



**PAMIBIA UNIVERSITY**  
**OF SCIENCE AND TECHNOLOGY**

FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCATION

DEPARTMENT OF ECONOMICS, ACCOUNTING AND FINANCE

QUALIFICATION: BACHELOR OF ECONOMICS

QUALIFICATION CODE: 07BECO	LEVEL: 7
COURSE CODE: TEC711S	COURSE NAME: TRANSPORT ECONOMICS
SESSION: NOVEMBER 2024	PAPER: THEORY
DURATION: 3 HOURS	MARKS: 100

FIRST OPPORTUNITY EXAMINATION QUESTION PAPER	
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**INSTRUCTIONS**

1. Answer in the provided answer book. Start each question on a new page.
2. Do not forget to write your student number correctly.
3. Items permissible: calculator, pens, pencil.
4. Answer all questions in the context of the subject knowledge you acquired from this course and any other relevant materials you consulted.

THIS QUESTION PAPER CONSISTS OF 6 PAGES (Including this front page)

## QUESTION 1

[20 MARKS]

- 1.1 Discuss the two sources of basic demand from a transport service perspective. (6)
- 1.2 “The proponents of monopoly argued that: if the market is a contestable market, it could as well be left to a monopoly operator. This is because it does not really need to be operated by perfect competitive operator to produce economically efficient market behaviour”. Use the theory of contestability by Baumol (1982) to support the above statement, your answer should be half a page but not full page. (4)
- 1.3 Demonstrate with graphs and clear explanations how the owner of a Freight company who is experiencing financial strain can make use of price elasticity of demand to make decisions regarding the total revenue position his/her Firm. (10)

## QUESTION 2

[20 MARKS]

- 2.1 Given the following information for a Bus Transport service: Income rose from N\$20 000 to N\$30 000 and the demand for bus went from 100 passengers to 60 passengers.
- a) Calculate income elasticity of demand for Bus and interpret your answer based on the nature of products, and form of elasticities being compared. (4)
  - b) Now assume there is a competitor for bus service above, Yango dedicated transport service, the price for Yango increases from N\$50/km to N\$60/ km. Calculate the cross-price elasticity and interpret your answer based on the nature of products, and form of elasticities being compared. (6)
- 2.2 The government of Namibia is contemplating as to whether it should upgrade the Hosea Kutako International Airport. The Minister of Works and Transport believes that doing so will increase trading activity between Namibia and other Countries. Discuss the multiplier impact that this project will have in general by describing the multiplier effects at each economical stage of the project. (10)

**QUESTION 3****[25 MARKS]**

3.1 One of the characteristics associated with monopoly firm is barriers to entry. Discuss the structural and strategic barriers associated with monopoly. (10)

3.2 Use the table below to answer the following questions.

Output	Total Fixed Cost	Total Variable Cost	Total Cost	Average Fixed Cost	Average Variable Cost	Average Total cost	Marginal Cost
0	30		30				
1		30					
2			71				
3			79				
4		58					
5		70					
6		85					
7			135				
8			160				
9		160					
10		201					

- a. Complete the above cost table of a bus service operating between Walvis Bay and northern routes. Copy the table into your answer book and complete it (0.2 mark for each correct answer) . (12)
- b. At what level of output would this firm obtain optimum efficiency? Give reasons for your answer. Label the row where you find your answer (3)

#### QUESTION 4

[20 MARKS]

- 4.1 “profit maximising position of a Firm in a transport sector need not necessarily produce profit”. Confirm this statement, by drawing a graph to illustrate your point and explain your graph clearly. (10)
- 4.2 When optimal pricing strategies are devised, what are the three motives that a private firm owner should take into considerations? (3)
- 4.3 “Transport by itself is not a sufficient condition for development; however, the lack of transport infrastructure can be seen as a constraining factor on development”. Broadly discuss the effects of Namibia’s transport system on the tourism sector. (7)

**QUESTION 5****[15 MARKS]**

- 5.1 Distinguish between qualitative and quantitative regulation of transport. (4)
- 5.2 Discuss any 5 relevant methods that government can use to address the environmental impact associated with road transport in any country. List the method and discuss in detail. (10)
- 5.3 What is meant by project appraisal for a transport project? (1)

**--End--**