



Rewarding Learning

ADVANCED SUBSIDIARY (AS)
General Certificate of Education
January 2010

GCE Applied Business

Assessment Unit AS 3

assessing

External Influences on
the Business Enterprise

[A3B31]



TUESDAY 12 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 5 and 6 only.

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

This paper is accompanied by a Case Study. You must **not** use your own annotated copy of this Case Study.

ADVICE FOR CANDIDATES

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

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Answer all six questions

- 1 Explain the following terms in relation to the case study:
- (a) Equilibrium price
 - (b) Supply. [6]
- 2 (a) Explain what is meant by the term “elasticity of demand”. [3]
- (b) Explain how a fall in the price of tickets might affect the demand for flights. [3]
- (c) Draw a demand curve diagram to illustrate the fall in price of airline tickets. [3]
- 3 Explain **three** benefits of a multinational company such as Aer Lingus operating in Northern Ireland. [9]
- 4 Analyse **four** pricing strategies that Aer Lingus could use to increase competitiveness. [16]
- 5 Evaluate the impact which increased competition is likely to have on the airline industry in Northern Ireland. [20]
- 6 Evaluate **five** reasons why the government may choose to intervene in the airline industry. [20]

THIS IS THE END OF THE QUESTION PAPER



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A3B31CSI

Aer Lingus Moves to Belfast

In 2007 Aer Lingus launched new flights from Belfast International Airport. Three aircraft would be based at the airport, flying to eight new routes including Amsterdam, Rome, Budapest and London Heathrow. Aer Lingus said its investment of £100m had the potential to bring up to one million new passengers to the airport every year, creating more than 100 new jobs.

The then Chief Executive, Dermot Mannion, said:

“The opening of our new base at Belfast is a significant and ground-breaking move for Aer Lingus. This decision reflects our commitment to delivering profitable growth, low fares for customers and value for shareholders. The timing of our entry into the market enables us to capitalise on a strong commercial opportunity and also encourages the growing economic relationship between the north and south of the island of Ireland”.

He added, “Belfast is becoming an increasingly popular destination for visitors from all over the world. Belfast International Airport is the ideal location for the new Aer Lingus base, offering 24/7 all-weather operations and long runways capable of accommodating all current and future Aer Lingus development potential. A new base in Belfast provides Aer Lingus with the opportunity to grow by providing customers with additional choice and low fares to European destinations.”

Sue Ward from the Northern Ireland Tourist Board also welcomed the move stating, “We are delighted with this news. Just over three years ago we had only one international flight into Northern Ireland and now we have almost thirty”.

Managing Director of Belfast International Airport, John Doran, said this represented a “significant beginning”. He added, “There is the potential, not only for increased direct European access, but also for the introduction of transatlantic and intercontinental services in due course, which will add to the growing range of routes, for example to the US and Canada, that are currently offered at Belfast International Airport.”

The then Northern Ireland First Minister, Ian Paisley, said that the development was great news for Northern Ireland since improving the economy was a key priority.

However, the move to Belfast has not been welcomed by everyone. Aer Lingus flights between Shannon (in the South of Ireland), and Heathrow would stop. Irish politician, Tony Killeen, said that jobs and tourism would be affected in the Shannon area. He believed that most of the routes offered by Aer Lingus from Belfast were already served by rival carriers such as Jet2 and easyJet and a price war is anticipated. The rise of low cost airlines were a feature of the early part of the millennium which, coupled with the Internet, has hastened a wider range of choice for consumers.

A BBC NI business correspondent said: “Competition for passengers will be fierce and prices will almost certainly tumble in the short term at least”.

Aer Lingus was founded by the Irish Government in April 1936 to provide air services to and from Ireland. The first flight, from Dublin to Bristol, took place on 27 May 1936. Aer Lingus' low-cost, low fares model is centred on maintaining low unit cost, offering one way fares, maintaining effective fleet utilisation and developing the Aer Lingus brand. Consistent with this low-cost model, Aer Lingus' primary distribution channel is its website www.aerlingus.com. In 2005, approximately 71% of total passenger revenue was generated through www.aerlingus.com. Aer Lingus has always taken pride in providing a competitively priced quality service to its customers in order to develop a quality brand.

Aer Lingus is committed to profitable growth and maximising the use of its available resources to deliver value for all of its stakeholders.

Adapted from © BBC News website 7 August 2007 and © Aer Lingus company website

