

F584 Transport Economics

Section A

| Question | Expected Answer | Marks | Rationale |
|----------|--|-------|---|
| 1 (a) | The data in Fig. 1 shows a clear rise in the use of cars over the period 1981-2006. | | |
| (i) | State three possible reasons for the rise in the use of cars over this period | [3] | <i>Please use a tick to show each time a mark is rewarded</i> |
| | <p>1 mark for any relevant factor, for example:</p> <ul style="list-style-type: none"> increased price of substitute goods (eg trains) / increased price of public transport OR a reduction in the number of available substitutes to cars OR poor quality substitute goods lower prices of cars OR lower taxes OR increased affordability lower real prices of running cars increased disposable incomes / GDP / wealth (making cars more affordable) changes in tastes and fashion (away from public transport to cars) people travelling further to work OR shop increased employment levels lower fuel prices / lower running costs population growth or greater immigration increased car ownership (which, in turn, enables greater use) accept references to the road building programme <p>3 marks maximum.</p> | | <p>Accept any relevant, plausible factors</p> <p>If two valid answers are given under “Point 1” of answer booklet then award 2 marks still</p> <p>NOTE: question asks for any POSSIBLE factor so it does not need to have actually happened!</p> <p>DO NOT accept reference to the greater convenience of cars as this has always been the case, so cannot account for the change!</p> <p>Simple statement that there is ‘derived demand’ unless further developed = 0</p> |
| (ii) | Identify one other trend shown in Fig. 1 | [1] | |
| | <p>1 mark for stating that there was a rise in air travel.</p> <p>1 mark for stating that overall there was a rise in rail travel.</p> <p>1 mark for stating that there was a rise in bus and coach travel</p> <p>Maximum of 1 mark available.</p> | | <p>Accept any comment related to a subsection of data eg only 1986-1996</p> |
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| (b) (i) | Identify two possible negative externalities arising from increased road congestion | [2] | |
| | <p>1 mark for identifying each possible externality to include:</p> <ul style="list-style-type: none"> • environmental damage • visual pollution / blight • noise pollution • air pollution • lost business to firms • time lost: workers late for work and hence lost output / lower productivity OR simple reference to increased journey times • increased accidents • increased stress • accept reference to the fact that motorists face increased costs due to congestion • increased health problems • wear and tear (accept this as it could be a cost imposed upon others too) • increased costs to firms / businesses • damage to buildings OR infrastructure • reduced house prices near areas of congestion <p>2 marks maximum.</p> | | <p>Again, accept any relevant factors</p> <p>Accept two different examples of pollution for 2 marks eg noise and air pollution will gain 2 marks</p> <p>If two valid answers are given under ‘point 1’ in answer booklets then still reward 2 marks</p> <p>Accept simple reference to “pollution” for 1 mark but don’t award a second mark if second statement is “air pollution”</p> |

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| (ii) | <p>Explain why road congestion represents an example of market failure</p> | <p>[5]</p> | |
| | <p><u>Up to 3 marks are available for knowledge:</u></p> <p>It is a cost / negative externality / impact imposed upon a 3rd party OR SC>PC (Accept a diagram which clearly shows SC>PC) (1 mark)</p> <p>There will be overproduction / overconsumption (1mark).</p> <p>This represents <u>allocative</u> inefficiency OR any reference to the fact that resources will not be allocated efficiently OR a definition of market failure relating to imperfect or non optimum allocation of resources (1 mark)</p> <p>There is a misallocation of resources (1 mark)</p> <p>A maximum of 3 marks are available for knowledge</p> <p><u>Up to 2 marks are available for application:</u></p> <p>Consumers don't pay the full / true cost of their actions OR they ignore external costs OR don't internalise external costs / negative externalities OR don't take into account the full social cost OR the free market ignores the impact upon the 3rd party (1 mark)</p> <p>Price paid is therefore lower OR products underpriced OR price is too low. (Accept a clear diagram showing that the free market price will be lower) (1 mark)</p> <p><u>Too many</u> scarce resources being used to produce goods and services (1 mark)</p> <p>A maximum of 2 marks are available for application</p> | | <p>No knowledge mark for simple idea of lower efficiency without clear reference to allocative inefficiency</p> <p>Note: a purely theoretical answer without any application will only gain 3 marks</p> |

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| iii | Comment upon whether a national road-pricing scheme would reduce congestion | [6] | |
| | <p>1 mark for simple knowledge of what road pricing is. For example:</p> <p>A direct charge for using the road (1 mark)</p> <p>The price for using the road (1 mark)</p> <p>This involves drivers paying to drive along the roads (1 mark)</p> <p>Where drivers are charged for the journey / per mile driven / charged varying amounts throughout the day (1 mark)</p> <p>An extra cost for using the road (1 mark)</p> <p>Up to 2 marks are available for analysis of how this would work:</p> <p>1 mark for stating that the supply curve shifts <u>to the left</u> (if not already shown on a diagram)</p> <p>1 mark for recognising that there will be a contraction of / lower demand for car use OR people switch to other modes of transport OR people don't drive as much OR it puts people off driving</p> <p>1 mark for recognising that this reduces the overconsumption</p> <p>1 mark for recognising that here the 'polluter pays'.</p> <p>1 mark for stating that the road charge will force the polluter to internalise the external costs of their actions</p> <p>Alternatively, award 2 analysis marks for an accurate diagram: 1 mark for leftwards shift of supply and 1 mark for reduction in equilibrium quantity</p> | | <p>3 parts to this question:</p> <p>1) Knowledge of what it is</p> <p>2) Analysis</p> <p>3) Relevant comment/evaluation.</p> |

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| | <p>Up to 3 marks are then available for comment/evaluation of road-charging.</p> <p>One point of evaluation which is well developed can gain all 3 marks as can 3 evaluative points which are not developed.</p> <p>Possible evaluative points include:</p> <ul style="list-style-type: none"> • Charging on motorways may just displace traffic on to side roads/‘A’ and ‘B’ roads and therefore may only move the congestion • At times of rising incomes, road charging will have less impact due to greater prosperity • With inelastic demand for car use, demand will fall very little • There needs to be an alternative for road users to switch to otherwise there will be no change in demand for car use OR an alternative to car use needs to exist such as public transport. Therefore revenues raised from road pricing should be hypothecated (into alternatives) • If people see the public transport alternative as unpleasant then they won’t switch to it • A flat rate charge may not be effective in deterring high income groups from driving but would deter low income groups • Ultimately the size of the charge will determine how effective it is. • The costs of the scheme could be very significant. To be effective, the government may well incur huge set up costs • To be effective such a scheme must be enforced • Significant enforcement costs may also exist | | <p>Once any relevant point of evaluation has been recognised, award a second mark where there is basic, but valid, development of this</p> <p>Do not reward the idea that road pricing may give rise to privacy issues and concerns over undue intrusion as neither of these points directly relate to the use of road pricing in correcting road congestion.</p> <p>Likewise, do not award the simple statement that it may be regressive BUT do reward comments that high income groups may not be deterred from driving by it.</p> |

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| (c) | Discuss whether giving increased subsidies to firms providing bus services would correct the market failure arising from urban road congestion | [8] | |
| | <p>Up to 3 marks for simple analysis of the impact of production subsidies:</p> <p style="padding-left: 40px;">Such a subsidy effectively lowers costs of production (1 mark)</p> <p style="padding-left: 40px;">This will shift the supply curve for bus services to the right OR increased supply / quantity / production / increased number of services / increased bus provision(1 mark)</p> <p style="padding-left: 40px;">Subsidies will therefore result in lower prices OR lower fares OR lower charges (1 mark)</p> <p style="padding-left: 40px;">There is an extension of demand OR greater consumption OR more people use buses OR greater use of public transport (1 mark)</p> <p style="padding-left: 40px;">(An accurate diagram which shows increased supply, lower price and increased quantity can gain all 3 analysis marks).</p> <p>Up to 5 marks are available for relevant discussion/evaluation to include:</p> <ul style="list-style-type: none"> • Inelastic PED <u>for buses</u>- subsidy has to be very big to have an noticeable impact on demand. Do not accept PED for cars • Impact also depends upon Cross Elasticity of Demand (XED) which needs to be positive and also, ideally, highly elastic • The cost of such a subsidy to the government may well mean that this policy will be ineffective (possible opportunity cost issues?) • Size of subsidy? If too small then fares will not fall sufficiently • If some forms of public transport are perceived to be inferior goods (with negative income elasticity of demand) then lower prices will not help to raise demand significantly during times of rising incomes | | <p>Accept capital subsidy arguments as well as fare subsidies. Here 3 analysis marks for:</p> <ol style="list-style-type: none"> 1. cheaper capital costs 2. new OR improved vehicles 3. increased demand <p>Note: reward simple definitions of subsidies if there is reference to increased production and/or increased consumption and/or lower price</p> <p>Two points of evaluation, can gain all 5 evaluation marks</p> <p>Reward 1 mark for each relevant factor identified and then 1 mark for basic elaboration of these and a 3rd if the point is clearly elaborated/developed</p> <p>For example, simple reference to the role played by PED gains a mark. Simple reference to XED gains a mark too.</p> <p>One point of evaluation which is well developed can therefore gain 3 marks</p> |

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| | <ul style="list-style-type: none">• Production subsidies may not be passed on to consumers with firms simply increasing their profit margins• What specifically is the subsidy used / spent on? If it is spent on older rolling stock then this may not increase usage at all. More buses may not necessarily mean greater usage.• It also depends upon which services are being subsidised• Production subsidies may encourage firms to be complacent and inefficient, thus potentially removing the benefit of lower costs.• Non price factors may also be important (eg quality / reliability / convenience issues). These mean that fare subsidies may have less impact which may make people see buses as a poor substitute for cars and therefore not result in any reduction in car use• Award explicit reference to the fact that subsidies will be more effective if used as part of an <u>integrated</u> policy• If incomes are rising then subsidies will have less effect on demand | | |

Section B

| Question | Expected Answer | Marks | Rationale |
|----------|--|-------------|--|
| 2 (a) | Analyse how and why economists forecast future growth of transport demand | [15] | |
| | <p>Answers should give a balanced approach explaining both how demand is forecasted and also why this is so crucial in transport economics.</p> <p>How?</p> <p>The Department for Transport will look at numerous statistics in deciding upon future transport trends. These include:</p> <ul style="list-style-type: none"> • Past information and historical data • GDP (and income elasticity of demand also) • fuel prices • Price Elasticity of Demand (accept as relevant for modal switch) • population growth • the number of different households within the UK • the level of car ownership • the number of goods imported in to the country • the level of industrial output <p>From this data, the DfT will calculate a high and a low forecast and from this will work out what the average forecast is.</p> <p>Why?</p> <ul style="list-style-type: none"> • Forecasts are used to determine the future network requirements (the so called 'predict and provide' approach) which whilst rejected by some still fulfils a role in transport policy in that it estimates where the greatest congestion bottlenecks will be in the future. • Forecasting plays an important role within CBA enabling decision makers to estimate the importance of particular projects by looking at how bad future congestion will be and therefore what the benefits of a particular project will be. In this way, forecasting is vital if the govt is to accurately see the impact of different policies. • Forecasting also helps the government to see how effective transport policies will be in the future – helping them to see which policies should be introduced today | | <p>Answers which analyse both how AND why will gain 13-15 marks</p> <p>Where answers only analyse one aspect (ie how OR why) then 9-12 marks will be rewarded (ie lower L3)</p> <p>Therefore even where only one factor is analysed, a Level 3 response is gained</p> |

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| | <p>Level 3 [9-15 marks] For an analysis of the how the government use transport forecasts and/or why these are used.</p> <p>For 13+ marks there must be CLEAR analysis of BOTH HOW AND WHY.</p> <p>11-12 for basic analysis of both how and why OR good analysis of one of these (how OR why)</p> <p>9-10 marks where there is only basic analysis of one side</p> <p>HOW? Rather than simply listing which factors are used, to get in to Level 3, answers will need to <u>explain</u> why each factor is used in forecasting. For example, the DfT will use GDP data as higher economic growth will result in increased demand for car use and more cars on the road. They will look at population data as population growth will increase the number of car drivers in the country etc.</p> <p>A simple list of factors which the government uses will be treated as application of knowledge (L2) unless they are developed in terms of how they will be used</p> <p>WHY? A simple answer which states that the government needs such data to decide where roads should be built OR to decide upon future transport policy will gain Level 2.</p> <p>For Level 3, candidates will be expected to analyse the role which the information plays eg by forecasting demand the government will be able to identify where bottlenecks are and therefore where road priorities are. This ensures that scarce resources are allocated in the best possible way</p> <p>Answers may also analyse the role of forecasting within CBA – here forecasting techniques help to identify where the demand will be greatest and therefore where the benefit will be greatest</p> | | <p>HOW? The distinction between analysis and application is that an answer which simply lists which factors are used gains L2 whilst an answer which goes on to explain WHY each factor is important gains L3</p> <p>eg “the govt. use GDP data to make forecasts” = L2</p> <p>BUT “the govt use GDP data as a rise in income will lead to increased demand” = basic L3</p> <p>WHY? The distinction between L2 and L3 is the level of explanation given.</p> <p>eg “the government can use this data to see where roads should be built” = L2</p> <p>“the government. use this data to see where roads should be built by identifying where demand is highest OR seeing where the need is greatest OR where bottlenecks will be worst” = basic L3</p> <p>In other words, L2 identifies the use and L3 gives an explanation of how forecasting can be used in this</p> |

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| | <p>Level 2 [5-8 marks]</p> <p>For an application of knowledge and understanding of how and/or why the government use traffic forecasting.</p> <p>This may well take the form of some examples of why the government needs to forecast levels of traffic growth, for example to decide whether or not new roads need building, but there is no clear analysis in terms of the exact role which traffic data play in this decision.</p> <p>For 7+ marks BOTH THE HOW AND WHY aspects need to be addressed.</p> <p>An answer which only addresses the how OR why aspect of the question will be rewarded 5-7 marks.</p> <p>Level 1 [1-4 marks]</p> <p>For a basic knowledge and understanding of forecasting and the relevance of this but lacking relevant application or analysis. For example, a basic definition</p> | | <p>A relevant level 2 response would be to explain how the government will take high and low forecasts and use the central one. This shows some knowledge and understanding of HOW</p> <p>Basic knowledge only as to what forecasting is</p> |

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| (b) | <p>Discuss the effectiveness of different methods used by economists to attach monetary values to the external costs and benefits arising from the use of transport services</p> | [20] | |
| | <p>Candidates will be expected to explain the different methods used by economists in order to place monetary values on costs such as loss of life, accidents, environmental impacts (including pollution, blight and traffic noise), loss of output resulting from congestion and time lost.</p> <p>Several methods can be used to gain accurate monetary values:</p> <ol style="list-style-type: none"> 1. Compensation criteria (ie how much would it cost to remove the noise pollution by fitting triple glazing) or the cost to repair damage done as a result of an accident. 2. Attaching monetary values to life is extremely difficult and usually involves an attempt to measure the loss of output which the person would have produced if they had lived and their lost income/earnings. Accident costs also include a monetary valuation of the police time used at the scene of the accident and a value for the cost imposed upon the NHS. 3. Congestion costs can be calculated by estimating how many working hours a year are lost due to road congestion and then multiplying this by the average hourly wage. 4. Relevant external benefits include the difficulty of measuring local multiplier effects and the difficulties of measuring the environmental benefits of greater bus/train use. Attempts to measure these may well include increases in regional economic growth (although clearly proving causation of factors will be a significant issue). 5. Simple price comparisons (eg house prices before and after an airport is built) can be used to see the decline in value as an external cost <p><i>As an alternative approach, accept analysis and criticism of CBA and other methods of attaching net cost / benefit figures.</i> <i>NOTE: CBA approach gains a maximum of 15 marks</i></p> | | <p>Answers which refer to congestion charging will receive a maximum of 7 marks:</p> <p>For charging approach, to gain L3 (6-7) answer needs to <u>analyse</u> impact of charge in shifting the supply curve to the left</p> <p>Answers which use the Cost-Benefit Analysis approach will gain a maximum of 15 marks on part (b)</p> |

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| | <p>Relevant discussion may focus upon a number of factors including:</p> <ul style="list-style-type: none"><li data-bbox="376 339 1328 539">• The subjective nature of such valuations. For example, the value attached to the loss of a scenic view due to the building of a motorway may be extremely high for one person but very low for another. Likewise, the benefit gained from greater public transport use is incredibly difficult to measure as it will involve attempts to measure environmental gain<li data-bbox="376 571 1328 635">• Difficulties attaching values to uncertainties eg if a person died we couldn't be sure how much they would earn for the rest of their lives<li data-bbox="376 667 1328 834">• Proving causation – just because a business loses custom at the same time as there is a rise in congestion does not mean that the two factors are correlated. Likewise, if the local economy grows more rapidly following an expansion of public transport in the locality, there is no definite proof that one has caused the other.<li data-bbox="376 866 1328 1137">• Relevant problems of using CBA such as the subjective nature of the process, what costs / benefits to include, what discount rate to use. Evaluation of CBA must include reference to WHY it is difficult to attach monetary values here. Therefore the simple comment that there are flaws to CBA as it is difficult to attach monetary values is insufficient until this is developed (eg in terms of subjectivity, changes in monetary values over time etc). Accept criticism of CBA in terms of political bias and other limitations of the process. | | |

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| | <p>Level 4 (a) [16-20] For a discussion which includes a judgement as to how effective such measures are for estimating external costs and benefits. Such an answer will develop clear explanations of the difficulties of measurement and then conclude whether or not such methods are indeed effective.</p> <p>Level 4 (b) [11-15] For a basic discussion of some of the difficulties involved in trying to estimate external costs OR benefits which may only develop one or two relevant problems of measurement without actually forming a relevant judgement as to whether these are significant problems or not.</p> <p>A clear, two sided discussion will be given 13-15 marks, otherwise 11-12 marks for a basic discussion where there is only a hint of evaluation</p> <p>Complex ideas have been expressed clearly and fluently using a style of writing which is appropriate to the complex subject matter. Sentences and paragraphs, consistently relevant, have been well structured, using appropriate technical terminology. There may be few, if any, errors of spelling, punctuation and grammar.</p> <p>Level 3 [5-10] For an analysis of how estimates for such external costs and benefits may be derived. Candidates analyse how monetary estimates may be attained without offering any relevant criticism/evaluation of such methods.</p> <p>Accept analysis of CBA. For a one sided answer which simply analyses the different stages within CBA OR states how the decision is taken (ie SB>SC) then a maximum of 7 marks will be awarded. If both of these are referred to but no criticisms are introduced then 8-10 marks will be given</p> <p>Relatively straightforward ideas have been expressed with some clarity and fluency. Arguments are generally relevant, though may stray from the point of the question. There will be some errors of spelling, punctuation and grammar, but these are unlikely to be intrusive or obscure meaning.</p> | | <p>Level 4 (b) – for this level, there must be a two sided discussion of methods of attaching monetary values</p> <p>Award 13-15 marks where there is clear, balanced discussion of both sides (ie explaining clearly how such methods work and then their limitations)</p> <p>Award 11-12 marks where there is only basic discussion. For example, following clear analysis of how such measurements can be made there is then basic criticism (or vice-versa)</p> <p>Where only one method of measuring costs or benefits is analysed then 7 marks maximum. If two or methods analysed then 8-10 marks</p> <p>For CBA approach: simple analysis of stages of CBA with no further analysis gains a maximum of 7 marks</p> <p>Likewise, CBA which just lists costs / benefits used is 7 maximum</p> |

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| | <p>Level 2 [3-4]</p> <p>For an application of knowledge and understanding of how estimates could be obtained. Answers in this level will identify the different measurement methods which could be used to gain monetary values for specific external costs or benefits but fail to explain how these could be used.</p> <p>If measures to value both costs and benefits are considered then 4 marks will be rewarded</p> <p>Some simple ideas have been expressed in an appropriate context. There are likely to be some errors of spelling, punctuation and grammar of which some may be noticeable and intrusive.</p> <p>Level 1 [1-2]</p> <p>For knowledge and understanding of how monetary estimates can be gained, for example using the value of lost output but failing to develop this in terms of which cost it estimates.</p> <p>Alternatively, answers which simply state examples of external costs and benefits here will gain up to 2 marks OR simple definitions of what external costs / benefits are</p> <p>Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar which will be noticeable and intrusive. Writing may also lack legibility.</p> | | <p>Examples of external costs and benefits in the real world can receive 4 marks</p> <p>Definitions of external costs/benefits only receive 2 marks</p> |

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| <p>3 (a)</p> | <p>Analyse the economic arguments for rail privatisation</p> | <p>[15]</p> | |
| | <p>Candidates should analyse clear arguments for the privatisation of rail:</p> <p>Whilst some latitude can be allowed in discussing the privatisation of rail services in other countries (and therefore need not be specific to British Rail), candidates should discuss the reasons why privatisation of <u>rail</u> services may be beneficial. Such arguments may include:</p> <ul style="list-style-type: none"> • The need to attract greater private sector investment to generate new capital investment • A reduction in government spending (and borrowing?) • The introduction of greater competition with firms bidding against each other to win the right to operate a franchise. The benefits of increased competition should be developed including increased productive efficiency, innovation, dynamic efficiency gains and a reduction in 'X' inefficiency as well as the benefits of price and non price competition for consumers. Hence there should also be a better quality service provided to the public • Benefits of increased contestability and the <u>threat</u> of competition • The theory that private sector management may be more motivated to provide a better quality service. <p>Level 3 [9-15]</p> <p>For an explanation of the reasons why the government privatised British Rail to include clear, detailed analysis of each factor.</p> <p>For 13+ marks, the benefits of increased competition must be developed fully, using clear economic analysis. Accept relevant diagrams which are used to analyse the benefits of increased competition (including theory of the firm)</p> | | |

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| | <p>Level 2 [5-8]</p> <p>For an application of knowledge and understanding of the reasons why British Rail was privatised. Candidates in this level will correctly identify reasons why the government privatised British Rail but fail to develop them in any detail.</p> <p>For 7+ marks more than one factor will be developed.</p> <p>Level 1 [1-4]</p> <p>For knowledge and understanding of what privatisation is, but lacking any clear knowledge of the reasons behind rail privatisation.</p> <p>For 3+ marks, clear detail of how British Rail was privatised is needed.</p> | | |

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| (b) | Discuss the extent to which a monopoly provider of transport will always increase economic efficiency | [20] | |
| | <p>Answers should develop the theory of natural monopoly. Due to the nature of infrastructure provision in transport with extremely high fixed costs, there is the scope for massive economies of scale and therefore the Minimum Efficient Scale for infrastructure provision in transport is extremely high. Therefore, in order to maximise the benefits of economies of scale, there should be one provider producing at a very large level of output. Hence in this context, a monopolist provider of transport infrastructure will be able to produce at lower average costs and hence will be able to maximise productive efficiency.</p> <p>In addition, monopoly may result in greater economic efficiency if abnormal profits provide the incentive to innovate and therefore raise allocative efficiency. Abnormal profits, when made, may be used to increase investment levels and innovation ie dynamic efficiency gains</p> <p>Possible discussion includes:</p> <ul style="list-style-type: none"> • Traditional monopoly theory states that there will be productive and allocative inefficiency in this market • If the monopoly is too large then it may start to suffer from diseconomies of scale with output levels being too high and hence the firm will suffer from higher average costs ie inefficiency • In addition, monopolists may suffer from 'X' inefficiency (organisational slack with higher costs than in a competitive market) and also lose potential dynamic efficiency gains (innovation, R & D) • The threat of contestability – if the govt threatens monopoly with greater competition / removing legal barriers then this may force it to be more efficient (eg contestability arising from deregulation) | | |

| Question | Expected Answer | Marks | Rationale |
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| | <p>Level 4 (a) [16-20]</p> <p>For a discussion as to whether or not a monopoly will raise economic efficiency. Include clear judgement which attempts to weight the evidence</p> <p>Level 4 (b) [11-15]</p> <p>Discussion of whether or not monopoly provision raises efficiency.</p> <p>An answer which analyses one side very clearly (eg it is efficient) and then hints in a very basic manner at the other side (eg not efficient) gains 11-12</p> <p>An answer which develops both sides in some depth but fails to introduce a judgement gains 13-15 marks</p> <p>Complex ideas have been expressed clearly and fluently using a style of writing which is appropriate to the complex subject matter. Sentences and paragraphs, consistently relevant, have been well structured, using appropriate technical terminology. There may be few, if any, errors of spelling, punctuation and grammar.</p> <p>Level 3 [5-10]</p> <p>Analysis of why monopoly providers of transport will raise economic efficiency – a purely one sided answer</p> <p>Answers which fail to analyse specific types of economic efficiency will gain 7 marks maximum</p> <p>Relatively straightforward ideas have been expressed with some clarity and fluency. Arguments are generally relevant, though may stray from the point of the question. There will be some errors of spelling, punctuation and grammar, but these are unlikely to be intrusive or obscure meaning.</p> | | <p>Level 4 (b) – for this level, there must be a two sided discussion of whether monopoly raises economic efficiency.</p> <p>Award 13-15 marks where there is clear, balanced discussion of both sides</p> <p>Award 11-12 marks where there is only basic discussion. For example, following clear analysis of one side there is only a simple evaluative statement made giving the opposite viewpoint</p> <p>Level 3: An answer which only considers why a monopolist <u>will</u> increase economic efficiency can gain up to 10 marks maximum for analysis.</p> |

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| | <p>Level 2 [3-4]</p> <p>For the application of knowledge and understanding of why monopoly may increase economic efficiency.</p> <p>Answers in this level may simply identify types of efficiency or identify some of the characteristics of a monopoly</p> <p>Some simple ideas have been expressed in an appropriate context. There are likely to be some errors of spelling, punctuation and grammar of which some may be noticeable and intrusive.</p> <p>Level 1 [1-2]</p> <p>For knowledge and understanding of monopoly and/or economic efficiency only eg general definitions of monopoly or efficiency</p> <p>Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar which will be noticeable and intrusive. Writing may also lack legibility.</p> | | <p>Level 2 answers may simply identify the costs or benefits of monopoly without making any reference to efficiency</p> |

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| 4 (a) | <p>Analyse, using examples, what is meant by a more ‘sustainable’ transport policy</p> | [15] | |
| | <p>The Bruntland Commission’s definition of sustainability (1987) is development “which meets the needs of the present without compromising the ability of future generations to meet their own needs”. In practice, when applied to transport, this would involve a ‘carrot and stick’ approach being taken – using economic policies to provide incentives to use low emission forms of transport whilst also penalising those who continue to use high polluting modes of transport. Overall, these policies should be used together and an integrated approach adopted.</p> <p>Candidates are expected to develop examples of such policies, for example higher taxes on high polluting cars through a graduated system of V.E.D., the possibility of road pricing whereby road users are charged more during rush hour and in congested areas and also the use of subsidies to encourage greater use of public transport. Explanation of integration in terms of policies to ensure a seem less transfer between different modes of transport through greater investment in infrastructure and the operation of ‘through ticketing’ is also relevant.</p> <p>Level 3 [9-15] For a clear explanation of exactly what is meant by a ‘sustainable’ transport policy with use made of relevant examples.</p> <p>For 13+ candidates will be expected to <u>clearly</u> analyse at least two possible policies.</p> <p>11-12 marks – basic analysis of two policies OR thorough analysis of one</p> <p>9-10 marks – basic analysis of one policy (in terms of behaviour changing or some idea of the policy resulting in modal change)</p> <p>Only answers which clearly analyse how such policies actually work will be in this level</p> | | <p>L3 must explain why each policy is sustainable ie why does car demand fall or public transport use rise? This reference to change is what is needed for analysis ie any explanation of how the policy works</p> <p>As soon as 2 policies are analysed 13+</p> |

| Question | | Marks | |
|----------|---|-------|---|
| | <p>Level 2 [5-8]</p> <p>For an application of knowledge and understanding of what a 'sustainable' transport policy means. Answers in this level will include relevant examples of possible policies which could be used but will fail to develop these. For 7+ marks, answers must refer to at least two policies.</p> <p>NOTE: Where there is no reference to specific policies but to only general principles eg "the government will aim to move people from cars to public transport" then this is Level 2 but can receive a maximum of 8 marks only</p> <p>Level 1 [1-4]</p> <p>For knowledge and understanding of what 'sustainability' is but lacking any clear/relevant application.</p> | | <p>NOTE: Award a maximum of 8 marks if no specific policies are given but there is a simple understanding of needing to move people from cars to forms of public transport</p> |

| Question | Expected Answer | Marks | Rationale |
|------------|--|-------------|---------------------------------------|
| (b) | Discuss whether recent government transport policies could be deemed to be more 'sustainable' | [20] | |
| | <p>There is huge scope here for candidates to evaluate recent government transport policy. A broad definition of 'recent' should be applied to include discussing of the government's 'Ten Year Plan' (2000), the White Paper launched in 2004 ('The future of Transport'), moves to promote integration but also much earlier policies such as bus deregulation and privatisation.</p> <p>Policies which promote the concept of sustainability include a graduated scale for V.E.D., the incentives introduced for local authorities to introduce local road-user charging schemes, the attempts made to integrate different modes of transport, the commitment of significant government resources to long term capital projects / public transport infrastructure, the continued use of subsidies in the transport sector and recent scrappage schemes which have the effect of introducing more low polluting vehicles.</p> <p>Nevertheless, criticisms of government policies remain. With a greater role for the private sector, it is arguably harder to achieve a national, co-ordinated and most importantly integrated solution to congestion issues. This is because the transport sector is much more decentralised with private sector firms arguably more interested in maximising profit rather than achieving an integrated network.</p> <p>Criticisms of privatisation and deregulation in terms of loss of cross-subsidy and vertical disintegration are relevant. Furthermore, several government policies have been deemed to be unpalatable and have been quietly sidelined (eg a national road pricing scheme). The abolition of the fuel tax escalator in 2000 could also be discussed.</p> <p>Accept relevant criticisms of individual policies too eg limitations of road user-charging and subsidies are valid here</p> <p>Level 4 (a) [16-20] For discussion of whether or not recent government transport policy is sustainable. There is also a clear judgement which attempts to weigh the arguments.</p> | | Accept non UK policies as well |

F584

Mark Scheme

January 2010

| Question | Expected Answer | Marks | Rationale |
|----------|--|-------|--|
| | <p>Level 4 (b) [11-15] For a discussion of whether or not government policy is sustainable. Complex ideas have been expressed clearly and fluently using a style of writing which is appropriate to the complex subject matter. Sentences and paragraphs, consistently relevant, have been well structured, using appropriate technical terminology. There may be few, if any, errors of spelling, punctuation and grammar.</p> <p>Level 3 [5-10] For analysis of recent govt transport policy in terms of sustainability but lacking any clear discussion as to whether or not this is the case. If only one policy is analysed then a maximum of 7 marks will be given.</p> <p>Relatively straightforward ideas have been expressed with some clarity and fluency. Arguments are generally relevant, though may stray from the point of the question. There will be some errors of spelling, punctuation and grammar, but these are unlikely to be intrusive or obscure meaning.</p> <p>Level 2 [3-4] For the application of knowledge and understanding of recent government policy. Answers in this level will explain recent transport policies but will fail to analyse whether or not they are sustainable.</p> <p>Some simple ideas have been expressed in an appropriate context. There are likely to be some errors of spelling, punctuation and grammar of which some may be noticeable and intrusive.</p> <p>Level 1 [1-2] For knowledge and understanding of what sustainability is or an answer giving basic examples of recent govt policies but failing to develop these.</p> <p>Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar which will be noticeable and intrusive. Writing may also lack legibility.</p> | | <p>Award 11-12 marks where only basic criticism / discussion is introduced based upon analysis of how policies will work. In other words a mainly one sided answer but with basic discussion</p> <p>Award 13-15 mark where there is clear discussion (ie a balanced two-sided answer)</p> <p>L3 requires simple analysis of why each policy would be sustainable eg why it reduces car use or increases the use of public transport</p> <p>If only one policy is analysed then 7 maximum</p> <p>Level 2: accept general reference to policies aiming to move people out of cars and onto public transport</p> |
| | Section B Total: [35 marks] | | |
| | Paper Total: [60 marks] | | |