**TRANSPORT ECONOMICS TEST**

1. **Closed Questions (2 points per question; total of 20 points)**
2. **What is a contestable market?**
   * A) A market with high barriers to entry
   * B) A market where only one firm operates
   * C) A market where entry and exit are free and costless
   * D) A market dominated by a few large firms
   * **Correct Answer: C) A market where entry and exit are free and costless**
3. **Which of the following is an example of perfect price discrimination?**
   * A) Charging a flat rate for all services
   * B) Charging each customer the maximum price they are willing to pay
   * C) Charging lower prices during off-peak hours
   * D) Offering discounts to bulk buyers
   * **Correct Answer: B) Charging each customer the maximum price they are willing to pay**
4. **What is the potential downside of not providing subsidies to public transport?**
   * A) Overcrowding of services
   * B) Increased fares, making transport unaffordable for some
   * C) Decreased government control
   * D) Increased traffic congestion
   * **Correct Answer: B) Increased fares, making transport unaffordable for some**
5. **In transport forecasting, what does the gravity model predict?**
   * A) The environmental impact of transport modes
   * B) The demand for transport between two locations based on population size and distance
   * C) The price elasticity of demand for transport services
   * D) The seasonal variation in transport usage
   * **Correct Answer: B) The demand for transport between two locations based on population size and distance**
6. **Which of the following industries is most capital-intensive?**
   * A) Parcel delivery
   * B) Bus operations
   * C) Railways
   * D) Retail
   * **Correct Answer: C) Railways**
7. **What happens to total revenue when demand is price inelastic and prices are increased?**
   * A) Revenue decreases
   * B) Revenue stays the same
   * C) Revenue increases
   * D) Demand becomes elastic
   * **Correct Answer: C) Revenue increases**
8. **Which transport mode typically shows the highest price elasticity in the long run?**
   * A) Bus
   * B) Rail
   * C) Airplane
   * D) Metro
   * **Correct Answer: A) Bus**
9. **Why might subsidies lead to inefficiency in the transport sector?**
   * A) They increase competition
   * B) They reduce the incentive to improve efficiency
   * C) They lead to higher prices for consumers
   * D) They create too much demand
   * **Correct Answer: B) They reduce the incentive to improve efficiency**
10. **What is a significant challenge in shifting freight from road to rail?**
    * A) Rail networks are significantly shorter than road networks
    * B) Rail transport is more expensive than road transport
    * C) Rail transport cannot handle large freight volumes
    * D) Rail transport is slower than road transport
    * **Correct Answer: A) Rail networks are significantly shorter than road networks**
11. **Which method of forecasting is based on the assumption that future trends will follow past patterns?**
    * A) Qualitative methods
    * B) Time series analysis
    * C) Econometric models
    * D) Delphi technique
    * **Correct Answer: B) Time series analysis**
12. **Open Questions (4 points per question; total of 20 points)**
13. How can price discrimination be used effectively in the transport industry to maximize revenue?
14. What are the main challenges in increasing public transport usage in car-dominant societies like the USA?
15. Explain the importance of considering both short-run and long-run elasticities when setting public transport fares.
16. How do structural and strategic barriers to entry impact the level of competition in transport markets?
17. How can qualitative and quantitative methods be combined to improve the accuracy of transport forecasts?