



ZIMBABWE EZEKIEL GUTI UNIVERSITY

FACULTY OF LAW, BUSINESS INTELLIGENCE AND ECONOMICS

DEPARTMENT OF ECONOMICS, MARKETING AND ENTREPRENEURSHIP

EXAMINATION PAPER

COURSE CODE : CPS 213
COURSE TITLE : TRANSPORT ECONOMICS
SPECIAL REQUIREMENTS : NO SPECIAL REQUIREMENTS
DURATION : 3 Hours
LEVEL : 4:1
DATE : 11 APR 2024

INSTRUCTIONS TO CANDIDATES:

1. No cell phones are allowed in the examination venue.
2. Answer any **Four** questions.
3. Begin each question on a new page.
4. The number of marks for each question or part question is shown in brackets []
5. Use of practical examples where necessary is encouraged

QUESTION ONE

- a) Show the economic essence of calculating cross price elasticity of demand between transport services. **[5 marks]**
- b) Discuss four major benefits of using forecasts of transport trends to meet the future requirements of transport markets. **[20 marks]**

QUESTION TWO

Write a brief explanation on each of the following ways of valuing transport services externalities. Examples are key.

- a) Stated Preference **[5 marks]**
- b) Hedonic pricing approach **[5 marks]**
- c) Precedents **[5 marks]**
- d) Averting Behaviour **[5 marks]**
- e) Travel Cost Method **[5 marks]**

QUESTION THREE

Discuss whether the objective of firms in the transport sector should always be that of profit maximisation. **[25 marks]**

QUESTION FOUR

If congestion is such a bad thing, why do economists argue that the optimal amount of congestion is something greater than zero? **[25 marks]**

QUESTION FIVE

It has been more than 20 years since local bus services in Zimbabwe were deregulated when ZUPCO resurfaced to dominate the industry. At the time, it was claimed that this controversial policy would increase competition by making the market contestable. In

principle, it became easier for firms, large and small, to enter the market as barriers to entry were removed. An Operator's Licence was the only requirement for firms wishing to provide local bus services.

In December 2020, the Inter-Africa, the largest remaining independent company with more than 30% national market share, was quasi-integrated into ZUPCO on a daily hiring deal with massive thousands of dollars pay outs. This move has given ZUPCO substantial new operations across the nation.

- a) State and explain three likely barriers to entry to new firms wishing to join the local bus market at the present time. **[6 marks]**
- b) Comment upon how the strength of barriers to entry can determine the market structure of a transport industry. **[6 marks]**
- c) Discuss how the integration of Inter-Africa might affect the contestability of the local bus market in the Zimbabwe. **[13 marks]**