THIS IS A LEGACY SPECIFICATION

OCR
RECOGNISING ACHIEVEMENT

ADVANCED GCE

ECONOMICS

Transport Economics

2885

Candidates answer on the Answer Booklet

OCR Supplied Materials:
- 8 page Answer Booklet

Other Materials Required:
None

Thursday 21 January 2010
Morning

Duration: 1 hour 30 minutes

OCE/13520

2885

INSTRUCTIONS TO CANDIDATES

- Write your name clearly in capital letters, your Centre Number and Candidate Number in the spaces provided on the Answer Booklet.
- Use black ink. Pencil may be used for graphs and diagrams only.
- Read each question carefully and make sure that you know what you have to do before starting your answer.
- Answer Question 1 and **one** question from Section B.
- Write all your answers in the separate Answer Booklet provided.
- If you need to use additional answer sheets, fasten these sheets securely to the Answer Booklet.
- 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 **45**.
- The quality of your written communication will be taken into account in the marking of your answer to Section B.
- This document consists of **4** pages. Any blank pages are indicated.

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Section A

Answer this question.

1 London's congestion charge works: don't scrap it now

We have bus jams in Oxford Street, the underground system is carrying an all-time record number of people and London has more sardine-packed trains than anywhere else in the country. The population of London has been rising fast, as the financial centre has acted as the big magnet for wealth, excess and consumerism. Without our noticing, the congestion charge has kept a lid on all this growth. It has made things marginally better at a time when they would otherwise have got a whole lot worse.

We still have 70,000 fewer vehicles entering central London, but congestion has now crept back up to what it was before the charge was put in place. Road works are partly to blame. Thames Water are busy digging up roads and fixing leaks, which is what environmentalists have been pestering them to do for years, but they are only part of the explanation. The rest of the jams relate to Transport for London's quiet revolution in changing road user priorities in central London.

The big success of the congestion charge is that it has created space for bus lanes, cycling facilities and pedestrian priority. Fewer cars no longer means less congestion on the roads for drivers, but it does mean a slightly more comfortable life for the majority of people using the over-crowded road network of the West End and City of London.

Nevertheless, there are plans to scrap the western extension of the congestion charge introduced in 2007. The local debate about improving air pollution and quality of life is important, but the result has big implications for the rest of the country. London is the only major city where people have switched from cars to public transport and cycling. During a period of rapid population growth, London's traffic has not grown at all. While the rest of the country has seen the amount of traffic rise by over 1% a year since 2000, London has been getting ready for the inevitable rise in oil prices by investing in public transport, cycling and greener vehicles. Dropping the western extension of the congestion charge would not just be a local mistake, it would symbolise the end of London's attempt at creating a truly sustainable transport system.

Source Guardian 06/08/08

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(a) Explain why the demand for transport into central London is a derived demand. **[2]**

(b) Increased road use creates externalities in the form of congestion. Explain the external costs imposed on

(i) local bus companies,

(ii) their passengers. **[4]**

(c) With the aid of a diagram, explain how the congestion charge has resulted in a reduction in the number of vehicles entering the charging zone. **[4]**

(d) Comment on the use of **one** policy, other than the congestion charge, that could result in a reduction in the number of vehicles entering central London. **[4]**

(e) Discuss the extent to which the congestion charge contributes towards a more sustainable transport system in central London. **[6]**

Section B

Answer **one** question.

2 **(a)** Explain why economists are concerned about firms increasing their market share in an industry. **[10]**

(b) Discuss the extent to which air passenger transport is a contestable market. **[15]**

3 **(a)** Explain the economic arguments in favour of heavier road goods vehicles. **[10]**

(b) Discuss the effectiveness of using indirect taxation to make goods vehicles pay the full social costs of their use. **[15]**

4 **(a)** With the aid of a diagram, explain the effects of subsidies paid to train operating companies. **[10]**

(b) Discuss the effectiveness of using subsidies to promote a switch of travellers from private cars to public transport. **[15]**

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