Ţ		of w the o su	of pai	Co ns bu
2015	21 090	18 025,8	3 064,2	252	1080	40	1 372	958	414	2 508,9
2016	22 777,2	19 467,8	3 309,2	272,2	1080	40	1 392,2	958	434,2	2 508,9
2017	24 371,5	20 830,7	3 540,9	291,2	1080	40	1 411,2	958	453,2	2 508,9
2018	25 833,8	22 080,5	3 753,4	308,6	1080	40	1 428,6	958	470,6	2 508,9
2019	27125,5	23 184,6	3 941,1	324,2	1080	40	1 444,2	958	486,2	2 508,9

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The amount of subsidy available is 90% of the planned expenses of a small business implementing a socially important project, to a value of not more than 15 384.6 USD per business.

## 6. Conclusion

Social corporate responsibility has recently been given a lot of attention. The scope of public services plays an important role in the supporting everyday life and socio-economic development in various countries.

Based on an opinion poll which identified a significant need for better provision of everyday services such as hairdressing salons, repair shops and so on in remote regions of Western Siberia which are cut off from the roads during winter, the authors have proposed a model for an investment project to develop mobile units to provide such services and calculated their cost-effectiveness.

The calculations showed that the payback period on the projects would be 4.4 years for mobile hairdressing units and 5.2 years for mobile units offering for repairing of household appliances, footwear and clothing.

An important finding of the study is that the implementation of these projects, in addition to the economic benefit, will provide a significant social effects, such as:

- creating new jobs;
- satisfying the everyday needs of the population;
- improving the level of public services;
- improving the quality of life of isolated rural populations;
- increasing income levels;
- reducing unemployment;
- an increase in payments to local budgets.

It is important to note that the achievement of this effect is related to the costs of certain business structures. However, the social effect also plays into the hands of these business structures in the future. This is confirmed in a number of scientific researches and is also in line with the state policy of many countries. Similarly it is important for Russia, as it promotes the adaptation of rural society to market conditions.

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## Appendix 1

#### Auxiliary equipment and support systems include:

*Water supply:* water tank 50-80l (6,2 USD), stainless steel sink (10,8 USD); pump for the water supply 12V (15,4 USD); electric heater 151 (35,4-53,8 USD); canister for collecting the used water 30l (6,2 USD). *Heating, ventilation and air conditioning*: additional heater (284,6 USD). *Lighting*: strip lights 220V (2 pcs.) (3,7 USD).

*Electricity supply*: diesel generator (1000 USD); device to connect an external power supply 220V (electric cable 30m) (6,2 USD); outlet to connect equipment (3,1 USD); car refrigerator (61,5 USD). *Furniture and other special materials*: wardrobe with two compartments (76,9 USD); hanging closet for supplies (30,8 USD); pedestal tables with drawers (76,9 USD); shelving for storage of equipment and supplies (46,2 USD); folding table in the passenger compartment (15,4 USD); soap dispenser (1,5 USD); paper towel holder (3,1 USD); hair dyeing brush, combs, scissors (30,8 USD); special tools (hair dryer, curling irons) (107,7 USD); uniform (15,4 USD).

#### Appendix 2

**Table.** Current costs of setting up a mobile hairdressing unit in the first year of operation

Expenses components	Price per piece, USD	Annual cost, USD.
1. Supplies (hair dye, eyebrow dye, oxidizers, balms, foil and other supplies)	—	3 538,46
2. Labor expenses (3 pers.)	230,77 /month	8 307,69

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3. Depreciation of vehicle	_	2 197,8
4. POL	—	2 020,77
5. Vehicle repair and maintenance	_	307,69
6. Taxes and charges (transport, UTII)	_	2 716,97
7. Other expenses	_	307,69
Total	—	19 397,07

A PAZ 32053 bus -130 horsepower at 3,200 rpm - is in the fourth depreciation group of 5 to 7 years. Transport tax is 40 USD, UTII is 168,04 USD. Contributions to non-budget funds amount to 2 508,92 USD. The standard fuel consumption of a PAZ 32053 at 60 km/h is 20 litres/100 km. The cost of 92 RON gasoline is, at the time of writing, 0,5 USD/litre.

#### Appendix 3

### Auxiliary equipment and support systems include:

*Water supply:* water tank 50-80l (6,2 USD), stainless steel sink (10,8 USD); pump for the water supply 12V (15,4 USD); electric heater 151 (35,4-53,8 USD); canister for collecting used water 30l (6,2 USD).

*Heating, ventilation and air conditioning:* additional heater (284,6 USD) *Lighting:* strip lights 220V (2 pcs.) (3,69 USD). *Electricity supply:* diesel generator (876,92 USD); device to connect an external power supply 220V (electric cable 30 m) (6,15 USD); outlet to connect equipment (3,08 USD); car refrigerator (61,54 USD).

*Furniture and other special materials*: wardrobe with two compartments (76,92 USD); hanging closet for supplies (30,77 USD); pedestal tables with drawers (76,92 USD); shelving for storage of equipment and supplies (46,15 USD); folding table in the passenger compartment (17,5 USD); soap dispenser (3,08 USD); paper towel holder (3,08 USD); uniform (15,38 USD); other materials (yarn, fabric, scissors, screwdrivers, glue, etc.) (769,23 USD); special tools for shoe repair (538,46 USD).

#### Appendix 4

Table. Current costs of setting up a mobile unit of social and everyday purposes for repair in the first year of operation

Expenses components	Price breakdown, USD.	Annual costs, USD.
1. Materials (yarn, fabric, glue, etc.)	_	1 538,46
2. Labor expenses (3 pers.)	230,77 /month	8 307,69
3. Depreciation of vehicle	_	2 197,8
4. POL	—	2 104,04
5. Vehicle repair and maintenance	_	307,69
6. Taxes and charges (transport, UTII)	_	2 800,99
7. Other expenses	—	769,23
Total	_	18 025,9

Transport tax is 81,25 USD. UTII is 252,07 USD. Contributions to non-budget funds would amount to 2 508,92 USD.

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