**MARKETING BOARDS**

Marketing boards are trading organizations set up by government or private sectors to purchase agricultural products from farmers and sell it to consumers.

**Types of marketing boards**

1. Statutory marketing boards. These are set up by government by passing an Act of Parliament. Their powers, operations and functions are defined by this act of parliament and their management is done by a Board of director whose chairman is appointed by government.
2. Voluntary boards. These are marketing boards which are formed by producers themselves. Their powers, operations and functions are defined by their articles and memorandum of association. such marketing boards are private owned.

**Classification of marketing boards**

Marketing boards are classified according to the type of goods they handle and areas served.

1. **Commodity Marketing Board.**

These are boards that handle one type of agricultural produce and its related products and get its name from the product handled.

1. **Produce Marketing Board.**

These handle a variety of agricultural products. Such marketing boards do not have a specific crop they deal in e.g. produce marketing board, which deals in beans, vanilla, maize, soya beans, sim sim etc.

1. **Advisory Marketing Board.**

These undertake research in the problems of growing and marketing the farmers’ products. Such boards play advisory roles to the major marketing boards. However, in most cases the boards are just departments in major marketing boards in Uganda.

1. **Export Marketing Boards.**

These concentrate on the marketing of various agricultural products to foreign markets.

**Aims of Marketing Boards**

1. To assist both large and small scale farmers collect, store and market that produce, to boost the economy of the country through selling to the outside world and earn foreign exchange.
2. To promote production through assisting farmers to have large scale farms.
3. To provide transport to farmers in rural areas. This enables farmers sell their produce.
4. To eliminate unnecessary competition among the farmers and producers.
5. To ensure a steady supply of commodities to customers.
6. To ensure stable prices and incomes to farmers.

**Functions of Marketing Boards**

1. Buying produce from farmers. Marketing boards buy produce from farmers (producers) at guaranteed, fair and stable prices. This is done through three channels i.e. large scale farmer who sell directly to the board, small scale farmers sell through their respective cooperative societies or a buying agent appointed by the board.
2. Collection and storage of produce for farmers. Marketing boards do offer transport facilities to farmers by making the vehicles available to farmers who may be located in rural areas and are not able to transport their produce to collecting centres to be stored and released gradually to the processors (export market) or until when demand increases.
3. They control production. In order to buy all the produce and stabilize the prices they offer to farmers, marketing boards guard against over production and under-production. This is done by fixing quotas to the regions producing the crop. i.e. they request these regions to produce the maximum quantity which is determined by them and if such a region produces any excess it is rejected by the board.
4. They undertake research. Marketing boards usually carry out research on agricultural and marketing problems. They do carry out research on the methods of growing, improving the quality of the produce, e.t.c. and then the benefits of research are passed on to the farmers by publishing booklets, seminars, radios and TV programs, the boards’ own personnel also visit farmers and offers useful advice.
5. They offer assistance to farmers. This is given through various ways

**For example, they provide;**

a) prompt payments to farmers after buying the produce.

b) fertilizers, pesticides, farming tools, etc. at reduced prices.

c) best quality seeds at or below cost

d) bags and other packing materials at reduced prices.

e) advances loans to farmers to buy agricultural equipment to enable the improve on production

f) loans to cooperative societies to develop roads, cattle dips, etc.

g) free protection against crop diseases by routine spraying or other means.

1. They sell produce on behalf of the farmers either to the local producers (market) or by auction for export. This ensures that farmers are not exploited by consumers.

**Problems of marketing boards**

1. Price fixing problems. Marketing boards do have an obligation to fix the price at which to purchase the farmers produce. However, they normally do it without knowing the quality and prices they will sell on international market. This leads to a considerable deficit (loss) if the international markets do not offer a higher price.
2. Shortage of sufficient transport facilities. Marketing boards do not have capital for buying and maintaining vehicles. Besides the roads are in a poor state.
3. Corruption and embezzlement of funds meant to buy produce by officials.
4. Overproduction leads to problems of surplus which leads to decrease in prices.
5. Statutory marketing boards face a problem of political interference which makes efficient running of the marketing boards difficult.
6. Marketing boards face a problem of inadequate funds which delays prompt payment to farmers.
7. Mismanagement of the boards. The management of statutory marketing boards is appointed on political grounds and such appointees may lack skills hence mismanagement of the board.
8. Poor quality of produce from the farmers makes marketing them on international market difficult.
9. Competition from private buyers who have ready money and pay cash for the produce. This encourages farmers to sell their produce to the private buyers instead of the board which may take long to pay.
10. Competition from other producers, sometimes make it difficult to sell produce on the world market.
11. Inadequate storage facilities make storing of produce difficult, besides some products are perishable making their storage difficult.

**THE PUBLIC SECTOR**

This sector consists of establishments that are formed and controlled by government and engages in commercial activities. The government undertakes the overall financing; such a sector is usually referred to as a state owned enterprise/sector.

**It is divided into the following;**

1. **Parastatal Bodies.** These are organizations set up by government to perform mainly development functions. Their main aim is to assist the public in various ways, without aiming at making profit although in providing commercial services, they may end up making profits. Parastatal organizations do not have any share capital and their management is in the hands of people appointed by government e.g. UNEB, marketing boards.
2. **Public corporations.** These are business organizations in which government hold either all the share capital or a majority of the shares. They are created by an Act of parliament which defines their aims and objectives. Public corporations aim at providing goods and services to the public at reduced prices. Therefore, they have reduced exploitation of the public compared to the private sector e.g. NWSC (national water and sewerage corporation), National Housing.
3. **Local Authorities**. These are organizations controlled by the local government to provide certain services which private people are not willing to invest in due to being unprofitable e.g. street cleaning, road maintenance etc. example of local authorities includes KCCA (Kampala capital city authority), Town Councils, Municipal Councils etc.

**Advantages of the state enterprises/Public sector**

1. Provision of non-profitable but essential goods and services to the public. Some undertakings are unprofitable, but essential so the government has to provide them since the private sector may not be willing to invest in them e.g. street cleaning, garbage collection etc.
2. The public sector helps to protect the consumers from exploitation by providing fairly cheap goods and services. This leads to improvement in the standard of living of the citizens.
3. Raising large capital and undertake large investments. Some enterprises require large initial capital to start so can’t be undertaken by the private sector. So government comes in and provides the initial capital for producing goods or services e.g. water supply.
4. It minimizes duplication and wastage of resource because of limited competition that exists in the public sector.
5. It generates revenue to the government. The government sets up enterprises which are income generating hence a source of government revenue. Besides, through taxation of the people employed by the public enterprise government gets revenue.
6. It ensures increased employment as government undertakings are on large scale and create employment opportunities to many people in the country.
7. There are some risky enterprises which can’t be left in the hands of private individuals, so government has to get involved e.g. police, security etc.
8. They are a means through which government can promote equal distribution of income and reduce income inequality through provision of goods and services freely or at subsidized rates.
9. It is a means through which government can participate and provide in economic growth and development so as to achieve its goals.
10. It ensures consumer protection against undesirable goods like demerit goods, expired goods, etc. through National Bureau of Standards
11. It promotes proper planning of the economy because government has control of the public sector making planning easy.
12. The public sector helps to minimize foreign control and domination of the economy thus reduce on profit repatriation. This helps in safeguarding national interests.
13. It helps to control private monopoly thus avoiding over exploitation of resources. This is because the private sector aims at profit maximization.

**Disadvantages of State Enterprises**

1. The cost of operation of these enterprises is sometimes passed over to the general public in form of increased taxes.
2. There is high levels of corruption and embezzlement of funds leading to misuse of funds meant for national development.
3. There is too much political interference with the public sector. The managers of public enterprises are appointed on political grounds and in most cases do not have the required skills. This leads to mismanagement.
4. Some public corporations are too large that government lacks enough funds to maintain them. This also creates management problems.
5. There is a lot of bureaucracy. Government owned enterprises tend to follow bureaucratic procedures which slow down the implementation of some projects that are essential for the people or delay the supply of goods and services.
6. There is discouragement of the private sector especially if the government owned establishments are in same business as the private sector may out compete them. This discourages investment by citizens and foreigners.
7. Employees have no personal interest and lack the urge to perform better hence resulting into providing poor quality goods and services.
8. State enterprises tend to be monopolies .i.e. they face little or no competition at all from other firms, this leads to inefficiency, poor quality goods, not being sensitive about public requirements and needs, etc.
9. There is low productivity of workers because of limited commitment by employees coupled with limited supervision.
10. There is limited production of a variety of consumer goods which limits the choice of consumers leading to low standards of living.

**PRIVATISATION**

This is the deliberate government policy aimed at transfer of ownership of public enterprises to the private sector. The government can sell all the shares, sell part of the shares or it can have private individuals managing the enterprises.

**Forms of privatization**

1. **Demonopolisation/Liberalization.** This involves the complete removal of restrictions on entry of private individuals to certain investment activities. The aim is to increase competitiveness in the economy e.g. radio and TV, Telephone services.
2. **Divestiture**. This is the total selling of all government shares in public enterprises to the private sector. Divestiture is always under taken for non-performing publically owned business.
3. **Joint venture ownership.** This is where government sells some shares to private individuals or companies and some remain for government.
4. **Leasing.** This is where government rents out or leases public enterprises to private individuals. e.g. public toilets, markets etc.
5. **Repossession**. This involves returning of nationalized enterprises to their respective owners,

**NB**

Nationalization is when government takes over the control and ownership of private enterprises.

 **Reasons for privatization**

1. To promote efficiency in the management of enterprises through the profit motive and supervision by the private sector.
2. To reduce corruption and embezzlement of funds as private investors exercise strict control and close supervision of their business.
3. To reduce government expenditure on subsidizing and financing inefficient parastatals. Most of the parastatals which were sold were bankrupt and did not have enough funds to continue operating so government had to keep on financing them. Privatisation helps to reduce such expenditure.
4. To create more employment opportunities in the long run. Privatisation leads to efficient production and allocation of resources which leads to expansion of production through increased capacity of the private enterprises. This increases employment opportunities in the long run.
5. To increase tax revenue. Privatisation leads to expansion in production there by widening the tax base. Besides, the government gets revenue from the sale of enterprises.
6. To fulfill the international monetary fund conditionality of privatizing in order to create a private sector driven economy so as to continue getting loans (foreign aid).
7. To attract foreign investment and capital especially where the enterprises are bought by foreign investors. Besides, privatization is seen as a means of technological transfer in developing countries. The multi-national co-operations from developed countries transfer capital and modern methods of production to low developed countries.
8. To promote competition hence improve on the quality of output. Privatisation helps break the monopoly of some parastatals thereby encouraging competition leading to the production of better quality goods and services.
9. To improve or increase the level of resource utilization in the economy. Most of the public owned enterprises operate at excess capacity. Once they are privatized, production increases resulting into the utilisation of formerly idle resources.
10. To improve the balance of payments position of a country. Privatisation leads to increased production of goods and services, this leads to reduced volume of imports and increases volume of exports hence improving the balance of payments position.
11. To reduce bureaucracy that leads to delays in decision making in the public sector. The private sector tends to be more efficient leading to faster decision making.
12. To allow government to concentrate on the provision of social services. Privatisation reduces government expenditure thereby allowing government to spend its revenue on the provision of essential social services other than on public enterprises.

 **Advantages/Arguments for/benefits of privatization**

1. It widens the tax base and increases tax revenue for government. Privatisation leads to increased production leading to a widened tax base and increased revenue by government which is used in provision of social services.
2. It widens the employment opportunities. As the exploitation of idle resources is made possible, more resources are put to use leading to the creation of more employment opportunities.
3. It stimulates competition leading to production of quality goods and services. Privatisation breaks statutory monopoly and introduces competition in the enterprises leading to the consumption of improved quality goods and better standards of living.
4. It reduces corruption and embezzlement of funds which is common in the public sector. This promotes accountability in resource allocation in the private sector.
5. It attracts foreign investment hence capital inflow. The foreign investors come with their capital hence a country is able to get foreign capital.
6. It increases the production of goods and services in a country hence economic growth. This is because privatisation widens production and economic activities in the country leading to increase in the level of national income and economic growth is attained.
7. It reduces government expenditure and responsibility on unprofitable parastatals which enables the government to concentrate on providing more social services to the citizens of the country.
8. It leads to the production of a variety of goods and services which widens consumer choices leading to high standards of living.
9. Privatisation reduces dependence on imports due to increased local production, hence minimizing the problems of dependence and saving the scarce foreign exchange.
10. Privatisation reduces the bureaucratic tendencies of the public sector. This leads to faster decision making and increased efficiency in resource allocation since the major aim of private firms is to maximize profits.
11. Privatisation increases skills of workers. This occurs when more people get employed they acquire more efficient methods of production and became more skilled.
12. Privatisation improves relationship between countries i.e between our country and countries where the foreign investors who buy the enterprises come from.

 **Arguments against Privatization/Disadvantages**

1. Leads to the emergence of private monopolies which tends to overcharge high prices and exploit the citizens.
2. Leads to wasteful competition because of duplication of goods and services leading to misallocation of resources in the economy.
3. The importation of capital intensive techniques of production by foreign investors results into technological unemployment.
4. It leads to income inequality since only a few people who can afford production will earn more while the majority will remain poor.
5. It increases foreign control of the economy since very few local people can afford to purchase these parastatals and therefore most are bought by foreigners.
6. Privatisation leads to over exploitation of resources because of the profit motive leading to quick depletion of resources.
7. It leads to profit repatriation. This is due to dominance of the private sector by foreign investors who repatriate the profits leading to low capital formation at home.
8. Privatisation makes planning by government difficult; this is because the government does not have direct control of the private sector. This makes planning difficult.
9. It leads to the resentment of government by the public. Especially where the opposition politicians rally people against the government in power because of privatisation.
10. Losses are incurred during privatisation due to undervaluation, high costs of advertising the enterprises etc. making the whole privatisation exercise less beneficial.
11. Privatisation increases labour exploitation where foreign investors underpay domestic workers leading to low standards of living.
12. It leads to unemployment because of retrenchment in the short run and the use of machines in the private sector (capital intensive technology)

 **Problems faced in privatization of public enterprises**

1. Lack of well-developed capital markets e.g. stock exchange. This makes the selling of shares of the public enterprises difficult.
2. Opposition from the public due to discontent among the people and ignorance of the public about the benefits of privatization.
3. Corruption within the privatization unit**.** This occurs where some buyers do not follow the required procedures, while some people within the privatisation unit are bribed to sell the enterprises at very low prices or sometimes deliberately undervalue the enterprise because they know the buyer.
4. Poor valuation (under valuation) of public enterprises resulting into the enterprises being sold cheaply hence making losses.
5. High costs of privatization in terms of valuation, advertising, wages and other forms of facilitation given to the people employed in the privatisation unit.
6. Poor state of the enterprises making it difficult to market or sell e.g. Uganda airlines.
7. Political sabotage in some parts of the country. Members from the opposition sometimes decampaign government programmes and mobilise the masses against government programmes resulting into the blocking of the sale of the enterprises.
8. Limited incomes from nationals hence most of the major enterprises are sold to foreigners leading to high levels of economic dependence.
9. Political instability in some parts of the country making it difficult to sell enterprises in the region with political instability.
10. Narrow market in low developed countries because of high levels of poverty discourages potential buyers of the enterprises.

**CONSUMER PROTECTION**

This is a policy/measure undertaken by government to protect the consumers from being exploited by businessmen.

There are two types of protection i.e. government initiated protection and consumer self-initiated protection.

1. Government initiated protection. Government is responsible for protecting consumers against exploitation by the private sector whose main aim is to maximize profits. This is done through setting a maximum price for goods and services, setting a certain standard regarding the quality of goods, etc.
2. Consumer self-initiated protection. This is where consumers use some methods/tools to safe guard their interests and protect themselves from exploitation of the businessmen. This is done through consumer associations, consumer cooperatives and the press.

**Reasons for Consumer Protection**

1. To protect the consumers from being over charged. Some businessmen charge high prices for their products under the excuse that they have incurred high costs of production.
2. To protect consumers from being cheated through the use of wrong weights and measures. Some businessmen sell commodities in quantities less than expected e.g. sell ¾ kilogram of sugar instead of 1 kg.
3. To control production and selling of poor quality goods. Some businessmen sell expired goods. Therefore, in such cases government has to come in to protect consumers.
4. To protect the consumers from misleading advertisements. Many sellers use attractive slogans and pictures to induce the consumers to buy. Many such advertisements usually give misleading information about the goods hence consumers end up buying the commodity they would not have bought, therefore the need for consumer protection.
5. To protect the consumers from consuming unhygienic commodities. This applies to foodstuffs and drinks which are sold in very dirty environments e.g. alongside roads or near latrines. Some of the foods sold are half-cooked, stolen or even from unhealthy animals. Therefore, consumers need to be protected against such.
6. To protect the consumers from false description of goods. Sometimes produces falsely describe goods they sell so as to confuse consumers about a given product. In such cases the consumers end up buying goods under false brand. E.g dry cells, perfumes etc. In such cases consumers need to be protected.
7. To reduce consumer ignorance. Some consumers do not know about the goods available on the market and their market prices, hence sellers take advantage of this. Therefore, there is need to protect consumers.
8. To protect consumers from goods packed using wrong packing. Some traders tend to pack their goods wrongly, use substandard packing or use potentially dangerous materials and sell goods to consumers. Therefore, the need to protect consumers.

**Methods of consumer protection**

1. By use of price control. The government doesn’t leave the traders to market the goods at whatever price they like, because in the process the general public is exploited. So sometimes government sets the price for essential goods and services above which no seller is allowed to sell (maximum price). This is very common with essential goods.
2. Through weights and measures department. This is a department in the Ministry of Commerce which is responsible for checking and confirming the efficiency of weighing scales and measurements when selling goods to consumers. It also requires the manufacturers to indicate the proper weight of goods on the package materials. This department is able to perform its function by moving from place to place checking on traders.
3. Use of the Ministry of health. The government through the Ministry of health normally sends out representatives to various places to check on the hygienic standards of hotels, restaurants, bars, clinics etc. a unit not found operating to required standards is closed.
4. Through the Ministry of Veterinary Services. The Ministry of veterinary services also sends veterinary doctors to check on the animals before they are slaughtered for beef and they also check on the already slaughtered animals to ensure that they meet the required standards. If a disease breaks out, quarantine is imposed such that animals and animal products are not moved from those areas to areas which are not infected. Such products include meat and milk.
5. Through the use of the Uganda National Bureau of standards. In this case all the producers or importers must meet the requirements set by the bureau of standards. It aims at setting standards for quality of various products produced or imported into the country. Such specifications are in terms of quality, weight, ingredients, etc. e.g. Uganda Bureau of Standards.
6. By issuing trade license. When issuing the trading license, the government ensures that licenses are given to the traders who are up to the required standards. A trading license is also used as a tool to stop sub-standard traders when government refuses to renew their licenses or withdraws their licenses.
7. Through the use of consumer associations. These are committees set up by consumers themselves to safe guard their interests. Any consumer is free to become a member on payment of a fee. The association carries out investigations about products regarding quality, prices, design and gives the results to members through published booklets.
8. By use of the press. Here the consumers express their dissatisfaction through the press. Producers are usually sensitive about what is on the press about them; they will try to avoid public condemnation and resultant loss of customers.
9. By imposing a total ban. Here the consumption, production and importation of the commodity is stopped by government mainly on health or moral reasons.
10. Use of taxes to discourage consumption. Government imposes high taxes on importation (import duty) or on the production of the good (excise duty) in order to make the final product expensive and discourage its consumption.
11. Through the use of national drug authority. This sees to it that the drugs on market do not contain any dangerous substance which would affect peoples’ health. It also ensures that no expired drugs are sold to consumers.
12. Through consumer cooperatives. This is where consumers come together and set up retail business with the aim of selling goods to members at a fair price. In addition, the consumers can complain about the quality of the product through the cooperative.
13. By enacting laws through an Act of Parliament to ensure that consumer interests are protected and the consumer is not cheated by businessmen e.g
14. Food and drug Act. Under the law the manufacturer should not use dangerous substances and ingredients when making food stuffs and drugs.
15. Weights and measures Act. This stipulates that traders should only use correct and appropriate measures and weights when selling commodities.
16. Trade description Act. Ensures that sellers do not deceive consumers by making false claims about their products.
17. Sales of goods act; here sellers don’t cheat consumers by false description of goods or supply of poor quality goods.

**AMALGAMATION (COMBINATION/INTEGRATION) OF FIRMS**

This involves two or more firms or businesses joining together to enjoy the advantages of large scale production. Business organization may either grow internally or externally.

**1. Internal/Natural Growth**

This arises out of expansion of a business by re-investing profits (ploughing back profits).

**2. External Growth**

This involves two or more businesses pooling resources to form one big firm i.e. they merge or amalgamate.

Firms may combine in different ways. The common combinations are;

1. Complete amalgamation/consolidation. This involves dissolution of all companies intending to amalgamate and the creation of a new company to take over business. The new company formed will take over all the assets of the old company.
2. Absorption. This occurs when one firm takes over the business of another firm completely, but retains its entity. Shareholders in the liquidating company will be issued with shares in the merging company.
3. Holding company. This occurs when companies that have entered merging retain their identity while one firm acquires more than 51% shares in others. This will make it gain full control of other companies would be called a holding company and others would be called subsidiary companies.
4. Cartel. Various companies agree to sell their products through a central selling agency but do not combine as such. They retain their entities.
5. Consortium

**Forms of merging**

1. **Horizontal merging**

This is when two or more firms at the same level of production and in the same industry come together to form one firm.

1. **Vertical merging**

This is where two or more firms at different stages of production in the same or related industry come together to form one firm.

1. **Conglomerate merging.**

This refers to the coming together of firms producing goods which are not directly related e.g. a saloon and a restaurant may merge.

1. **Lateral merging**

This occurs when firms producing products which are related but not the same came together e.g. a firm selling shoe polish merging with one selling shoes.

**Merits of integration of firms**

1. Merging leads to efficiency in management because the management process will be split into department each managed by a specialist.
2. It reduces stiff competition for raw materials by firms. This enables firms to acquire raw materials at relatively lower prices.
3. Integration of firms reduces wasteful competition and the advertising costs will also be reduced.
4. It leads to optimal levels of production because of minimal wastage and reduced costs.
5. When firms integrate they pool capital which enables research to be carried out.
6. It leads to sharing of risks between firms which reduces the burden of loss.
7. Integration leads to increased output of goods and services this leads to economic growth.
8. When firms integrate access to better quality skilled labour is increased, this enables specialization.
9. Production on large scale because of integration leads to reduced costs and prices to consumers.
10. When firms integrate they can acquire better machines/ technology which improve on the productivity of workers leading to high output.
11. It leads to widened market because of reduced competition for market.
12. When firms merge they have more capital assets which can be used as security for acquiring loans from banks.

**Demerits of integration of firms**

1. Inefficient management. When firms merge they become big in size, problems of management set in.
2. Creates unemployment. There is reduction in employment opportunities since the number of workers is bound to be reduced.
3. Monopoly results. Merging of firms leads to the creation of a monopoly situation, this reduces competition and poor quality products are produced.
4. Increased taxation. High taxes are usually imposed on a single enlarged firm compared to a single firm.
5. Loss of independence/ identity of firms. When firms merge the original firms acquire another name, leading to loss of identity.
6. Over utilization of resources. Merging of firms leads to over exploitation of resources leading to quick resource depletion.
7. Merging leads to over production which results in resource wastage.

**AIDS TO TRADE**

It refers to the services that facilitate the smooth running of trade. These services include: - Transport, Banking, Advertising, Ware housing, Insurance, Market research and Communication.

**TRANSPORT**

Transport means the movement of goods and services from one place to another.

This is the physical transfer of goods or people from one place/location to another eg from the manufacturer to wholesaler to retailer and then to the final consumer. This is done by road, air, water, etc.

**Elements of transport**

1. **The Way.** This refers to something on which the goods are moved e.g. on water, land or in the air.
2. **Unit of carriage**. This refers to something which is used to carry goods e.g. lorry, train, ship or an airplane.
3. **Method of propulsion.** This refers to the force or power used to drive the unit of carriage e.g. petrol engine, diesel engine, steam engine, jet engine, etc.
4. **Terminal.** This is a place where the goods are loaded and offloaded. e.g. a dock, airport, railway station, car park etc.

**N.B** Usually a terminal of one means of transport is the starting point of another. E.g. a railway station marks the end of the journey for goods by train but they may still be moved from the railway station to the place in which they are needed by trucks.

**Importance of Transport in commerce**

1. Transport helps in the movement of goods from one place to another e.g. by moving goods from the premises of a producer and brings them within easy access of a consumer.
2. Transport promotes production because it enables continuous supply of raw materials and steady supply of finished goods.
3. It leads to the development of regions as transport opens up areas which were once unreached leading to their development.
4. Transport provides employment to the people such as drivers, pilots, conductors, etc. thus enabling them to earn incomes and improve on their standards of living.
5. It promotes the tourist industry hence source of income to government.
6. Transport provides consumers with a variety of goods and services since it enables traders to get goods from different sources. Thus improving their standards of living/ wide choice.
7. Transport facilities transportation of commercial documents like letters, invoices, contracts etc. this facilitates communication which is necessary in business. e.g. the post office uses transport to carry letters and parcels from one place to another.
8. It enables movement of labour and other factors of production from one place to another e.g. workers move from their homes to their places of work also buyers move to and from retail shops.
9. Transport makes it easy to exploit new and distant resources like minerals, forests etc.
10. Transport encourages specialization as producers in different parts concentrate on producing particular goods and exchange with what they do not produce but is produced in other areas.
11. Transport leads to the development of agriculture and industry. The businessmen are usually motivated to locate their ventures in areas with good and efficient transport system, for transportation of raw materials and final products to markets.
12. Transport is a source of government revenue which can be used for developing infrastructure.
13. It creates market for surplus goods to be sold in areas where goods are scarce, enabling stability in prices and supply.
14. It widens market for goods and services by facilitating their sale in distant places which leads to mass production or more profits. i.e It has promoted international trade.
15. Transport widens market for goods through advertising on vehicles.

**FORMS OF TRANSPORT**

There are basically five modes of transport;

1. Road transport
2. Air transport
3. Railway transport
4. Water transport
5. Pipeline transport

**ROAD TRANSPORT**

This is the most common means of transport. Road transport involves the movement of goods and services by vehicles on road using Lorries, buses, pick up, trucks, cars, motorcycles, wheelbarrows etc.

**Advantages of Road Transport**

1. Road transport is widely available and accessible to areas which are difficult to reach using other forms of transport.
2. It’s more flexible in that goods may be sold on route or delivered anywhere at any time.
3. It is cheaper and affordable i.e. vehicles are relatively cheaper to buy than aero planes, trains or ships.
4. Road transport is relatively faster over short distances.
5. It is convenient because it offers door to door delivery of goods.
6. Road transport is suitable for delivery of emergency and perishable goods such as drugs and food.
7. Unlike in rail, air or water vehicles do not stick too much to scheduled time i.e. they can move to any place where there are goods or passengers without following a timetable.
8. Insurance charges are lower than those charged when using other forms of transport, since goods take a short time to reach their destination.
9. Road transport has minimal maintenance costs compared to other means of transport e.g. rail, water and air.

**Disadvantages of Road Transport**

1. Road transport can handle limited qualities of bulky and heavy materials like timber, cement etc.
2. Road transport is slow over long distances especially where heavy Lorries are used.
3. It is faced with a problem of highway robbery especially in unoccupied areas like forests.
4. Road transport is disrupted by weather conditions e.g. some roads become impassable during rainy season.
5. High rates of accidents on the road because of reckless driving.
6. Congestion of vehicles (traffic jam) lends to delays and unnecessary inconvenience

**RAILWAY TRANSPORT**

This involves the carrying of goods and services by trains.

**Advantages of Railway Transport**

1. Railway transport is cheaper for transporting bulky goods and many people for long distances.
2. Railway transport helps businessmen to plan for the transportation of their goods since it follows a regular time table.
3. It is suitable for transporting bulky goods at ago. Such goods may include coffee, cattle, copper etc.
4. Railway transport can’t easily be affected by bad weather as compared to other modes of transport.
5. Return cargo can be arranged as trains follow a regular timetable.
6. Trains are not affected by traffic congestion since they move on specific railway lines.
7. Railway transport is relatively safe since the rate of accidents is lower than in road transport.
8. I tis convenient because special wagons may be designed for particular commodities e.g. goods train, passenger train with upper class and economy class.

**Disadvantages of railway transport**

1. It is a slow form of transport, although it is much faster than water transport but much slower than road transport.
2. It is not flexible like road transport and serves only those towns with railway stations.
3. Rail transport is uneconomical over short distances.
4. Rail transport is very expensive to establish and maintain especially the railway lines and equipment.
5. Delays and damages are rampant because goods transported by train have to be changed from wagons at different stations and finally to Lorries which carry them to premises of businessmen.
6. Goods normally delay to depart from railway stations because of clearance procedures.
7. Railway transport is unsuitable for perishable goods and urgently requires items such as drugs, newspapers etc.

**WATER TRANSPORT**

This involves movement of people and goods by water using canals, lakes, rivers etc.

**Types of water transport**

1. Ocean liners. These are vessels (ships) which follow specific routes and regular timetables with or without cargo or passengers. The liners that carry specifically cargo are called cargo liners and those for passengers are known as passenger liners.
2. Tramps. These are ships which do not follow a specific route or time table but will sail to any port anytime depending on the availability of cargo. A trader with enough cargo is free to hire the whole vessel owner. Such a contract is known as a charter party. The charter party may cover a specific route (voyage charter) or a specified period (time charter).
3. Bulk carriers. These are large vessels known as freighters. They are specifically used to carry a particular type of cargo e.g. heavy machinery, minerals.
4. Oil tankers. These are vessels mainly owned by large petroleum companies to carry petroleum products especially taking crude oil to the refinery and refined oil to the market.
5. Roll on Roll off ferries. These are large ferries used for carrying vehicles. The vehicles carried are driven on the ferry and driven off when they reach final destination.

**Water terminal**

This includes harbor, ports and all accessible sea sites with adequate equipment.

A good terminal should have the following;

1. Space which should be large enough to handle a wide range of cargo and people.
2. Equipment which should be adequate to handle all kinds of cargo e.g. crates.
3. It should have warehouses to handle any quantity of cargo.
4. It should have a good communication system to ease business transactions and make them more convenient.
5. A terminal should have adequate security to ensure safe custody of the cargo.
6. A good terminal should have banking facilities to enable business exchange their currency and deposit their money.
7. It should have skilled engineers to repair and service the vessels.

**Advantages of Water Transport**

1. The waterway is free and there is no payment for using the sea.
2. It is cheap and suitable for carrying bulky goods.
3. Special ships can be constructed for transportation of specific cargo e.g. oil
4. It is a cheap form of transport over long distances.
5. Sea transport has a large carrying capacity i.e. a large volume of Cargo can be carried.
6. There are less risks and accidents when using water transport compared to other forms of transport e.g. road.
7. It is suitable for carrying fragile and flammable goods since the waterway is smooth without humps.

 **Disadvantages of water transport**

1. It is slow and not suitable for perishable and urgently required goods.
2. It is limited to particular countries which have access to the sea.
3. It is expensive to construct and maintain harbors and ships.
4. Congestion at sea ports may lead to delays in the delivery of goods.
5. Saline conditions on the seas may affect some goods.
6. Accidents on seas lead to total loss as compared to other means.
7. It is not flexible i.e. goods can’t be delivered to their final destination.

**Other terms used in water transport**

1. Lay Days. These are days allowed for the ship to remain in the port for loading and offloading.
2. Demurrage charges. This is payment by the charter for the excess days beyond lay days.
3. Dead freight. This is the difference between the freight for the actual cargo shipped and the total freight which must be paid when the ship is fully loaded.

**AIR TRANSPORT**

This is the most convenient and comfortable mode of transport involving the use of aircrafts for carrying passengers and cargo.

**Advantages of Air Transport**

1. It is the fastest mode of transport which is suitable for urgent messages and some perishable goods such as flowers.
2. It offers greater security and protection since there is a shorter travel time.
3. It is suitable for transporting delicate and valuable goods as glass, gold etc.
4. It is able to reach any corner of the country or the world where there is an airport or airstrip, but for a helicopter it can land anywhere, this is an advantage to the land locked countries.
5. The cost of insurance is low compared to other modes of transport because of the limited time of travel.
6. Air transport is not subjected to traffic jams since the air is free and can be used by many planes at the same time.
7. There is minimum damage to goods during transit.

**Disadvantages of Air Transport**

1. Air transport is very expensive compared to other types of transport both for movement of goods and passengers.
2. Transportation of bulky and awkwardly shaped goods is not possible because of limited load capacity.
3. Aircrafts can’t take cargo and passengers to the final destination i.e. air transport does not offer door to door delivery.
4. The construction of air fields is expensive leave alone the fixed and operational costs, this makes investment in air transport expensive.
5. Air transport is greatly affected by whether conditions compared to any other mode of transport.
6. In case of accidents all passengers and cargo are likely to be destroyed completely i.e. its accidents are more disastrous than any other form of transport.
7. Dangers of hijackers which may affect the operation of airlines.

**PIPELINE TRANSPORT**

This is used for transporting liquid and gaseous products e.g. petroleum, water and gas. In Uganda pipes are mainly used to carry water and in sewerage disposal.

**Advantages of Pipeline Transport**

1. The goods are safe from contamination since pipes are constructed underground and there are low chances of contamination.
2. It is the safest and most convenient mode of transporting flammable products like petroleum.
3. It is a relatively fast method of transporting liquids.
4. The running costs of pipes are low since it does not call for washing, fueling, servicing etc.
5. Pipeline transport is not affected by bad weather conditions.
6. Pipeline transport reduces the problem of traffic jams, accidents and delays on the way.
7. It transports large amounts of products in a short period of time.
8. It is suitable for carrying liquids over rough land where neither road nor railway is used.

**Disadvantages of Pipeline Transport**

1. Pipeline transport is limited to carrying only liquids and gases not physical items.
2. Its repairs are costly and difficult to locate in case a pipe develops a leakage at a certain point.
3. Pipeline installation is very expensive especially where long distances are involved.
4. There are high risks of loss in case a leakage occurs at a particular point mainly due to a difficulty of maintaining and repairing a leakage point.
5. It delivers goods in one direction implying that there is no return load.

**CONTAINERIZATION**

This is the packing of cargo in a standardized containers sealed by the exporter or his/her agent and shipped to the importer while sealed.

**Advantages of Containerization**

1. Ensure the use of modern cargo handling machine. This saves time and labour.
2. Takes up a small space as compared to space taken by small packages of different sizes not in the containers.
3. Enables accommodation of a large quantity of goods within the container.
4. It is safe and low insurance premium is paid because theft is minimized as the contents in the container are not known and exposed.
5. Special containers may be built to handle special types of goods e.g. chemicals thus reduced risks.
6. Assists road transport because it is easier to transport containers.
7. Minimizes the costs of constructing warehouses since goods are safely kept.
8. After use containers serve other purposes like shops, offices etc.
9. It minimizes damage to goods from bad weather i.e. sunshine, rain etc.

**Disadvantages of containerization**

1. It is not suitable for small quantities of goods which can’t fill the container. This may result in loss as different exporters share a container.
2. Requires special machinery which may prove expensive to construct and sustain.
3. It increases the cost of goods for the importer.
4. It is unsuitable for perishable goods because the containers are mostly transported by slower means of transport because they are bulky.
5. Reduces employment opportunities as machinery is used to handle good containers.
6. It is not suitable for certain items like living things and awkwardly/irregular shaped items.

**Factors considered when choosing a mode of Transport**

1. The cost of transport. The type of transport should be relatively cheap compared to the value of goods carried.
2. The kind or nature of goods. If the goods to be transported are fragile, then the type of transport should be that which takes into account the need for special handling and care. Perishables and newspapers require a fast means of transport and where speed is required air transport is the best.
3. The weight of goods. Bulky goods may be economically transported by slower means of transport e.g. water, railway, Lorries while a small cargo may be transported by air or road.
4. Distance to be covered. Long distances can easily be covered by air and railway transport while for short distance road transport is ideal.
5. Speed and urgency. Goods that are urgently required may be transported by road in preference to railway or air in preference to road transport.

6. Terminal. A terminal should be considered for the purpose of loading and offloading such terminals include sea ports, air ports,railway station which must be relatively near.