

CHUKA



UNIVERSITY

**UNIVERSITY EXAMINATIONS**

**FOURTH YEAR EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF ECONOMICS, BACHELOR OF ECONOMICS AND FINANCE, BACHELOR OF ECONOMICS AND STATISTICS, BACHELOR OF ARTS(ECONOMICS) AND BACHELOR OF COMMERCE**

**BPLM 425: TRANSPORT ECONOMICS**

**STREAMS:**

**TIME: 2 HOURS**

**DAY/DATE: THURSDAY 08/07/2021**

**8.30 A.M – 10.30 A.M**

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**INSTRUCTIONS:**

**Answer question one and any other two questions**

**Question one carries a total of 30 marks, while all other questions carry 20 marks each**

**Being in possession of mobile phone and/or unauthorized electronic gadget constitutes an exam irregularity.**

**Being in possession of written materials, in exam room, in any form constitutes an exam irregularity**

**Do not write on the question paper**

**QUESTION ONE**

- (a) An alternative to congestion pricing is infrastructure expansion in order to deal with traffic congestion. Explain four economic factors that have led to rapid increase in Traffic congestion in most Kenyan towns. [8 marks]
- (b) Explain the importance/role of transport services in economic growth and development in a country. [8 marks]

(c) A company that has been relying on hired transport intends to change to the use of self owned means of transport. Highlight the key advantages, it is likely to enjoy.

[7 marks]

(d) Explain three pricing strategies for public transport and explain the role you have highly and giving reasons for the choice.

[7 marks]

**QUESTION TWO (20 MARKS)**

(a) Mr. Mwangi, who has previously enjoyed monopolistic power in the transport industry, is now faced with steep competition from new investors who are providing exactly the same services he has been offering. Explain his survival in technique in such a market situation.

[10 marks]

(b) What impact would the rapid loss of Kenya shilling value against the US Dollar have on the transport industry?

[10 marks]

**QUESTION THREE (20 MARKS)**

(a) Discuss why transport is referred to as an economic catalyst. [8 marks]

(b) Explain the factors that a supplier should consider in the choice of a transport mode. [6 marks]

(c) Explain four characteristics of SGR that make it operate as a monopoly market. [6 marks]

**QUESTION FOUR (20 MARKS)**

(a) Explain why demand for transport services is referred to as derived demand. [8 marks]

(b) In transport economics congestion pricing is considered to be an appropriate mechanism to deal with congestion. Explain the advantages and disadvantages of congestion pricing.

[12 marks]