

**ADVANCED GCE
ECONOMICS**

Transport Economics

FRIDAY 25 JANUARY 2008

2885

Afternoon

Time: 1 hour 30 minutes

Additional materials: Answer Booklet (8 pages)



INSTRUCTIONS TO CANDIDATES

- Write your name in capital letters, your Centre Number and Candidate Number in the spaces provided on the Answer Booklet.
- Read each question carefully and make sure you know what you have to do before starting your answer.
- Answer Question 1 and **one** question from Section B.
- Write all your answers in 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 for each question is given in brackets [] at the end of each question or part question.
- The total number of marks for this paper is **45**.
- The quality of your written communication will be taken into account in the marking of your answer to Section B.

This document consists of **4** printed pages.

Section A

Answer this question.

1

National road user charging scheme

Although Britain has some of the worst road congestion in Europe, the number of cars on the roads has surged by a quarter, over the last decade, to 25 million.

By 2003, bus and coach fares, allowing for inflation, were 34% higher than in 1980, and train fares 36% higher; whilst the cost of motoring was 9% down. Government forecasts suggest that the time drivers spend in traffic jams could rise 20% by 2010. 5

How will user charging work?

Cars will contain “black boxes” linked to a satellite which will monitor their location and direction. Motorists will receive regular bills, possibly monthly, charged at variable rates by time and geography. Charges for rural country lanes would probably be at the bottom of the range, around 2p a mile, with inner city rush hour roads attracting the top £1.30 rate per mile. The Government hopes motorists will change their driving habits – by staggering journeys, sharing cars or switching to public transport – to the extent that there could be a 50% cut in congestion. 10

Any snags? 15

The scheme will not come about until at least 2015. By then all cars will already be fitted with satellite tracking devices. However, fitting the boxes into older cars, or foreign cars, is likely to cost at least £100 per vehicle. Currently satellite tracking is not completely accurate, and can be problematic on roads lined with tall office blocks. 20

Any political objections?

The Government is hoping to build a consensus. Other political parties have given it their outline support. Motoring organisations, such as the AA and RAC, have also acknowledged road pricing will play a part in combating congestion in the long-term, although they are seeking guarantees that the scheme will either be revenue neutral or see more capital invested in the road network. 25

Who will set the prices?

The Government is likely to set the charges but motoring bodies have suggested an independent regulator.

How much money will it raise? 30

An estimated £9 billion annually. The Government has promised that any user charging scheme would be introduced alongside cuts in fuel duty and road tax.

Adapted from M. Tempest, Q&A: *National road charging scheme*, 7 August 2006 © Guardian News & Media Ltd 2006

- (a) Use the information provided to explain **two** economic reasons why the demand for transport by car has increased over the last decade. [4]
- (b) The time drivers spend in traffic jams could rise 20% by 2010.
- (i) State **two** costs, other than the value of time, associated with traffic congestion. [2]
 - (ii) Comment on the problems of estimating the value of time lost due to increased traffic congestion. [4]
- (c) (i) With the aid of a diagram, explain how a road charging scheme can correct the market failure caused by traffic congestion. [4]
- (ii) Discuss whether the national road user charging scheme outlined in the article is the best means of reducing road congestion [6]

Section B

Answer **one** question.

- 2** Concern continues to be expressed at the increased market share of some local bus companies since deregulation.
- (a)** Explain how an increased market share for a firm might reduce the economic efficiency of that industry. [10]
- (b)** Discuss the extent to which the local bus industry in Britain has become an oligopoly since deregulation. [15]
- 3** **(a)** Explain the main factors which have influenced the increased demand for air passenger transport. [10]
- (b)** Discuss the extent to which government policy can influence the supply of air passenger transport services. [15]
- 4** **(a)** Explain the main factors determining a manufacturer's choice between modes of freight transport. [10]
- (b)** Discuss the ways in which the government can promote more sustainability in UK freight transport. [15]

Copyright Acknowledgements:

Section A article Adapted from M. Tempest, Q&A: *National road charging scheme*, The Guardian, 7 August 2006 © Guardian News & Media Ltd 2006, www.guardian.co.uk

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