



Rewarding Learning

ADVANCED
General Certificate of Education
January 2014

GCE Applied Business

Assessment Unit A2 12

assessing

The Global Market

[A6B61]

MONDAY 20 JANUARY, MORNING



TIME

1 hour 30 minutes.

INSTRUCTIONS TO CANDIDATES

Write your Centre Number and Candidate Number on the Answer Booklet provided.
Answer **all six** questions.

INFORMATION FOR CANDIDATES

The total mark for this paper is 80.

Quality of written communication will be assessed in questions **4** and **6**.

Figures in brackets printed down the right-hand side of pages indicate the marks awarded to each question or part question.

ADVICE TO CANDIDATES

You are advised to take account of the marks for each question in allocating the available examination time.



Read the following information and answer the questions that follow.

Northern Ireland Aerospace and Defence Sector

Despite being a small place Northern Ireland is famous on the global map for its proud heritage in building aircraft. Firms like Bombardier, B/E Aerospace, Goodrich, RFD Beaufort and Thales, have substantial operations in Northern Ireland and supply many critical aerospace and defence programmes worldwide. Bombardier is a multinational, present in more than 60 countries with its headquarters in Montreal, Canada.

These companies are supported by a comprehensive infrastructure of local suppliers, particularly in precision engineering and Bombardier alone supports over 60 firms in the supply chain.

The Enterprise Minister for Northern Ireland at that time, Arlene Foster said “At the core of local industry are two of the industry’s leaders, Bombardier and Thales, the continued growth of which is essential to the future development of aerospace and defence here. I am particularly keen to encourage and to assist the growth of the industry through closer collaboration between these two major businesses and the cluster of smaller aerospace and defence companies in Northern Ireland. Greater collaboration throughout the sector, which Invest NI and Aerospace Defence Security (ADS) are facilitating, could lead to more success for Northern Ireland in a global industry which continues to experience significant growth”.

Previous visitors to Northern Ireland included top executives from the Chinese Aerospace Industries. They stated that a strategic priority for the Chinese Government was to develop its capability in aerospace and they looked to Northern Ireland as a centre of expertise with which it might establish useful knowledge-sharing partnerships.

Rees Ward, Chief Executive of ADS said “If ever there was a part of the UK manufacturing industry which punches above its weight, it is Northern Ireland’s aerospace, defence and security sectors. Employing 7,500 people these sectors contribute almost £1 billion per year to the economy, meaning each employee contributes almost £130,000 per year in revenue output.”

David Raymond, deputy chairman of the ADS Council, stated that the biggest mistake would be for Northern Ireland to see firms in other countries as competition. This is not about competition, but co-operation, seeing other countries and other firms as partners, not rivals. This suggests that joint ventures between the aerospace and defence industries in Northern Ireland and their global competitors may become a reality for their future global expansion and growth. These joint ventures can create a new hub of Aerospace excellence.

In 2011 a report produced by ADS revealed that total sales in the aerospace and defence industries amounted to £960 million with another £640 million of orders in the pipeline. 90% of these sales came from exports.

Extract from 2011 ADS Report

E U Exports	20%	£173 million
US	13%	£110 million
Rest of World	44%	£380 million

Bombardier, a major global player in the lucrative Aerospace and Defence sector is to supply at least 100 Challenger aircraft to NetJets in a deal worth £1.3 billion, but that could rise to £4.5 billion if options for a further 175 aircraft are taken up. NetJets will take delivery of the first 100 aircraft in 2015. It won out over other global competitors including Gulfstream, Cessna Aircraft Co, Brazil's Embraer and France's Dassault Aviation in a hard fought sales campaign.

Thales Air Defence Limited is a Belfast-based engineering company. Its key activity is the manufacture of missile defence systems, commonly known as Starstreak Missile System. In order to participate in global trading, this company requires a licence from the UK Government. Due to the sensitive nature of the company's products, it could be argued that the company is exposed to a greater level of political risk compared to other businesses which engage in global trading.

With the global aerospace market demonstrating real growth over the past two years, Northern Ireland is set to increase its export potential and create new jobs.

*Sources: © Crown copyright - <http://www.northernireland.gov.uk/news-deti-190112-enterprise-minister-recognises>
www.belfasttelegraph.co.uk/business/business-news/aerospace-defence-sectors-give-1bn-boost-to-economy-16012573.html
www.belfasttelegraph.co.uk/business/business-news/deal-of-the-century-16171645.html
www.belfasttelegraph.co.uk/business/business-news/aerospace-industry-is-ready-for-takeoff-16114387.html*

- 1 Define the terms **Free Market** and **Comparative Advantage** and explain **one** way in which companies such as Bombardier and Thales might benefit from each of them. [6]

- 2 Using the Case Study information, analyse **one** way in which each of the following might impact on the NI Economy:
 - Employment Levels
 - Economic Growth. [6]

- 3 Discuss **two** financial and **two** non-financial provisions that are available to Northern Ireland's Aerospace and Defence Industry sector that might assist them to trade globally. [12]

- 4 Evaluate how **each** of the following factors may affect firms within the NI Aerospace and Defence Industry when trading globally:
 - Political Risks
 - Laws
 - Currency
 - Increased Costs. [16]

- 5 Using the Case Study information conduct a S.W.O.T. analysis for the Northern Ireland businesses within the NI Aerospace and Defence Industry. [16]

- 6 Evaluate the following methods of entering overseas markets for NI companies in the aerospace and defence industries:
 - Licensing
 - Joint Ventures
 - Multinationals. [24]