

**OXFORD CAMBRIDGE AND RSA EXAMINATIONS**

**Advanced GCE**

**ECONOMICS**

**2885**

**TRANSPORT ECONOMICS**

Thursday      **26 JANUARY 2006**      Afternoon      1 hour 30 minutes

Additional materials:  
8 page Answer Booklet.

**TIME**      1 hour 30 minutes

**INSTRUCTIONS TO CANDIDATES**

Write your name, Centre number and candidate number in the spaces provided on the answer booklet.  
Answer Question 1 and **one** question from Section B.

Write all your answers on the separate answer booklet provided.

If you need to use additional answer sheets, fasten these sheets securely to the answer booklet.

**INFORMATION FOR CANDIDATES**

The number of marks is given in brackets [ ] at the end of each question or part question.

The quality of your written communication will be taken into account in the marking of your answer to Section B.

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**This question paper consists of 4 printed pages.**

Section A

Answer this question.

1



**An extract of text has removed due to third party copyright restrictions**

Details: An extract of text about plans to increase road building by adding extra lanes to motorways adapted from The Observer on 27th June 2004

- (a) Environmental groups have also expressed concerns over the escalating costs of road projects (lines 18–19).
- (i) Explain **one** private cost of road building. [2]
  - (ii) How might the private sector contribute towards the funding of proposed new road building schemes? [2]
- (b) Road building generates both positive and negative externalities.
- (i) With the aid of a diagram, explain why atmospheric pollution from road traffic is a negative externality. [4]
  - (ii) Explain **one** reason why business groups have welcomed the proposed increase in the number of road building schemes. [2]
  - (iii) Comment on the effects on economic efficiency that might arise from reduced levels of congestion arising from increased road building across Britain. [4]
- (c) The road building schemes were recommended by studies investigating the best road and/or public transport solutions to major bottlenecks (see lines 26–28).
- Discuss the extent to which new road building schemes are consistent with a more sustainable transport policy. [6]

## Section B

Answer one question.

- 2 (a) Explain why the level of profit differs between perfect competition and monopoly. [10]
- (b) In a transport market of your choice, discuss the way in which its market structure affects the ability of firms to set prices and to make profits. [15]
- 3 (a) Explain the factors that have influenced recent trends in the demand for road transport. [10]
- (b) Discuss the extent to which road user charging can correct the market failure associated with the growth in road transport. [15]
- 4 (a) With the aid of a diagram, explain the effect of a fall in the level of subsidies for local bus services. [10]
- (b) Discuss whether subsidies alone are a sufficient policy to halt the decline in the demand for local bus services. [15]