Candidate Forename		Candidate Surname	

Centre Number						Candidate Number				

OXFORD CAMBRIDGE AND RSA EXAMINATIONS

ADVANCED GCE

F584

ECONOMICS

Transport Economics

FRIDAY 29 JANUARY 2010: Afternoon
DURATION: 2 hours

SUITABLE FOR VISUALLY IMPAIRED CANDIDATES

Candidates answer on the Question Paper

OCR SUPPLIED MATERIALS:
None

OTHER MATERIALS REQUIRED:
Calculators may be used

READ INSTRUCTIONS OVERLEAF

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INSTRUCTIONS TO CANDIDATES

- **Write your name clearly in capital letters, your Centre Number and Candidate Number in the boxes on the first page.**
- **Use black ink. Pencil may be used for graphs and diagrams only.**
- **Read each question carefully and make sure that you know what you have to do before starting your answer.**
- **Answer Section A and ONE question from Section B.**
- **The spaces should be sufficient for your answers but if you require more space use the lined pages at the end of this booklet and number your answers carefully.**

INFORMATION FOR CANDIDATES

- **The number of marks is given in brackets [ ] at the end of each question or part question.**
- **The total number of marks for this paper is 60.**
- **The quality of your written communication will be taken into account in the marking of your answer to Section B.**

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SECTION A

Answer ALL questions.

ROAD CONGESTION AND ROAD PRICING

On 28 November 2007, the RAC Foundation, a motoring lobby group, released a forecast of traffic growth. This forecast predicted that there would be a 37% increase in demand for road space by 2041. As road building has declined steadily over the past two decades, this does not bode well for future levels of congestion. *5*

Until recently there was agreement about what should be done. The government accepts the argument, long advanced by academics and environmentalists, that simply building more roads is not enough. In 2004, the Transport Secretary raised the idea of a national road-pricing scheme designed to address the demand for road space. *10*

A pricing scheme would solve the biggest problem faced by motorists: the lack of a proper way to allocate capacity. The current tax system penalises higher polluting cars and those which consume more fuel, however, congestion costs still go unpaid. In the absence of charging for road space, capacity is, indeed, rationed by delays and queues. *15* *20*

Nevertheless, despite its appeal to economists, the idea of road pricing seems to have been sidelined, largely because motorists seem to prefer queuing for road space rather than paying for it. The turning point came in February 2007 when a petition opposing road-pricing, posted on the Downing Street website, *25*

attracted 1.8 million signatures – six times more than any other subject. Yet national road pricing need not be a political death sentence. The RAC Foundation report supports a different scheme whereby fuel duty is abolished and replaced with a carbon charge. Motorists would then pay per kilometre travelled, depending upon how busy the road. In this way, city drivers would pay more, while country drivers – or those who avoid the rush hour – would pay less.

Source: 'The Economist', 29th November, 2007, 'Road Pricing: Wrong way' (amended)

Fig. 1: UK Passenger transport by mode, 1981–2006

(Billion passenger kilometres)

	Bus and coach	Cars*	Rail	Air
1981	48	394	34	2.8
1986	47	465	37	3.7
1991	44	582	39	4.8
1996	43	622	39	6.3
2001	47	654	47	7.7
2006	50	686	55	9.9

*** also includes vans and taxis**

Source: Transport Statistics Great Britain 2007 'Passenger transport by mode 1952–2006' (amended)

1 (a) The data in Fig. 1 shows a clear rise in the use of cars over the period 1981–2006.

(i) State THREE possible reasons for the rise in the use of cars over this period.

1. _____

_____

2. _____

_____

3. _____

_____ [3]

(ii) Identify ONE other trend shown in Fig. 1.

_____

_____ [1]

(b) (i) Identify TWO possible negative externalities arising from increased road congestion.

1. _____

_____

2. _____

_____ [2]

(ii) Explain why road congestion represents an example of market failure.

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_____ **[5]**

(iii) Comment upon whether a national road-pricing scheme would reduce congestion.

_____ **[6]**

(c) Discuss whether giving increased subsidies to firms providing bus services would correct the market failure arising from urban road congestion.

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_____ **[8]**

Section A Total: [25 marks]

SECTION B

Answer ONE question.

2 (a) Analyse how and why economists forecast future growth in transport demand. [15]

(b) Discuss the effectiveness of different methods used by economists to attach monetary values to the external costs and benefits arising from the use of transport. [20]

3 (a) Analyse the economic arguments for rail privatisation. [15]

(b) Discuss the extent to which a monopoly provider of transport will always increase economic efficiency. [20]

4 (a) Analyse, using examples, what is meant by a more sustainable transport policy. [15]

(b) Discuss whether recent government transport policies could be deemed to be more 'sustainable'. [20]

Section B Total: [35 marks]

Paper Total: [60 marks]

SECTION B

Question No. _____

Start your answer to part (a) here

Start your answer to part (b) here

Additional answer space

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