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EXAMINATION FOR THE AWARD OF MASTERS DEGREE IN PROCUREMENT AND LOGISTICS MANAGEMENT

MPLM 851: TRANSPORT ECONOMICS

STREAMS: MSc. (MPLM) Y1S2

TIME: 3 HOURS

DAY/DATE: MONDAY 6/08/2018

2.30 P.M - 5.30 P.M.

INSTRUCTIONS:

- **Answer ALL Questions.**

QUESTION ONE

Case Study: Rail Services and Rail Network

Like in Kenya, Britain RAILS services were ran by the government. However, this changed in 1994 where the first franchise in Rail services was witnessed. Since then, there has been an increase in the use of rail services with an increasing number of passengers preferring to use rail as a mode of transport. In Britain today, most of the railway services are provided by a number of companies in the private sector who are known as the train operating companies. These companies are responsible for the day to day running of the company. They however do not own the nations rail infrastructure. This is provided by Network rail which is a separate company.

Fig. 1 below show that most of the profits in the rail transport goes to the Network Rail.

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Despite the growing importance of the private sector in the Rail industry, the members of the public still has a role to play in the regulation of the Rail transport and in undertaking transport infrastructure projects. Rail is important to both the UK and the Kenya's economy. Encouraging commuters to use the rail transport also reduces the amount of carbon emissions into the atmosphere.

Actions by the Government in Rail Transport:

Regulating some fares: The government regulates the existence and prices of a number of fares. The government restricts the amount by which train operators can increase some fares each year.

Upgrading rail tracks and stations: Increasing train capacity.

Electrifying important routes: This reduces carbon emissions, reduces journey times and also operating costs reduction.

Cross rail: Construction of new railway lines.

Required:

- (a) Explain the differences between fixed and variable costs, using one example of each from Fig.1 [16 Marks]
- (b) Explain how changes in train fares might affect the revenue of a train operating company. [6 Marks]
- (c) Explain why the government actions may encourage people to use rail as opposed to cars. [4 Marks]
- (d) Comment the extent to which rail transport contributes to the economic development of Kenya. [6 Marks]
- (e) Discuss whether or not there should be monopoly provision of rail, infrastructure in Kenya. [8 Marks]

QUESTION TWO

- (a) Analyze the difference between monopolistic competition and oligopoly market structure transport. [10 Marks]
- (b) Discuss the extent to which air transport could be considered to be a sustainable mode of transport. [10 Marks]

QUESTION THREE

- (a) Analyze the economic effects of an increase in the demand for road transport on the environment. [10 Marks]
- (b) Discuss the extent to which the policies implemented in Kenya to discourage the use of road transport have been effective. [10 Marks]

QUESTION FOUR

(a) Air travel in Kenya has increase over the last few years. Using relevant examples, discuss the reason for this increase. [10 Marks]

(b) Explain the major transport financing models in Kenya today. [10 Marks]

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