

Answer EITHER Question 1 OR Question 2.

If you answer Question 1 put a cross in this box .

Question 1

Extract 1

Nurses and Teachers priced out of housing

Key workers such as nurses and teachers are being priced out of the housing market in up to nine out of ten towns across Britain. The problem of housing affordability, which used to be limited to London and the South East, is now widespread, according to a survey from the Halifax bank. The percentage of towns where nurses could not afford their first home has risen from 55 to 93 per cent in the past three years. For teachers, the figures rose from 34 per cent to 77 per cent over the same period. 5

Nationally, house prices have increased by 125 per cent since 1997 but incomes have risen by much less in the same period. Gerrards Cross in Buckinghamshire is the least affordable town in Britain for key workers where the price of a 3 bedroom house is now 26 times the average income of a nurse. 10

Significant increases in the National Minimum Wage over recent years have been ineffective in reducing staff shortages in nursing and teaching since both groups earn above the legal minimum.

Source: adapted from 'Nurses, teachers priced out of housing' by Alexander Frean & David Charter, *The Times*, 21 May 2005

Extract 2

Government Key Worker Scheme and House Building Plans

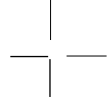
The government introduced the 'key worker living scheme' last year at a cost of £690 million for nurses and teachers in London and the South East. The scheme offers a loan to 30 000 key workers of up to £50 000 each, to be used as a deposit on a home. The loan means that the recipient only owns a percentage of the property and the loan is paid back when the property is sold or the nurse or teacher stops being a key worker. Martin Ellis, Chief Economist at the Halifax bank said: 'There is a strong case for the government to significantly extend the impact of the scheme'. 5

The government intends to relax planning restrictions and permit the building of more than 1.1 million homes by 2016 in the South East, where the housing crisis is most severe. Five areas have been identified for major expansion – Ashford, Milton Keynes, South Hampshire, Stansted and the Thames Gateway corridor. House building companies expect to benefit from major economies of scale. 10

However, the house building programme conflicts with the planning restrictions of local councils and with communities who object to its impact on the environment and road congestion. Shortages of suitable land, skilled building workers and materials will also obstruct such a massive house building programme. 15

Source: adapted from 'The housing crisis hits home' by Alexander Frean & Alexandra Blair, *The Times*, 21 May 2005





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(10)

(Total 40 marks)

Q1

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If you answer Question 2 put a cross in this box .

Question 2

Figure 1

Forecast growth of UK air traffic 2005–2020 (millions of passengers)

| Year | UK International | UK Domestic | Total Passenger Numbers |
|------|------------------|-------------|-------------------------|
| 2005 | 186.6 | 42.2 | 228.8 |
| 2010 | 225.9 | 50.2 | 276.1 |
| 2015 | 273.4 | 59.8 | 333.2 |
| 2020 | 329.7 | 71.0 | 400.7 |

Source: Air Traffic Forecast for the UK 2000, Department for Transport, www.dft.gov.uk

Extract 1 Heathrow Airport expansion – the benefits of Terminal 5

Terminal 5 (T5) is being constructed within Heathrow Airport's existing boundary. It covers an area equivalent to the size of London's Hyde Park. The terminal building alone could fit 10 football pitches on each of its five floors. By 2008 it will have the capacity to serve 27 million passengers a year which will increase to 30 million by 2011. The total number of passengers at Heathrow Airport will then rise to approximately 90 million each year. 5

The demand for air travel is expected to continue to grow significantly for the foreseeable future. Changes in incomes, leisure time, trade and the real price of air travel have all contributed to this trend. T5 is essential to meet the growth in demand. The existing four airport terminals are already overcrowded with passengers and there is a shortage of aircraft stands. 10

Environmental damage will be limited since T5's location is on an old sewerage works within the airport perimeter. The new terminal will add 16,500 jobs to the current 68,000 employed at the airport. A further 5,000 construction jobs have also been created.

As the principal gateway for foreign tourists and business travellers visiting the UK, expansion of Heathrow Airport is vital for the health of the economy. London's status as a world city attracts inward investment and international trade worth billions of pounds every year. Business is dependent on first class air links to attract this type of investment. 15

Source: adapted from British Airports Authority, www.baa.co.uk



Extract 2

The costs of Terminal 5

Construction of T5 is expected to cost BAA plc around £4.2 billion. This includes the terminal building, aircraft stands, a hotel and car park, the new spur road to the M25 motorway and the Piccadilly Line underground rail extension.

There are also significant external costs from T5. Air pollution will increase around Heathrow as more aircraft crowd the skies above West London. Already air quality often falls below the World Health Organisation guidelines. Smog can surround the airport in warmer weather causing respiratory problems by creating ground level ozone. 5

Noise pollution is expected to increase as 40% more flights will take place. The growing demand for air travel will increase pressure for more night flights affecting some half a million local residents. 10

There are various measures a government might undertake to reduce external costs from air travel; these include taxing aircraft fuel and other aspects of air travel, tougher environmental regulations which raise airlines' costs, tradable carbon emission permits and subsidies for clean technology. However, the effectiveness of these measures may vary considerably and each has its own drawbacks. 15

Source: adapted from Friends of the Earth, 'Heathrow Terminal 5 – A story of uncontrolled expansion', www.foe.co.uk

- (a) With reference to Figure 1 and Extract 1, explain **three** factors which might account for the rising demand for air transport.

Continued



(6)

(b) (i) What is meant by the term *external benefits*?

(2)

(ii) Explain **two** external benefits from the expansion of Heathrow Airport.

(4)



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(10)
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(e) To what extent is the air space used by aircraft a public good?

Lined area for writing the answer to question (e).

(6)

(Total 40 marks)

Q2

TOTAL FOR PAPER: 40 MARKS

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