



**NAMIBIA 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: JANUARY 2025	PAPER: THEORY
DURATION: 3 HOURS	MARKS: 100

SECOND 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 The link between freight transport levels and economic wealth has never been in question, as the two are highly correlated. However, there remain questions over the direction of causation between the two classical notions, namely supply led view and demand led view. Discuss the supply led notion in view of what the proponents advance. (6)
- 1.2 Explain the following concepts in transport economics: (6)
- a) Technical efficiency
 - b) Cost efficiency
 - c) Allocative efficiency
- 1.3 You are given the following information for Bus services as: Income rose from N\$20 000 to N\$30 000 and 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 the product 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 50/km to 60/ km. Calculate the cross-price elasticity of demand for Bus and interpret your answer based on the nature of the product, and form of elasticities being compared. (4)

QUESTION 2

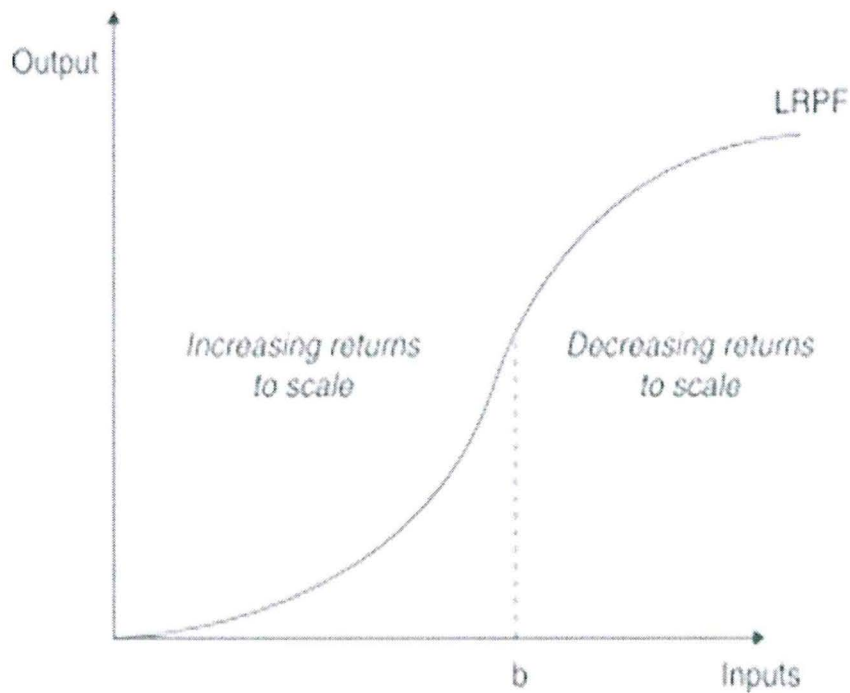
[20 MARKS]

- 2.1 Traffic congestion has become a problem these days in some congested routes in the city of Windhoek, leading to lower speed, longer trip times and increased vehicular queuing. Advise the city of Windhoek on the ways and means to address traffic congestion in Windhoek. (10)
- 2.2 An entrepreneur from Angola is contemplating to supply busses and trucks to the Namibian transport operators. She wants to be sure her business is successful. Advise her as a transport economist on what are the five (5) factors that she will need to take into consideration regarding the supply of her products? (10)

QUESTION 3

[20 MARKS]

- 3.1 Price discrimination is a common pricing strategy in the transport sector.
- a) State and elaborate the three conditions that must exist for price discrimination to take place in this industry. (6)
 - b) Explain the three categories of price discrimination (6)
- 3.2 Distinguish between marginal cost pricing and price discrimination (4)
- 3.3 In the graph below, explain the two concepts illustrated for a shoe factory that has been in operation for 50 years. (4)



QUESTION 4

[20 MARKS]

- 4.1 With the aid of a diagram, explain why the monopolist transport operator is regarded as economic inefficient and presents the main arguments behind this kind of outcome. (10)
- 4.2 Transport operators in oligopolistic markets practice predatory pricing and price-fixing from time to time. Describe what you perceive to be the benefits to transport operators of such practices and the reasons why they are illegal in many countries worldwide. (6)
- 4.3 Discuss any four assumptions of the theory of contestability as one of the disadvantages that a new monopolist firm who operates a new plant may not be able to meet. (4)

QUESTION 5**[20 MARKS]**

- 5.1 Study the following cost table and fill in the missing values, show your answers according to the listing indicated in the table from a) to t) (10)

Quantity of output	Total fixed cost	Total variable cost	Total cost	Average fixed cost	Average variable cost	Average (total) cost	Marginal cost
0	(a).....	0	1200	(e).....	(i).....	(m).....	(q).....
10		(b).....	1800	(f).....	(j).....	(n).....	(r).....
20		800	(c).....	(g).....	(k).....	(o).....	(s).....
30		900	(d).....	(h).....	(l).....	(p)	(t).....

(0.5 mark per each correctly filled answer)

- 5.2 Cost – Benefit Analysis is an evaluation approach used by many organisations in the evaluation of their programs or projects. Discuss how this approach is used and what are its main limitations when compared to other approaches? (10)

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