

OXFORD CAMBRIDGE AND RSA EXAMINATIONS

A2 GCE

F584/01

ECONOMICS

Transport Economics

Tuesday 22 January 2013: Morning

DURATION: 2 hours

plus your additional time allowance

MODIFIED ENLARGED 18pt

Candidate forename		Candidate surname	
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Centre number						Candidate number				
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Candidates answer on the Question Paper.

OCR SUPPLIED MATERIALS:

None

OTHER MATERIALS REQUIRED:

Calculators may be used

READ INSTRUCTIONS OVERLEAF

INSTRUCTIONS TO CANDIDATES

- **Write your name, centre number and candidate number in the boxes on the first page. Please write clearly and in capital letters.**
- **Use black ink. HB pencil may be used for graphs and diagrams only.**
- **Answer Section A and ONE question from Section B.**
- **Read each question carefully. Make sure you know what you have to do before starting your answer.**
- **Write your answer to each question in the space provided. If additional space is required, you should use the lined pages at the end of the booklet. The question number(s) must be clearly shown.**

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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HIGH SPEED RAIL

In recent years, there has been much debate about ‘High Speed 2’ (HS2) which is the name given to government plans to introduce a new, high speed, train line from London to Birmingham and beyond. If introduced, such plans would represent one of the largest transport infrastructure projects undertaken in the UK in many years. The article and table below were produced as part of the government’s consultation process.

5

INVESTING IN THE UK’S FUTURE

The government believes that a national high speed rail network offers a once-in-a-generation opportunity to transform the way we travel in the UK.

10

A new high speed rail network would bring our key cities closer together, enable businesses to operate more productively, support employment growth and regeneration, and create a platform for delivering long term and sustainable economic growth and prosperity.

15

A Y-shaped high speed rail network would link London to Birmingham, Manchester and Leeds, and would include stops in the East Midlands and South Yorkshire, as well as at Heathrow Airport. It would deliver a huge increase in rail capacity to meet rising demand for long-distance rail travel and ease overcrowding on existing railways.

20

25

By linking to the existing East Coast and West Coast main lines, London would be brought within three and a half hours of both Glasgow and Edinburgh –

significantly reducing the demand for internal flights. By attracting large numbers of passengers from other modes of transport, due to the improved journey times and the reliability and convenience that it would offer, HS2 could generate reductions in carbon emissions. 30

Fig. 1 shows the forecasted benefits and costs of the proposed scheme. 35

BENEFITS: Total benefit	£46.4 billion	TOTAL NET BENEFIT
LESS loss of indirect tax revenues to the government	£2.7 billion	<u>£43.7 billion</u>
COSTS: Total costs to the government	£44.3 billion	TOTAL NET COSTS
LESS revenue from ticket sales	£27.2 billion	<u>£17.1 billion</u>
BENEFIT TO COST RATIO		<u>2.6</u>

FIG. 1 – FORECASTED BENEFITS AND COSTS OF HS2

SECTION A

Answer ALL parts of the question in this section.

- 1 (a) (i) What is meant by the term ‘transport infrastructure’?**

[1]

- (ii) State and explain ONE possible advantage to freight operators of using rail as a mode of transport.**

[2]

(b) (i) State and explain TWO problems which the government may have in making forecasts such as those in Fig. 1.

1 _____

2 _____

[4]

- (ii) Fig. 1 refers to £2.7 billion of lost revenue from indirect taxes as a result of the 'High Speed 2' (HS2) project.

Explain why this loss of tax revenues may arise.

[2]

- (c) The construction of a new high speed rail line may cause negative externalities.**

Explain why negative externalities are an example of market failure.

[3]

- (d) (i) The information in the case study suggests that high speed rail may encourage people to switch modes of transport.**

Other than road pricing, comment on the effectiveness of ONE ALTERNATIVE policy which aims at encouraging people to switch modes of transport in order to reduce congestion.

Chosen alternative policy _____

[illegible]

[5]

(ii) Discuss the effectiveness of cost-benefit analysis as a method of allocating resources in transport.

[illegible]

[8]

SECTION B

Answer ONE question from this section.

- 2 (a) Analyse the economies of scale which may arise in a transport market of your choice. [15]**
(b) Discuss whether deregulation has been a success in a transport market of your choice. [20]

- 3 (a) Analyse the factors which might lead to a rise in contestability in a transport market. [15]**
(b) Discuss the extent to which a rise in contestability is beneficial in a transport market. [20]

- 4 (a) Analyse the factors which have led to a rise in car use in recent years. [15]**
(b) Discuss the extent to which a national road pricing system would be effective in reducing the demand for car use. [20]

SECTION B

Question No. _____

Start your answer to part (a) here

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

END OF QUESTION PAPER

ADDITIONAL ANSWER SPACE

If additional answer space is required, you should use the following lined page(s). The question number(s) must be clearly shown in the margins.

[illegible]

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