

Thursday 23 June 2016 – Afternoon

A2 GCE ECONOMICS

F583/01 Economics of Work and Leisure

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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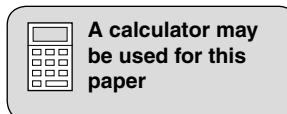
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INSTRUCTIONS TO CANDIDATES

- 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 pages 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.



Broadcasting sport – the sky is the limit

In recent years in the UK the two leisure activities of watching television and watching live spectator sports have become very closely linked. Watching sport on TV, such as football, cricket and athletics has become a very popular leisure activity. As a result broadcasters increasingly compete for the right to broadcast a variety of sports across a range of media. 5

In 2012 Sky TV signed a four-year deal with The England and Wales Cricket Board (ECB) giving exclusive rights to the TV broadcasting of all live cricket. The ECB also announced a new deal with Channel 5 for highlights of England cricket games, while the BBC has a six-year deal to broadcast live cricket matches on the radio.

UEFA, the governing body of European football, controls the Champions League football matches and sells the broadcasting rights to broadcasters. Similarly, in the English league the Premier League owns the right to sell their matches to broadcasters. 10

Champions League: BT Sport wins £897 million football rights deal

In November 2013 UEFA sold the broadcasting rights to 350 Champions League and Europa League football matches to BT Sport for £897 million. This was a three-year agreement starting in 2015 and was the first time a single UK broadcaster had won the exclusive rights to broadcast live European football matches. The total amount paid for the broadcasting rights is essentially a fixed cost of production when broadcasting football matches. This agreement was worth more than double the previous contract which had allowed Sky TV and ITV to share the broadcasting rights. ITV had been the free-to-air broadcaster of the Champions League since it launched in 1992, but an ITV statement said that they were not prepared 'to pay over the odds' for the broadcasting rights. 15

Sky TV already has a large share of the broadcasting rights to show Premier League games. In 2015 it won a major power battle with BT Sport to gain the right to broadcast most of the Premier League games. Sky TV paid just over £4 billion for the right to show 126 games each season over a three-year period. In contrast, BT, which launched its UK sports channels in August 2013, paid £960 million for the right to show 42 matches each season. 20

Winners and losers

The large amounts of money paid by the TV companies have been reflected in the wages of footballers in the top leagues. A survey of wages paid to professional footballers by the Professional Footballers' Association indicated that players in the Premier League earn, on average, £676,000 per year. In the lower leagues annual wages were significantly lower with an average of £195,750 in the Championship, £67,850 in League One and £49,600 in League Two. 30

Following a complaint from Virgin Media, Ofcom, the broadcasting watchdog, has opened an investigation into how the Premier League sells the live TV broadcasting rights for its football matches. Virgin Media want more matches available for live broadcast and claim that the 'collective' selling of matches is in breach of competition law. Virgin Media also argues that the proportion of the matches made available for live TV broadcast is lower than other major European leagues. 35

Virgin Media argues that these factors contribute to higher prices for consumers of TV packages meaning that fans in the UK pay the highest prices in Europe to watch the least amount of football on TV. 40

SECTION A

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

- 1 (a) (i) Calculate BT's cost per European match as a result of the three-year agreement with UEFA.

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- (ii) Explain the difference between the average total cost and the marginal cost of broadcasting major football matches.

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- (b) Apart from the cost of buying TV rights, state and explain **one** barrier to entry to broadcasting sport on television.

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- (e) Discuss the extent to which the market for the broadcasting of sport is a monopoly. [8]

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SECTION B

Answer **one** question from this section.

- 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, whether profit maximisation is likely to be the main objective of firms. [20]
- 3 (a) Explain, using examples, why elasticity of demand for labour varies between occupations. [15]
- (b) 'In October 2014, real wages had fallen for seven consecutive years and were 6.9% below their 2007 level.'
- Discuss the extent to which a reduction in bargaining power was the main determinant of the fall in real wages in the UK between 2007 and 2014. [20]
- 4 (a) Explain, using examples, the impact of labour market failure on the labour market. [15]
- (b) Discuss the extent to which different types of government intervention fail to solve the negative impacts of labour market failure. [20]

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END OF QUESTION PAPER

ADDITIONAL ANSWER SPACE

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

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