



GENERAL CERTIFICATE OF SECONDARY EDUCATION

ECONOMICS

Papers 2 and 4

1985/02/CS
1985/04/CS

CASE STUDY

PRE-RELEASED MATERIAL FOR 2010 EXAMINATION

JUNE 2010

**This material may be given to candidates at any time
after 1 January 2010.**



INSTRUCTIONS TO CANDIDATES

- The case study may be given to candidates at any time after 1 January 2010.

INFORMATION FOR CANDIDATES

- You **should** make yourself familiar with the case study before you take the question paper.
- A clean copy of the case study will be given to you with the question paper.
- This document consists of **8** pages. Any blank pages are indicated.

Mobile Phones

Introduction

Mobile phones have become another one of life's necessities. In the UK in 2008 just under 85% of the adult population owned a mobile phone.

Fig. 1 – Mobile phone market share

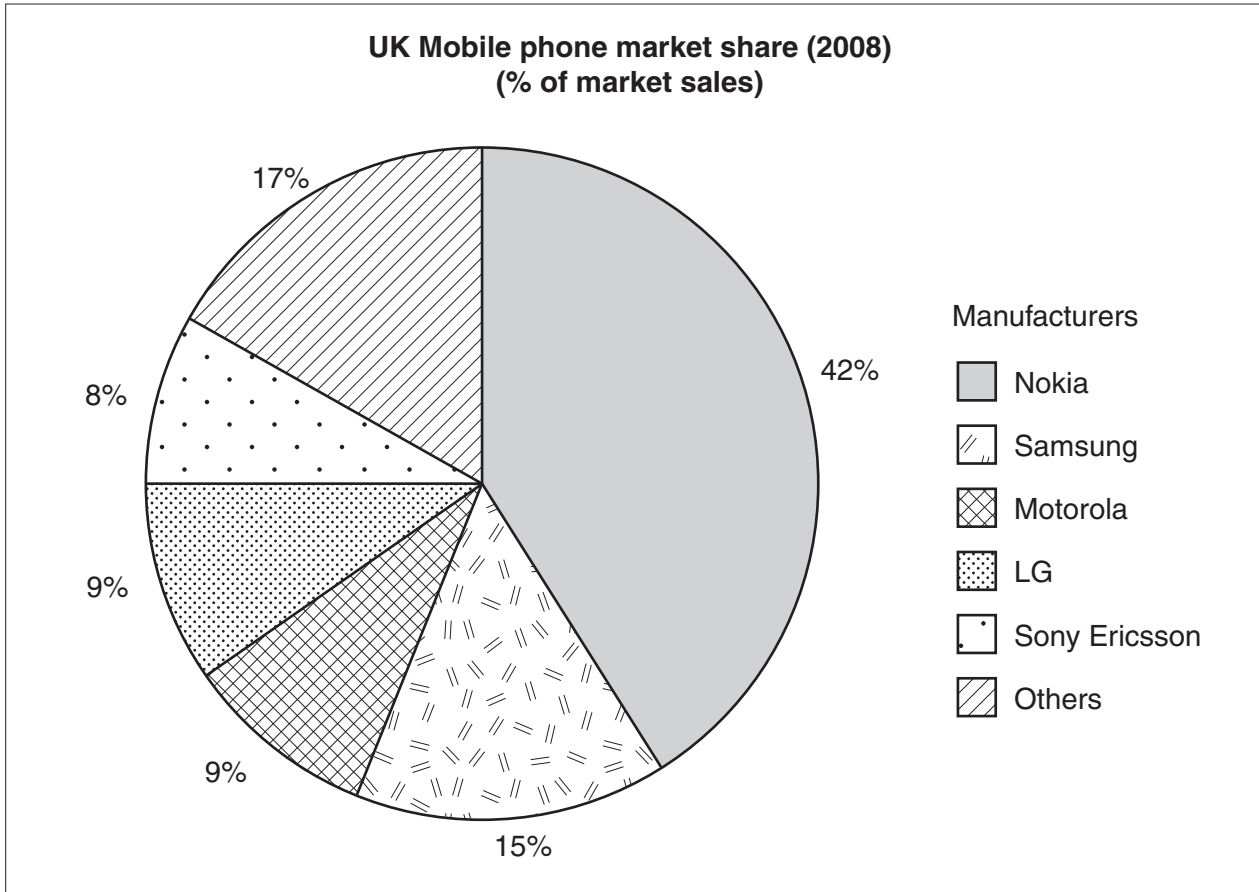


Fig. 2 – Nokia increases market share for mobile phones

Nokia has increased its market share for mobile phones in the UK from 38.4% to 42%.

The intense battle for market share is resulting in price wars. In 2008 Nokia reduced its prices by 10% due to the economic downturn.

Fig. 3 – New iPhone unveiled

On 11 July 2008 Apple unveiled a second generation of its iPhone, with support for faster 3G wireless networks.

The company is hoping to boost its share of the smartphone market, which is dominated by Nokia and Blackberry.

The new devices were launched by Apple boss, Steve Jobs, who said the phone would be “more affordable” for consumers, starting at £100 compared to £300 previously.

The new iPhone also comes with GPS satellite navigation built-in for location-based services.

Fig. 4 – Subsidies for Nokia

Nokia receives subsidies from the European Union (EU) to make mobile phones in some of its factories. Nokia has received a total of €60m in subsidies from the EU. The EU gave Nokia these subsidies so that it would locate some of its factories in regions of high unemployment.

Fig. 5 – A recent newspaper report**Outrage as Nokia closes its Bochum mobile phone factory**

Nokia announced the closure of its mobile phone assembly plant in Bochum in Germany. The factory employs 2,300 workers. A further 2,000 jobs at the factory’s suppliers are also in danger.

Nokia said production of mobile phones in Germany is no longer competitive because of market changes and high production costs. Most of the work will shift to a new plant in Romania, a member of the European Union.

Fig. 6 – UK National Minimum Wage increases

Manufacturers in the UK are also becoming increasingly concerned about production costs. For example, in October 2008 the Government increased the national minimum wage:

Age range	2007	2008
16 – 17 years	£3.40	£3.53
18 – 21 years	£4.60	£4.77
22 and above	£5.52	£5.73

Fig. 7 – Newspaper headlines – 2008

Data points to a weaker UK economy

UK mobile phone retailers fearing slowdown

'Credit crunch' hits UK consumer confidence

Apple, the manufacturer of the iPhone, is particularly concerned by changes in the UK economy. It regards the future UK market as a very important one for sales of its mobile phones.

The following information is available to Apple and other mobile phone manufacturers to help them make decisions about the UK mobile phone market.

Fig. 8 – UK Inflation 2007 – 2009

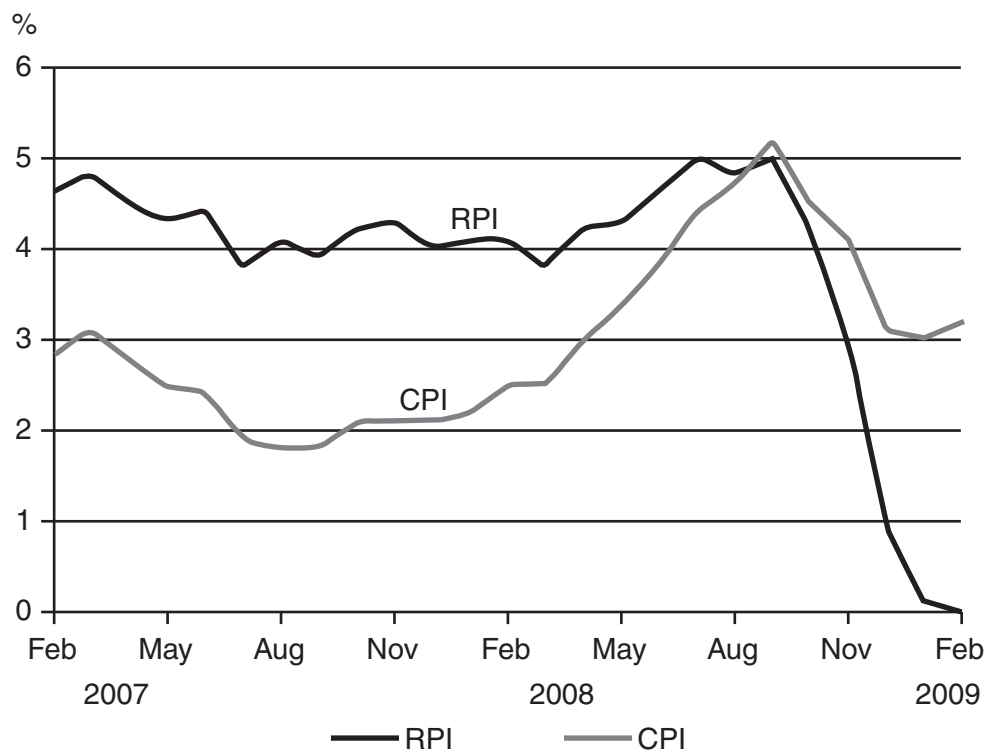


Fig. 9 – Price rises and falls in the UK – 2008

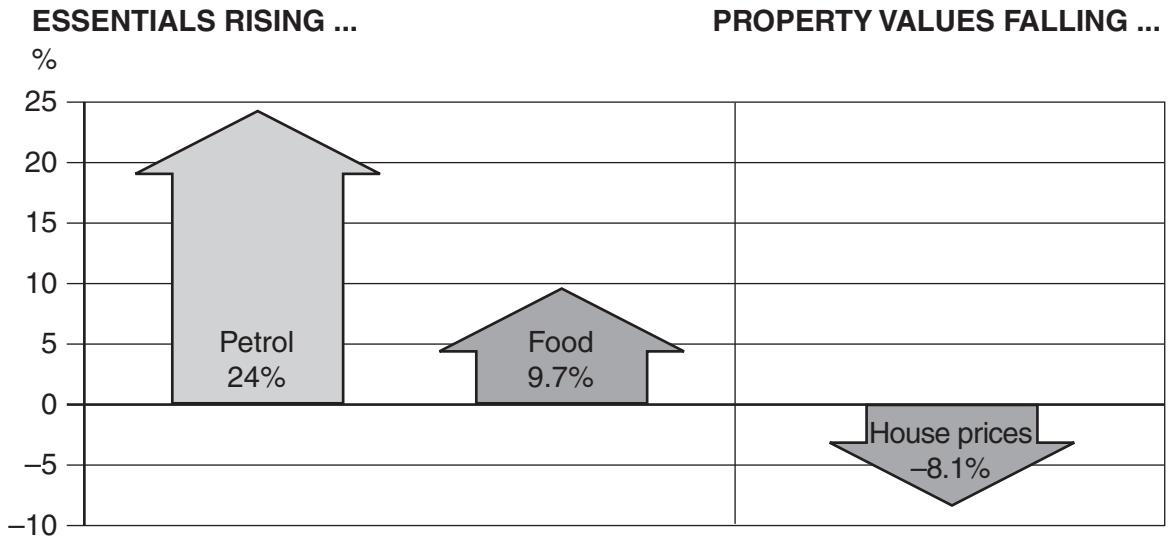


Fig.10 – UK Economic Growth 2003 – 2008

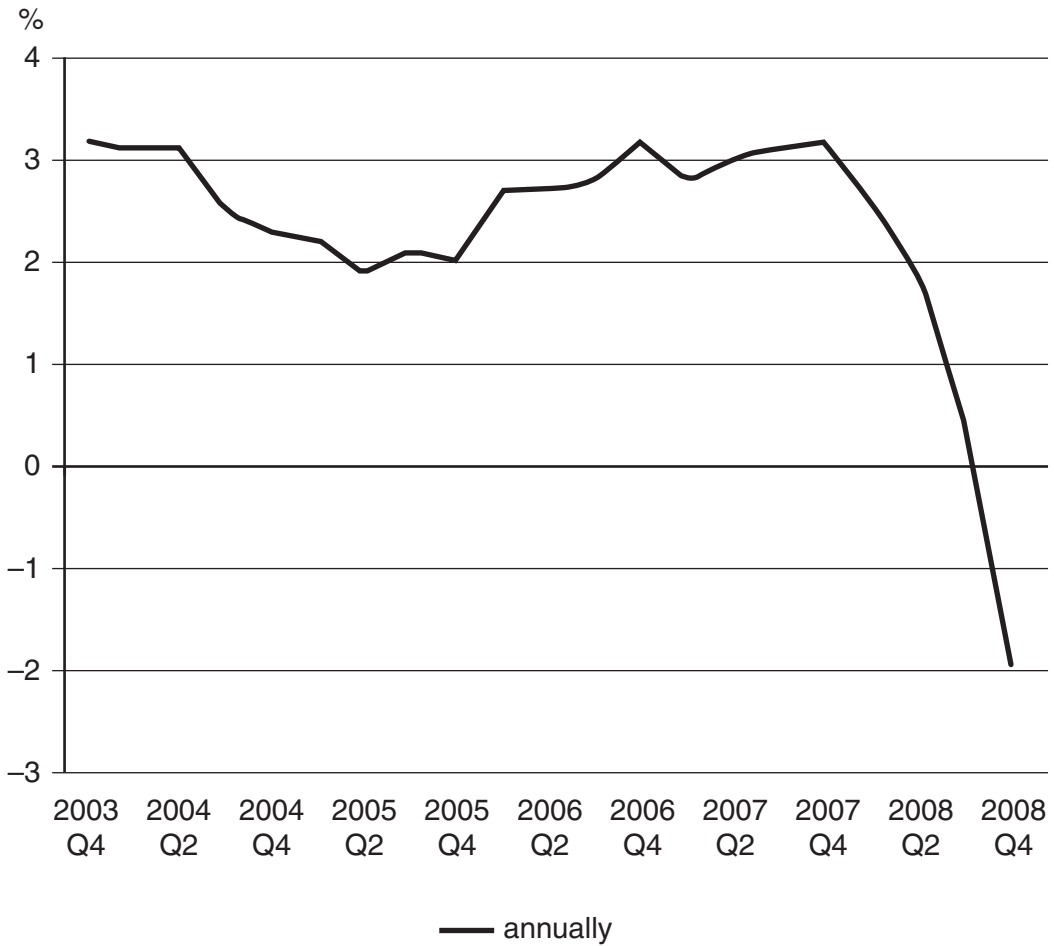


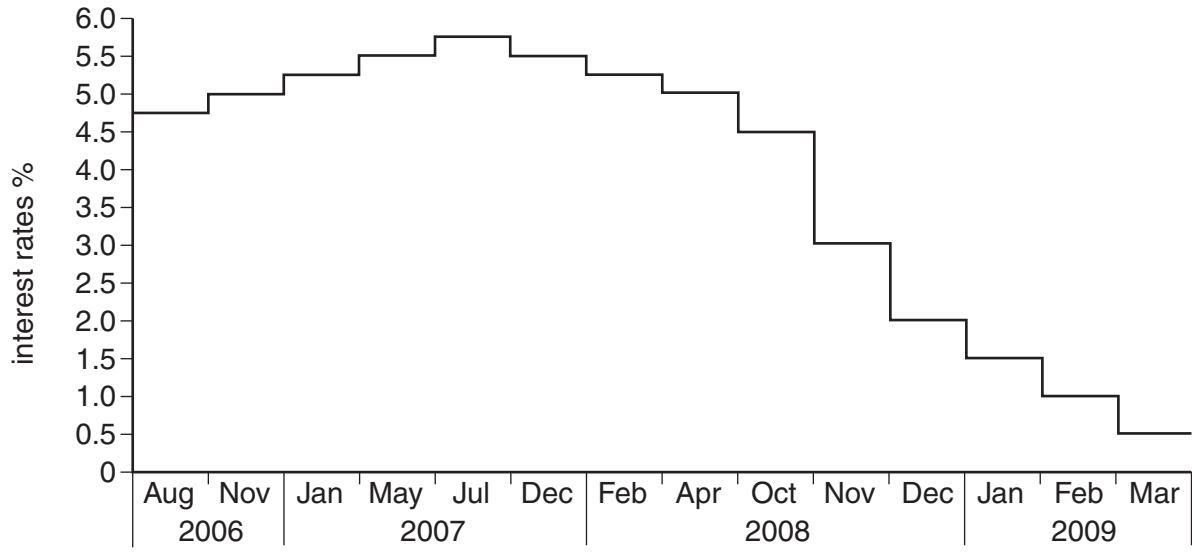
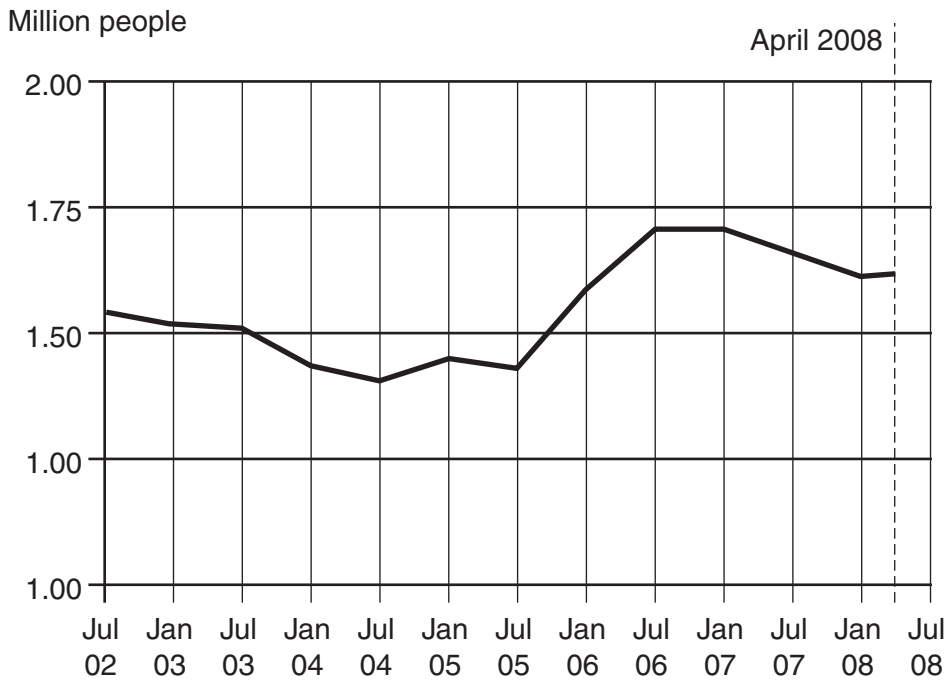
Fig. 11 – Interest Rates 2006 – 2009

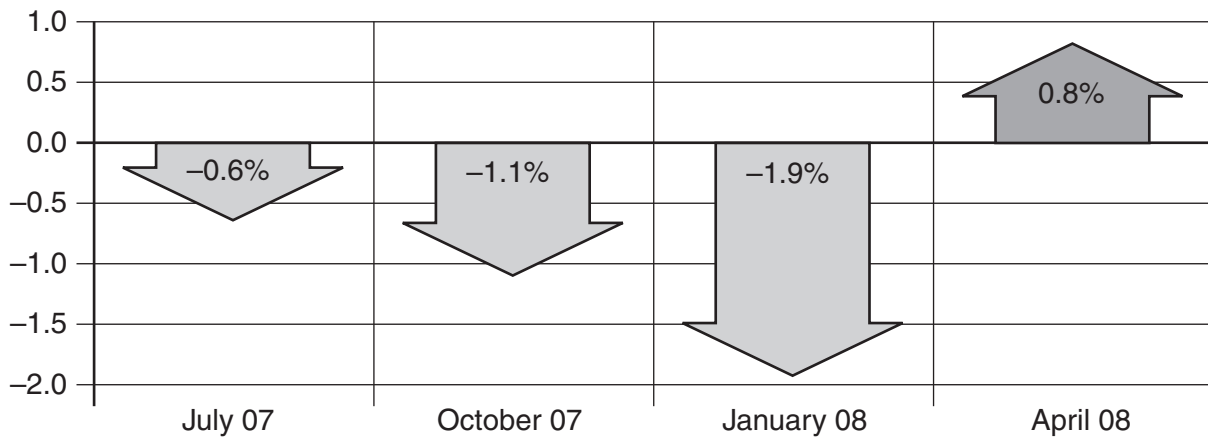
Fig. 12 – UK unemployment 2002 – 2008

UNEMPLOYMENT OVER 5 YEARS



UNEMPLOYMENT 2007 – 2008

Quarterly change in unemployment



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