



**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*'.

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(b) Faced with a situation such as Honda, explain the role of a trade union like Unite.

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

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**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) Using an example, explain the meaning of the term '*unemployment*'.

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**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.

Melanie 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.

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(ii) A supplier of car parts to Honda.

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

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### 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/](http://www.top10-broadband.co.uk/news/2009/01/fibre_encourages_working_from_home/)

- (g) Explain **one** way in which greater use of ICT might lead to higher productivity for a business.

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## 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](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*'.

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(b) Using examples, explain the difference between fixed and variable costs.

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

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**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) Using an example, explain what is meant by '*negative externalities*'.

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### Heathrow's third runway



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

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

(i) Environmental pressure groups.

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(ii) The UK government.

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(iii) Air passengers who regularly use Heathrow.

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### 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*'.

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

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**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.

- (f) 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.

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

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(iii) Shareholders of The Body Shop.

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