



**Evidence A:**

**Airbus introduces its new ‘superjumbo’**

In October 2007 Airbus (a European aeroplane manufacturer) officially launched its new plane, the A380, the so-called ‘super jumbo’. Airbus hopes that the bigger size of the A380 will give it a competitive advantage over its main rival, Boeing’s 747.



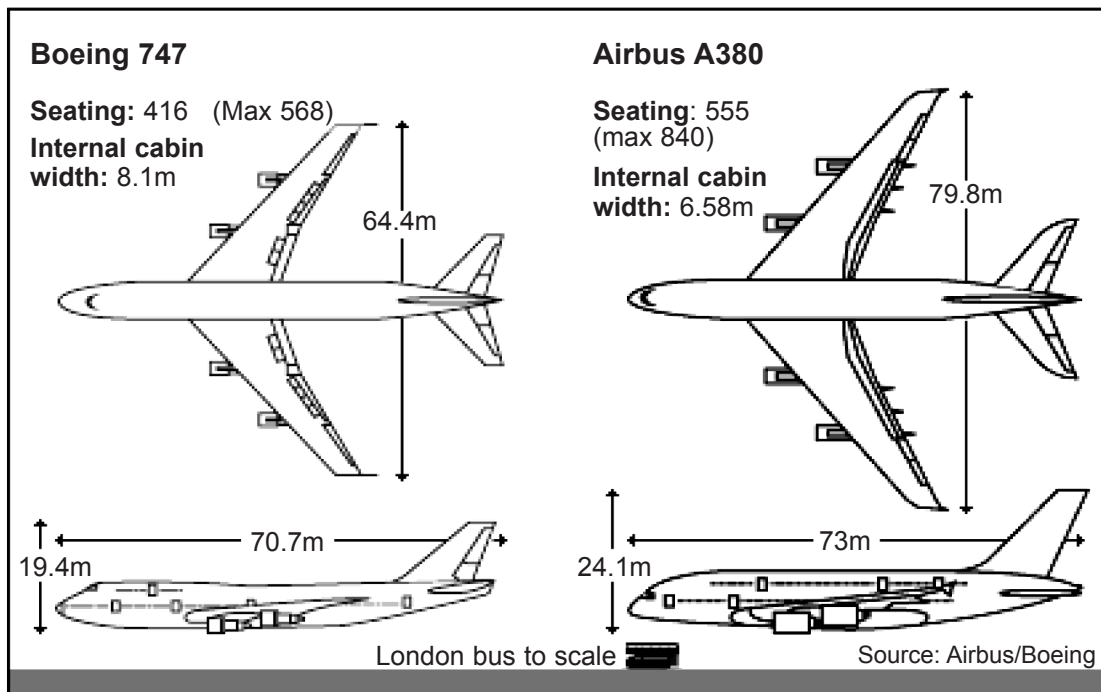
The main customers for Airbus and Boeing aeroplanes are large airlines, such as British Airways.

A main objective of both manufacturers is to produce aircraft that will appeal to the main airlines. They do this by researching and developing new products and technologies.

Source: adapted from [http://www.airbus.com/store/photolibrary/EVENTS/CEREMONY/att00008734/media\\_object\\_image\\_lowres\\_A380\\_certification3\\_mr.jpg](http://www.airbus.com/store/photolibrary/EVENTS/CEREMONY/att00008734/media_object_image_lowres_A380_certification3_mr.jpg)

**Evidence B:**

**Comparing the Boeing 747 with the Airbus A380**



Source: adapted from <http://larsholst.info/blog/2005/01/20/airbus-a380-vs-boeing-747/>



## Comparison summary

	<b>Boeing 747</b>	<b>Airbus A380</b>
Purchase price	\$250 million	\$300 million
Seating (maximum)	568	840
Cruise speed	902 km per hour	907 km per hour
Range (how far the plane can fly with maximum fuel)	14,800 km	14,205 km

## A380 confirmed quietest long range aircraft in the skies

- A report by the European Aviation Safety Agency in November 2007 confirmed that the Airbus A380 was one of the quietest aircraft in the skies. This is important for people who live close to airports.

## Fuel Efficiency

- Airbus claims that the A380 uses 20% less fuel per passenger than any other long range aircraft.

Source: adapted from [http://www.airbus.com/en/presscentre/pressrelease/pressreleases\\_items/07\\_11\\_21\\_quietest\\_long\\_range\\_aircraft.html](http://www.airbus.com/en/presscentre/pressrelease/pressreleases_items/07_11_21_quietest_long_range_aircraft.html) – <http://portal.aircraft-info.net/article8.html>

## Evidence C:

### **Airbus will need \$78 billion of orders to break even on A380**

AIRBUS needs to win orders worth approximately \$78 billion before its A380 superjumbo project breaks even.

Airbus needs to sell 420 aircraft to reach its break-even point. Last year it had forecast that it would need to sell 270 aircraft to break even.

Airbus said that increased cost and compensation payments for delays in delivering orders had caused this change in the break-even point, after which it becomes profitable.

The company has so far received orders for 159 of the double-decker aircraft. It must now sell a further 261 before it makes a profit on the project.

Source: <http://business.timesonline> (20 October 2007) by David Robertson



H 3 4 6 0 2 A 0 3 2 0

**Evidence D:**

**Airbus wins huge Emirates order**

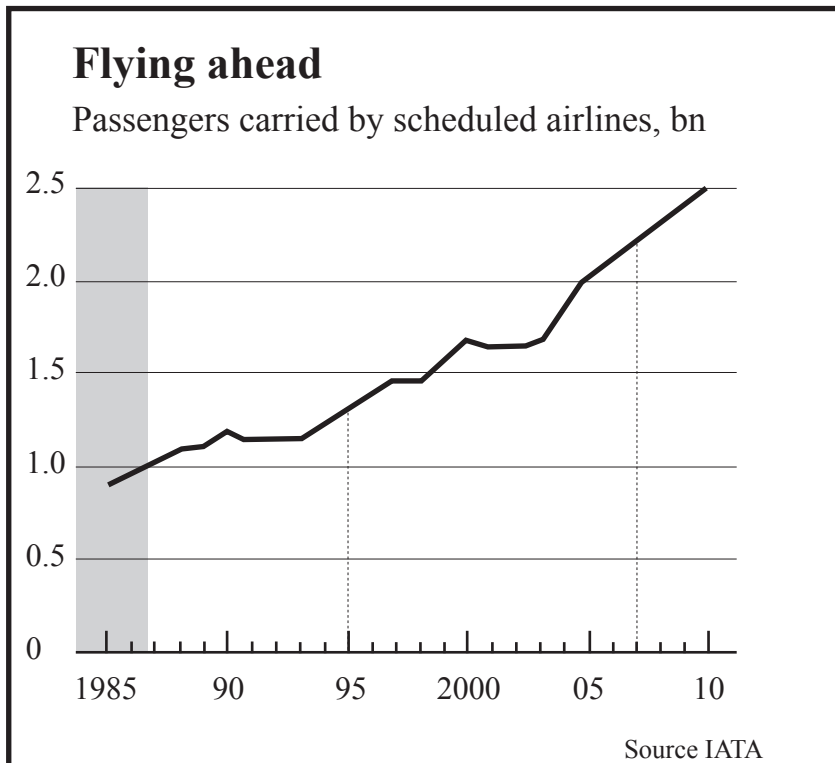
Airbus and Boeing are in competition with each other. Both companies produce different types of aircraft to meet different markets.

The Dubai-based airline Emirates has chosen to buy aircraft from Airbus. The sale of aircraft to Emirates will be worth \$35 billion to Airbus. Rising crude oil prices help increase demand for more fuel efficient aeroplanes like the A380.

Source: adapted from International Herald Tribune, – 11 November 2007

**Evidence E:**

Passenger numbers flying high. The chart shows the total number of passengers carried by airlines each year.



Source: adapted from [http://www.economist.com/business/displaystory.cfm?story\\_id=9944806](http://www.economist.com/business/displaystory.cfm?story_id=9944806)



## Evidence F:

As air travel continues to grow in popularity, so has the amount of opposition to this particular type of transport. A number of pressure groups are highlighting the environmental damage which air travel can cause. Greenpeace is one such pressure group.

According to Greenpeace:

- flying is ten times more damaging to the environment than train travel
- emissions from air travel will be four times greater in 2050 than in 1990.

Greenpeace is campaigning against a proposed expansion of Heathrow airport which involves building a new runway. Greenpeace claims that the expansion of Heathrow will increase the number of flights over London by 900 each day to over 2,000. There are currently over 1,200 flights a day over London.

Source: adapted from <http://www.greenpeace.org.uk/heathrow/no-3rd-runway>

## Evidence G:



In November 2007 members of Greenpeace carried out a protest at the Eurostar train station at St Pancras in London. The group urged the Prime Minister to abandon the proposal to build a third runway at Heathrow Airport. Greenpeace would like to see a rise in the use of train travel.

Source: adapted from <http://www.greenpeace.org.uk/blog/climate/yes-to-rail-no-to-a-3rd-runway-20071114>



H 3 4 6 0 2 A 0 5 2 0

**Section A**

**Answer ALL of the questions in this section.**

**1.** (See Evidence A and B)

(a) Using an example, explain what is meant by the term ‘*competition*’.

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**(4)**

(b) Use the Evidence to describe **two** ways in which the Airbus A380 has a ‘competitive advantage’ over the Boeing 747.

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**(Total 10 marks)**

**Q1**

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2. (See Evidence B)

(a) Using an example, explain how a business might improve its efficiency.

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(b) Describe **two** ways in which an airline operator, such as British Airways, might gain economies of scale when using a large aeroplane such as the A380.

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(8)

(Total 12 marks)

Q2

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3. (See Evidence B)

(a) Using an example, explain the meaning of the term 'break-even point'.

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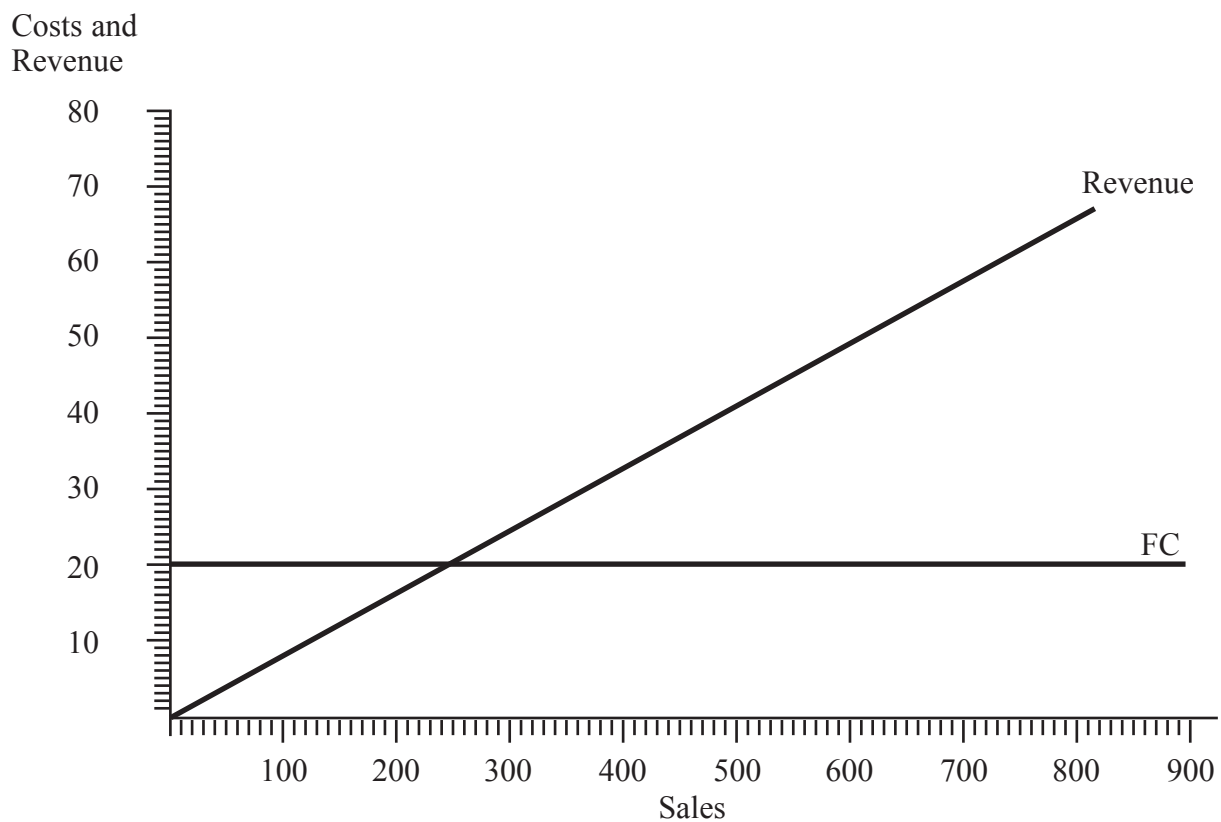
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(4)

Airbus needs to sell 420 of the A380 to break-even.

(b) On the diagram below, draw and label a total cost line which gives a break-even point of 420. Clearly label the break-even point.



(4)







4. (a) Explain the difference between internal and external sources of finance. Give **one** example of each.

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(b) The costs involved in designing and building new aeroplanes are very high. Explain what you believe would be the most appropriate source of finance for a project of this size.

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**(Total 12 marks)**

**Q4**

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Q6

(Total 10 marks)

**TOTAL FOR SECTION A: 70 MARKS**















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(10)

Q7

(Total 30 marks)

**TOTAL FOR SECTION B: 30 MARKS**

**TOTAL FOR PAPER: 100 MARKS**

**END**

