



2020

TRANSPORT ECONOMICS LEVEL 2

Transport as a service
and industry within the
South Africa economy

After you have worked through this section, you should be able to:

Describe the nature and scope of the transport industry and transport service in South Africa

Explain transport in different contexts of the economy

Outline the characteristics/ features of transport as a service

Explain the impact that positive and negative externalities may have on transport networks/services

Explain broad categories of transport services and indicate the modes used in each category

Describe factors that influence transportation

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Complete the test on page 70-72

The nature and scope of the transport industry and transport service in South Africa

South African transport industry includes both passenger and freight transportation. The transport services are provided by modes of transport such as rail, road, air, maritime and pipelines. According to NATMAP 2050 its goal is to develop an integrated, dynamic, sustainable framework for transport infrastructure in South Africa. The scope and nature of the transport industry in South Africa according to NATMAP 2050 objectives is to ensure that it provides:

- ❖ Sustainable public transport systems.
- ❖ Greater mobility options particularly to people without cars.
- ❖ Provision for non-motorised transport network development
- ❖ well maintained infrastructure and management for all modes.

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- ❖ Greater mobility options particularly to people without cars.
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- ❖ Well maintained infrastructure and management for all modes.
- ❖ A transport system that charges fair prices.
- ❖ A transport system that enables and supports rural development.

OBJECTIVES SHOULD PROVIDE THE FOLLOWING:

- ❖ Grow the economy.
- ❖ Protect the environment.
- ❖ Integrate land use and transport planning.
- ❖ Improve public transport.
- ❖ Enhance and manage infrastructure.

- ❖ Promote safety and well-being.
- ❖ Ensure social inclusion and accessibility.
- ❖ Promote freight integration.

TRANSPORT SERVICE IN SOUTH AFRICA

Transportation is an essential part of the development of a country. Transport as a service in South Africa provides the movement of goods and people at reasonable costs.

Characteristics/features of transport as a service

- ❖ As a derived demand, it allows people to get involved in activities that are not available otherwise.
- ❖ It provides social, personal development, recreational and educational opportunities.
- ❖ It facilitates the development or enhancement of other economic activities.
- ❖ It breaks down class division by providing equal opportunities in terms of access.

- ❖ It provides mobility opportunities for people faced by challenges such as poverty, disability, old age e.t.c
- ❖ It supports production and the full value chain.
- ❖ It opens up new economic activities geographically

TRANSPORT IN DIFFERENT CONTEXTS OF THE ECONOMY

Transport fulfils various roles within the economy. It plays a big role in the production sector. According to NATMAP 2050 efficient transport is a critical component of national and global development. Transport availability affects development patterns and can be a boost and a barrier to economic growth. Transportation investments links factors of production together in a web of relationships between producers and consumers to create a more efficient division of production, geographical comparative advantage and provides a means to expand **economies of scale and scope.**

TRANSPORT AS A DERIVED DEMAND

Derived demand is an economic term which refers to demand for one good or service in one sector occurring as a result of demand from another. Users of transport use transport not because they benefit from using it directly, but because they wish to take part in other activities which they reach through the use of transportation.

Types of derived demands

- ❖ **Direct derived demand**- refers to demand for a service for direct use. E.g Daily commuting via Gautrain, taxi or bus.
- ❖ **Indirect derived demand**- refers to the demand for a service to be used in the production of other good.
- ❖ E.g Warehousing and distribution.

Refer to figure 4 on page 42(Types of derived demands)

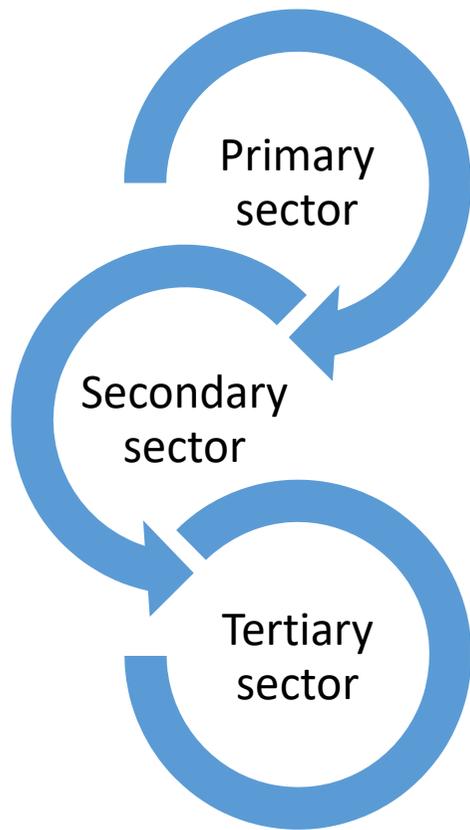
The derived demand of transportation is often very difficult to link to an equivalent supply. Transport demand cannot be fulfilled without corresponding level of transport supply, but a transport supply can exist without corresponding transport demands. e,g Scheduled transport services such as public transit or airlines offer a transport service that runs even if the demand is insufficient.

DERIVED DEMAND FACTORS

- ❖ Disposable income
- ❖ Geographical distribution of the population
- ❖ Distance between home and activities
- ❖ Car ownership
- ❖ Availability of public transport
- ❖ Quality of public transport service
- ❖ Affordability of public and private transport
- ❖ Elapsed time in transit
- ❖ Services offered

TRANSPORT AS A PRODUCTION FACTOR.

Transportation is also an economic factor of the production of goods and services. An efficient transport system with modern infrastructure provides market accessibility by linking producers and consumers



THE ROLE TRANSPORT PLAYS IN PRODUCTION

- Geographic specialisation
- Large scale production
- Land use
- Job creation

Refer to page Table 2 , on page 44 to 45.

TRANSPORT AS A MEANS TO AN END

We need transport in order to achieve/reach goals such as moving people or goods from one place to another. It integrates people into their wider communities, improves the quality of rural life, helps achieve the MDS for poverty reduction, education and health. The Transport sector has the responsibility to contribute to the following:

- ❖ Improving governance
- ❖ Public administration
- ❖ Manage government finances
- ❖ Improves lives of individuals

TRANSPORT AS A SERVICE, A PRODUCTION FACTOR AND A MEANS TO AN END HAS OTHER FEATURES AND IMPACTS. THESE IMPACTS ARE CALLED EXTERNALITIES.

TRANSPORT EXTERNALITIES

According to Investopedia an externality is a consequence of an economic activity that is experienced by unrelated third parties. A externality can be either positive or negative.

Types of externalities:

Positive externalities

- ❖ Provision of life-preserving emergency services
- ❖ An increase in the value of property and land close to transport facilities
- ❖ Wider roads that may act as fire breaks
- ❖ Road may be used for leisure activities such as cycling and walking

Negative externalities

- ❖ Pollution
- ❖ Visual intrusion
- ❖ Contribution towards safety hazards and traffic accidents
- ❖ Land or community division
- ❖ Traffic congestion