



Monday 23 January 2012 – Afternoon

A2 GCE ECONOMICS

F584/01 Transport Economics

Candidates answer on the Question Paper.

OCR supplied materials:
None

Other materials required:

- Calculators may be used

Duration: 2 hours



Candidate forename		Candidate surname	
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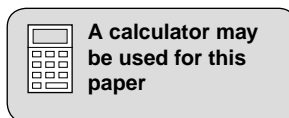
Centre number							Candidate number				
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INSTRUCTIONS TO CANDIDATES

- Write your name, centre number and candidate number in the boxes above. Please write clearly and in capital letters.
- Use black ink. HB pencil may be used for graphs and diagrams only.
- Answer Section A and **one** question from Section B.
- Read each question carefully. Make sure you know what you have to do before starting your answer.
- Do **not** write in the bar codes.
- The spaces should be sufficient for your answers but if you require more space use the lined pages at the end of this booklet and number your answers carefully.

INFORMATION FOR CANDIDATES

- The number of marks is given in brackets [] at the end of each question or part question.
- The total number of marks for this paper is **60**.
- The quality of your written communication will be taken into account in the marking of your answer to Section B.
- This document consists of **20** pages. Any blank pages are indicated.



2

Section A

Answer **all** questions.

Full steam ahead for UK train operators?

In the 1980s and 1990s UK governments increased the role of the private sector, through policies such as privatisation and deregulation. These were key policy weapons in making public transport alternatives such as buses and trains more attractive to road users.

The 1990s saw the privatisation of British Rail. The first franchises were awarded to private train operating companies (T.O.C.s) in 1994. The impact of this change continues to be much debated by economists. However, the overall growth in demand for rail travel is beyond doubt, as the following article highlights. 5

‘Demand for rail travel returns to pre-recession levels’

A significant increase in demand for rail travel has seen a return to growth in passenger journeys not witnessed since before the recession. As Fig. 1 below shows, the fourth quarter of 2009 marked a turning point when passenger journeys once again began to grow. Overall, there are now over a billion passenger journeys made on the railways every year, a rise of 60% since privatisation in the mid 1990s. 10

Michael Roberts, Chief Executive of the Association of Train Operating Companies (A.T.O.C.), said, “The strong growth in passenger journeys that we have seen is hugely encouraging, both for the railway industry and for the broader economy. Passenger rail underpins economic growth, supporting thousands of industries and helping millions of people to get to work. Whilst the recession may have had a short term impact on growth, demand for rail travel is expected to double over the next 20 years, underlining the vital importance of long term investment in rolling stock and improvements to the network.” 15

Fig. 1: Quarterly growth in rail passenger journeys (%)

2008: Quarter 1	4.4
Quarter 2	4.1
Quarter 3	2.1
Quarter 4	-0.6
2009: Quarter 1	-0.6
Quarter 2	-3.3
Quarter 3	-0.7
Quarter 4	4.4
2010: Quarter 1	6.1

4

(b) (i) Define the term 'positive externality'.

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..... [2]

(ii) Identify **one** possible positive externality which may arise from increased investment in the railway network and explain why it is a positive externality.

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..... [2]

(c) (i) State and explain **one** barrier to entry into the rail passenger market.

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..... [2]

8**Section B**

Answer **one** question.

- 2** (a) Analyse the main characteristics of an oligopolistic market. [15]
- (b) Discuss whether or not increased competition in transport markets will increase economic efficiency. [20]
- 3** (a) Analyse the reasons why there has been a growth in car use in recent years. [15]
- (b) Discuss whether road user charging would be an effective way of reducing the market failure arising from road congestion. [20]
- 4** (a) Analyse, using examples, what is meant by a sustainable transport policy. [15]
- (b) Discuss the extent to which some modes of transport are more sustainable than others. [20]

Section B Total: [35 marks]

Paper Total: [60 marks]

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