

Answer TWO of the three questions in this paper.

Write your answers in the spaces provided.

If you answer this question put a cross in this box .

1. Employment in the UK

Honda to close Swindon factory for two months



Car producer Honda announced it is shutting its UK factory in Swindon for two months in February and March 2009 in response to falling sales and to reduce its total costs. The plant's 4,800 employees will be laid off for the duration of the closure, although they will still receive basic pay. Some will be employed in training and on maintenance. Many workers at Honda belong to a trade union called 'Unite'. It said: "This is unexpected bad news. The union, staff and the company need to work together to minimise any financial hardship and to find ways to protect pay and long-term job security".

News of the temporary shutdown will increase fears the car industry may be forced to make employees redundant in the face of a worldwide slump in car sales.

(a) Using an example, explain the meaning of the term '*trade union*'.

.....
.....
.....
.....
.....
.....

(4)



(b) Describe **two** reasons why workers might join a trade union.

.....
.....
.....
.....
.....
.....

(4)

(c) Explain **one** method by which unemployed workers can improve their chances of finding a new job.

.....
.....
.....
.....
.....
.....

(4)

Gordon Brown to tackle unemployment in 2009 and create 100,000 new jobs

The Prime Minister, Gordon Brown, has announced that the government is committed to reducing unemployment and would be introducing a range of measures to help tackle job losses resulting from the recession.

Source: adapted from <http://www.mirror.co.uk/news/top-stories/2008/12/22/gordon-brown-to-tackle-unemployment-in-2009-and-create-100-000-new-jobs-115875-20988619/>

(d) Identify **two** strategies the government could use to help workers who have lost their jobs.

.....
.....
.....
.....

(2)



Effects of the Honda closure

The union will work closely with the company to try to find ways to minimise the impact on our members. We can see why Honda is selling fewer cars, but don't believe our members should suffer.

Daniel Bates, Unite official, Swindon plant

Nearly 50% of our business is with Honda at Swindon. We supply electrical circuit boards and lighting systems and employ 400 skilled workers. Our business has grown as the Honda factory has increased its production. We have become specialists in providing electrical systems for the car industry, but have been able to use our expertise to move into new industries. For example, we supply the building industry with modern lighting systems. The closure at Honda will affect us in the short-term but we hope to avoid any redundancies.

Shazad Ahmed, managing director of Amega Electrics, Swindon

I've worked at Honda for nearly 5 years and have seen the factory grow in size and production increase. The shutdown will make it difficult for me to pay my mortgage, as I'll only receive basic pay. My husband currently works part-time as a teacher and he may be able to increase his working hours. We will remove our kids from the child-minders for the two months, which will save some money.

Melaine Parkes, production line supervisor, Honda

(f) Explain the views the following people might have about job losses at Honda.

(i) A trade union official at Honda's Swindon site.

.....

.....

.....

.....

.....

.....

(4)



(ii) A supplier of car parts to Honda.

.....

.....

.....

.....

.....

.....

(4)

(iii) A Honda employee made redundant for a short period.

.....

.....

.....

.....

.....

.....

(4)



The changing nature of UK industry

As the world of work changes so businesses and individuals need to adapt to ensure they can survive. One change is in the use of information and communication technologies (ICT). The Internet is providing opportunities for business and workers, although using ICT does bring additional costs.

Cengage Learning is a publishing business. In 2008 Cengage introduced a system of homeworking for many of its workers. As much of its work is computer-based, workers do not need to be in an office, but can work from home. The company believes that some workers are more motivated when given the opportunity to work from home.

Cengage introduced the changes when it decided to relocate its office headquarters.

Broadband will encourage more people to work from home

The government has a target for every UK household to have broadband by 2012.

One of the main advantages of the latest broadband technology is that it allows more people to work from home – so-called homeworking. Being able to work at faster speeds means working from home can be possible for more people. Fewer people travelling to work each day would also bring environmental benefits.

Source: adapted from http://www.top10-broadband.co.uk/news/2009/01/fibre_encourages_working_from_home/

(g) Describe **one** problem for a business of increasing its use of ICT.

.....

.....

.....

.....

.....

.....

.....

(4)

(h) Using an example, explain what is meant by the term '*motivation*'.

.....

.....

.....

.....

.....

.....

.....

(4)



BLANK PAGE



If you answer this question put a cross in this box .

2. Heathrow expansion

Evidence A: Heathrow third runway gets go-ahead



BAA is a private sector business which owns Heathrow Airport. In January 2009 the government announced that BAA would be allowed to build a third runway at Heathrow. The construction of the new runway will begin in 2012 and will be completed by 2020. The fixed costs of building the new runway will be very high.

The third runway will allow the number of flights each year from Heathrow to rise from 480,000 to 600,000. BAA receives revenue by charging a fee to airlines for using the airport, and rent from businesses located in the airport terminal.

Source: adapted from *The Guardian* 15 January 2009
<http://www.guardian.co.uk/uk/2009/jan/15/bbaaviation-theairlineindustry>

Image from: http://newsimg.bbc.co.uk/media/images/44701000/jpg/_44701975_heathrow_plane226.jpg

(a) Using an example, explain the meaning of the term '*private sector*'.

.....

.....

.....

.....

.....

.....

(4)

(b) Using an example, explain the meaning of the term '*fixed costs*'.

.....

.....

.....

.....

.....

.....

(4)



(c) Briefly explain **one** reason why BAA wants to build the new runway.

.....

.....

.....

.....

.....

.....

(4)

Evidence B:

The expansion of Heathrow Airport will impact on local residents.

- The number of flights will increase by 33%.
- Houses and businesses will be pulled down to make way for the runway.
- Thousands of new jobs will be created.
- More traffic will use the airport.
- New roads and rail links will be built to provide access to the airport.
- New hotels will be built to cater for increased passenger numbers.

(d) Identify **two** effects of the expansion of Heathrow on local residents.

.....

.....

.....

.....

(2)



Heathrow's third runway – perspectives



The government believes that a third runway at Heathrow is necessary for the UK's economic prosperity. Businesses are more likely to locate in the UK if we have strong transport links. Heathrow is very busy and delays are common. Heathrow airport supports over 100,000 British jobs. A third runway is forecast to create up to 8,000 new jobs by 2030 and will provide further benefits to the surrounding area. Its construction alone would provide up to 60,000 jobs.

Geoff Hoon, government minister for transport

I use Heathrow 3-4 times each month. Heathrow is just too congested and there are too many delays. Last week I was delayed by over two hours and was late for an important meeting. The expansion of Heathrow is long overdue. I'm just worried that it will take too long to complete. In 2020 I'll be retired!

Joe Britton, air passenger

Emissions of carbon dioxide will increase significantly due to the increased number of flights and the estimated 20 million car journeys to the airport. Heathrow currently accounts for 50% of all aircraft emissions in the UK. The new, larger airport would just add to the problem.

Marianne Phillips, environmental pressure group

(f) Explain the views of the following groups on the expansion of Heathrow.

(i) Environmental pressure groups.

.....
.....
.....
.....
.....
.....

(4)



(ii) The UK government.

.....
.....
.....
.....
.....
.....

(4)

(iii) Air passengers who regularly use Heathrow.

.....
.....
.....
.....
.....
.....

(4)



BAA wants to build a third runway to improve its efficiency and to take advantage of economies of scale. By having more flights landing at the airport, BAA will benefit.

However, being a large business can cause problems. Such businesses may become more difficult to run.

(g) Using an example, explain what is meant by '*economies of scale*'.

.....

.....

.....

.....

.....

.....

(4)

(h) Describe **one** possible problem for a business such as BAA if it grows too large.

.....

.....

.....

.....

.....

.....

(4)



BLANK PAGE



If you answer this question put a cross in this box .

3. Competition in the UK

Tesco nears complete conquest of UK

Supermarket giant Tesco has bought six Somerfield stores in Northern Scotland. This growth means it now has stores in virtually every part of the UK.

The retailer has faced accusations that it has a near monopoly of the UK grocery market, with protest groups forming across the country. In early 2009, Tesco had a market share of 30%. However, this meant that 70% of grocery sales were still made by retailers other than Tesco, such as Asda and Sainsbury's, and lots of small, independent stores.

(a) Using an example, explain the meaning of the term '*competition*'.

.....
.....
.....
.....
.....
.....

(4)

(b) Using an example, explain the meaning of the term '*monopoly*'.

.....
.....
.....
.....
.....
.....

(4)



One way in which a business can increase market share is by merging with another company.

(c) Explain **one** other way in which a business can increase its market share.

.....

.....

.....

.....

.....

.....

.....

(4)



(d) Identify and explain **one** possible advantage and **one** disadvantage to consumers when a business such as Tesco has monopoly power.

Advantage

.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

Disadvantage

.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

(8)



Tale of a merger



In 2006 L'Oréal, a French cosmetics business, merged with its UK rival, The Body Shop. The deal was worth over £600 million. The Body Shop is well-known for its ethical stance. L'Oréal was keen to develop this aspect of its business. Some customers of The Body Shop were unhappy that the business had joined with such a large rival. They felt The Body Shop might no longer be able to keep to its ethical business principles.

L'ORÉAL®

The combined business would be a powerful organisation and would reduce competition in the market for cosmetics. Shareholders in The Body Shop will benefit by receiving a high price for their shares.

(e) Identify **two** reasons why L'Oréal and The Body Shop may have wanted to merge.

.....
.....
.....
.....

(2)



BLANK PAGE



L'Oréal and The Body Shop merger – differing views

I wonder whether the new business will care about the environment and animal testing as much as The Body Shop does. The reason I use The Body Shop is because I care about these things. L'Oréal is the dominant business here. I just think it wants to merge with The Body Shop to improve its own reputation. I hope I'm wrong and that L'Oréal really wants to build its ethical image.

Holly Greaves, customer of The Body Shop

I think the newly merged company of L'Oréal and The Body Shop will be aggressive in its marketing and will be a threat to small enterprises like us. However, we will stick to our principles. All our products are natural and have not been tested on animals. Lots of our customers shop here for that reason. I'm hopeful that some people will be put off L'Oréal and The Body Shop and so we may benefit. I'm sure our customers will stay loyal. They hate the idea of the merger more than we do.

Emily Sharma, owner of Pure, an independent cosmetics producer

The deal with L'Oréal was very good from a shareholder's point of view, although the reason many people bought shares in The Body Shop was because they agreed with its ethical stance.

- (g) Read the evidence above. Explain the views of the following on the merger between L'Oréal and The Body Shop.
 - (i) Customers of The Body Shop.

.....

.....

.....

.....

.....

.....

(4)



(ii) Competitors of The Body Shop and L'Oréal group.

.....
.....
.....
.....
.....
.....

(4)

(iii) Shareholders of The Body Shop.

.....
.....
.....
.....
.....
.....

(4)



Both the EU and the UK have a Competition Commission to monitor competition between companies for the benefit of companies, customers and the economy. They investigate three areas:

- Mergers – when larger companies will gain more than 25% market share and where a merger appears likely to lead to a reduction in competition in one or more markets.
- Markets – when it appears that competition may be being prevented, distorted or restricted in a particular market.
- Regulation – ensuring that regulated businesses operate fairly.

The EU Competition Commission agreed to the merger between L'Oréal and The Body Shop. It did feel that the merger was in the public interest.



BLANK PAGE

