

OXFORD CAMBRIDGE AND RSA EXAMINATIONS

Advanced GCE

ECONOMICS

2885

TRANSPORT ECONOMICS

Monday

26 JUNE 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.

This question paper consists of 4 printed pages.

Section A

Answer this question.

1 Less Competition in the Scottish Public Transport Market?

The consequences of the...



.....compliance with these requirements.

Source: adapted from a news release by The Competition Commission in June 2004

- (a) Describe what is meant by contestability in a market. [2]
- (b) 'The Competition Commission did not expect that this reduction in competition would be offset by the entry of new companies or by the expansion of services provided by other existing bus operators' (lines 11–13).

State and explain **two** possible reasons why other bus companies may not enter the market. [4]

- (c) Economic theory indicates that greater competition is in the best interests of consumers.
- (i) Use a diagram to explain why this is the case. [4]
- (ii) Comment on the likely effects of the transfer of the rail franchise to FirstGroup on economic efficiency in the public transport market in Scotland. [4]
- (d) Discuss the likely benefits to the local community of an integrated bus and rail service. [6]

Section B

Answer **one** question.

- 2** One of the problems of achieving a more sustainable transport policy is dealing with peaked demand.
- (a) Explain the consequences for passenger transport providers of the peaked demand which they inevitably face. [10]
- (b) Discuss how government policy can manage passenger transport in more sustainable ways. [15]
- 3** Even though more and more passengers are flying each year to more and more destinations, much controversy still surrounds the provision of additional airport capacity.
- (a) Explain the economic benefits of constructing new airports and runways. [10]
- (b) Discuss the extent to which forecasts of demand for air travel should be used as the basis for decisions on airport capacity in the UK. [15]
- 4** (a) Using a diagram, explain how taxation can be used to make the operators of goods vehicles pay the full social costs of using their vehicles. [10]
- (b) Discuss the likely economic effects of increased road haulage operating costs on the freight transport industry, its customers and the economy as a whole. [15]