

OCR

Oxford Cambridge and RSA

Thursday 23 June 2016 – 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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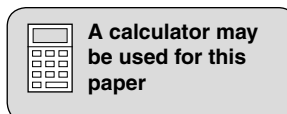
Centre number						Candidate number				
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INSTRUCTIONS TO CANDIDATES

- 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.
- Write your answer to each question in the space provided. If additional space is required, you should use the lined page(s) at the end of this booklet. The question number(s) must be clearly shown.
- Do **not** write in the bar codes.

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.



Rail services and the rail network in the UK

Britain's rail services and rail infrastructure used to be run by the government. This all started to change from 1994 with the first franchising of rail services. Since then, rail demand has continued to increase with a record number of passengers now using the railways.

In sharp contrast to the situation before 1994, most rail services are now provided by a range of companies in the private sector, known as train-operating companies. These companies are responsible for day-to-day train services. They do not, however, own the nation's rail infrastructure. This is provided by a separate company, Network Rail. As Fig. 1 shows, almost half of train-operating companies' revenue goes to Network Rail.

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Where train operating companies' revenue goes

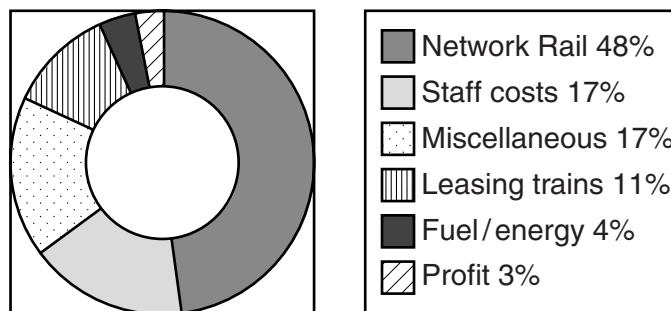


Fig. 1

Despite the growing importance of the private sector in the rail industry, the public sector still has an important role in regulating rail services and also in undertaking major transport infrastructure projects.

10

The following extract from a Department for Transport document outlines some of the government's plans for the rail industry.

'Expanding and improving the rail network'

Rail is vital to the UK's economic prosperity.

In addition, encouraging people to use trains rather than cars reduces carbon emissions.

15

Actions:

- Regulating some fares: the government regulates the existence and price of a number of rail fares. The government restricts the amount by which train operators can increase some fares each year.
- Upgrading rail tracks and stations: increasing train capacity with, for example, £240 million of improvements along the East Coast Main Line.
- Electrifying important routes: by 2020, around three-quarters of all rail passenger miles will be by electric train. This should lower CO₂ emissions, change journey times and reduce operating costs.
- Crossrail: a new railway running east to west through tunnels under London.

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SECTION A

Answer **all** parts of the question in this section.

- 1 (a) Explain the difference between fixed and variable costs, using **one** example of each from Fig. 1.

..... [4]

- (b) Explain how changes in train fares might affect the revenue of a train-operating company.

..... [4]

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TURN OVER FOR SECTION B
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SECTION B

Answer **one** question.

- 2 (a) Explain, using a diagram, how the profit earned by a firm is influenced by the relationship between its marginal cost and its marginal revenue. [15]
- (b) Discuss, using examples, the extent to which the market dominance of a monopoly provider of transport infrastructure will result in economic inefficiency. [20]
- 3 (a) Analyse the differences between monopolistic competition and oligopoly market structures in transport. [15]
- (b) Discuss the extent to which air travel could be considered to be a sustainable mode of transport. [20]
- 4 (a) Analyse the economic effects of an increase in the demand for road transport on the environment. [15]
- (b) Discuss the effectiveness of different policies implemented to deal with the problems caused by increased road transport use in urban areas. [20]

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ADDITIONAL ANSWER SPACE

If additional space is required, you should use the following lined page(s). The question number(s) must be clearly shown in the margin(s).

A large area of lined paper for writing. It consists of horizontal dotted lines spaced evenly down the page. A vertical solid line runs down the left side of the page, creating a margin. The entire area is intended for providing additional answer space.

A large area of the page is reserved for writing, featuring a vertical solid line on the left side and horizontal dotted lines extending across the page.



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