



ZIMBABWE EZEKIEL GUTI UNIVERSITY

FACULTY OF LAW, BUSINESS INTELLIGENCE AND ECONOMICS

DEPARTMENT OF ECONOMICS, MARKETING AND ENTREPRENEURSHIP

EXAMINATION PAPER

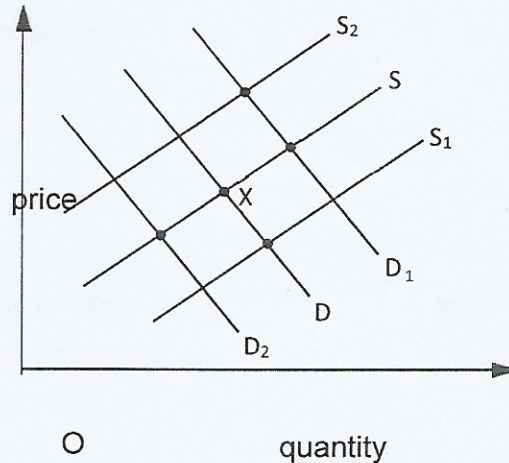
COURSE CODE : CPS 213
COURSE TITLE : TRANSPORT ECONOMICS
SPECIAL REQUIREMENTS : NO SPECIAL REQUIREMENTS
DURATION : 3 Hours
LEVEL : 4:1
DATE : 29 JUL 2024

INSTRUCTIONS TO CANDIDATES:

1. No cell phones are allowed in the examination venue.
2. Answer any **Four (4)** 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

The diagram shows demand and supply curves for petrol (gas). The initial equilibrium is at X.



- a) What could be the effect on demand or supply if there were a large fall in the price of cars? **[5 marks]**
- b) Re-draw the graph above and mark the new equilibrium with 'Y', after the changes in (a). **[5 marks]**
- c) Transport economists estimate the price elasticity of demand for private car use is very low. Discuss the following ways of reducing road traffic congestion and consider the one which can be most effective.
 - i. banning private cars and lorries from town centres
 - ii. introducing a subsidy to lower the price of using bicycles
 - iii. introducing road pricing on all main roads
 - iv. subsidising public transport such as trains and buses
 - v. placing free Wi-Fi in all public transport**[15 marks]**

QUESTION TWO

Outline any Five SADC Protocols that are in place which governs transport systems in member states. **[25 marks]**

QUESTION THREE

The need to travel from one location to another, in a market-based economy presents an opportunity for other individuals to profit from that basic need. Where the need to travel exists, there will always be individuals willing to provide a good or service to meet that need at a given price. Discuss the determinants of supply for transport services. **[25 marks]**

QUESTION FOUR

- a) Explain the economic principles that underpin road pricing. **[5 marks]**
b) The following relations describe monthly demand and supply for sea transport at Beira.

$$Q_d = 3\,000 - 10P$$

$$Q_s = -1\,000 + 10P$$

where Q is the number of ships and Price per voyage, in dollars.

- c) What is the equilibrium price/output level? **[5 marks]**
d) Suppose demand increases and leads to a new demand curve:

$$Q_d = 3\,500 - 10P$$

What is the effect on supply? What are the new equilibrium P and Q? **[7 marks]**

- e) Suppose new suppliers enter the market due to the increase in demand so the new supply curve is $Q_s = -500 + 10P$. What are the new equilibrium price and equilibrium quantity? **[8 marks]**

QUESTION FIVE

- a) Assess the impact of transport on the environment over time and space. **[10 marks]**
b) Write a brief explanation on each of the following ways of valuing transport services externalities. Examples are key.
i. Hedonic pricing approach **[5 marks]**
ii. Precedents **[5 marks]**
iii. Averting Behaviour **[5 marks]**