

**ADVANCED GCE
ECONOMICS**

Transport Economics

THURSDAY 19 JUNE 2008

2885

Afternoon
Time: 1 hour 30 minutes

Additional materials (enclosed): Answer Booklet (8 page)

Additional materials (required):
None



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

Rail Freight

Rail freight is fully in the private sector. The rail freight industry has attracted over £1.5 billion of private investment since 1997. It is competitive, commercially driven and customer focussed. Initially after privatisation, most of the rail freight business in Britain was owned by English, Scottish and Welsh Railways (EWS) and Freightliner. However, we are now seeing more operators entering the market. There are now seven rail freight operating companies competing vigorously to deliver the best service for customers: EWS, Freightliner, GB Railfreight, Direct Rail Services, Fastline, FM Rail and Advenza Freight. 5

Rail freight has grown by almost 50% over the past ten years, increasing its market share of surface transport to 11.5%. This has helped to remove thousands of lorries from Britain's roads. In 2002/03 alone, rail freight moved the equivalent of 5.6 million lorry journeys and saved 1.4 billion lorry kilometres. 10

In 2002/03 rail moved 43.5 million tonnes of goods to and from our ports. Rail transports coal which produces over 25% of our electricity. It moves 30% of metal products in Britain and 80% of the stone used for construction in London. 15

The 'open access' nature of the railways means that any interested party may bid to buy train "paths" from Network Rail. Any operator may perform the running of the train service on that path so long as the regulatory requirements are satisfied and the operator holds a current rail freight operator licence.

Large established rail freight companies are in a better bargaining position than smaller, newer freight companies to negotiate competitive rates for train paths with Network Rail. 20

Adapted from an Rail Freight Group's website September 2006

'The rail system will need an expensive upgrade to cope with a 30% increase in freight traffic over the next 10 years', Network Rail said yesterday. Freight would be pushed on to congested roads if improvements, such as adapting railway lines for tall goods containers and timetable alterations, were not introduced. 25

Network Rail yesterday published a draft strategy paper on its freight network. Low-cost solutions include longer trains and route changes, but some other adjustments will be expensive. A spokesman said it was 'fundamental' to the freight network that the line from Nuneaton in the Midlands to the east coast port of Felixstowe be upgraded at a cost of £60m. Similar alterations to the Southampton to Reading route will cost £90 million, as tracks are widened and tunnels deepened to allow bigger containers through. 30

Adapted from an article in The Guardian September 6 2006 by Dan Milmo

- (a) Rail transports coal which produces over 25% of our electricity. It moves 30% of metal products in Britain and 80% of the stone used for construction in London. (lines 13–15)

Explain why these products are sometimes transported by rail. [2]

- (b) Identify and explain **two** problems likely to be encountered by the rail freight industry if the rail system is not upgraded in the near future. [4]

- (c) (i) Explain **two** differences between a perfectly competitive and a contestable market. [4]

(ii) Comment on the extent to which the rail freight industry is contestable. [4]

- (d) Discuss the effects of increasing competition in rail freight on the economic efficiency of the freight transport industry. [6]

Section B

Answer **one** question.

- 2 (a) Explain how economists forecast air passenger transport demand. [10]

(b) Discuss the implications for government policy of the projected increase in demand for air passenger transport. [15]

- 3 (a) Explain the factors which have influenced the growth in demand for private car use. [10]

(b) Discuss the extent to which a national road user charging scheme could reverse the growth in demand for private car use. [15]

- 4 (a) With the aid of a diagram, explain how atmospheric pollution associated with increased transport use causes a misallocation of resources. [10]

(b) Discuss the extent to which increased indirect taxes on transport users might correct the market failure caused by atmospheric pollution associated with increased transport use. [15]

Copyright Acknowledgements:

Q.1

Extract 1 Source: Rail Freight Group, www.fg.org.uk / *Network Rail – Making a Fresh Start*, National Audit Office, May 2004, www.nao.org.uk

Extract 2 Extract from Dan Milmo, *Network Rail freight plans could deliver doubledecker trains*, The Guardian, 6 September 2006 © Guardian News & Media Ltd 2006, www.guardian.co.uk

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