



**ADVANCED GCE**  
**ECONOMICS**  
 Transport Economics

**F584**

Candidates answer on the Question Paper

**OCR Supplied Materials:**  
 None

**Other Materials Required:**  
 • Calculators may be used

**Friday 28 January 2011**  
**Afternoon**

**Duration: 2 hours**



Candidate Forename		Candidate Surname	
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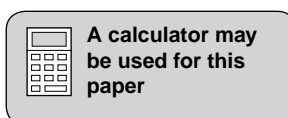
Centre Number						Candidate Number				
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**INSTRUCTIONS TO CANDIDATES**

- Write your name clearly in capital letters, your Centre Number and Candidate Number in the boxes above.
- 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 Section A and **one** question from Section B.
- 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 **16** pages. Any blank pages are indicated.



2

Section A

Answer **all** questions.

**Congestion may be down but...**

It sounds like good news. In 2007, for the first time in 16 years, congestion in America’s urban areas actually declined. This finding came in a report published by the Texas Transportation Institution which for years has rung alarm bells about congestion in the hope that politicians in Washington will hear. With the publication of this report, it may seem to many, that high fuel prices have solved the problem of congestion but unfortunately this is not the case. 5

Even though the report shows that congestion has dropped, congestion still forced Americans to travel for 4.2 billion extra hours and buy an extra 2.8 billion gallons of petrol. The cost of all these delays was \$87.2 billion, an increase of over 50% since 1997.

The recent decline in congestion may be attributed to rising fuel prices and a slumping economy but neither development is welcome or permanent. History suggests that when the economy rebounds, congestion will too. 10

The Texas Transportation Institution points to some simple steps which could help reduce congestion such as shortening the response time of the emergency services to accidents; which would result in traffic moving again more quickly. In the long term, however, road pricing is surely the answer. All drivers pay the same tax rate on petrol whether they are driving on a congested or uncongested road. It is society which bears the costs of pollution and wasted time. Road pricing is certainly controversial – a plan to introduce it in Manhattan was dropped last year. But if Americans do not want to be stuck in their cars, they had better get a move on. 15

It is not only Manhattan which has rejected road pricing, the same has happened in the UK in Manchester and Edinburgh. Equally, the UK has also experienced a fall in traffic volumes of late; as shown in Fig. 1. 20

**Fig. 1: Car and heavy goods vehicle traffic by road in the UK**

Type of vehicle and road class	Change in traffic (vehicle miles) 2008–2009
Car traffic on motorways	–4%
Car traffic on urban ‘A’ roads	–1%
Car traffic on rural ‘A’ roads	–3%
Heavy goods vehicle traffic on motorways	–11%
Heavy goods vehicle traffic on urban ‘A’ roads	–14%
Heavy goods vehicle traffic on rural ‘A’ roads	–10%

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1 (a) (i) Using Fig. 1, compare the changes in car traffic and heavy goods vehicle traffic.

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(ii) State and explain **two** possible factors which may account for the change in road traffic.

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**(c) (i)** Why is road congestion seen as a negative externality?

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**(ii)** Comment on the effectiveness of higher fuel prices as a means of reducing car use.

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**Section B**

Answer **one** question.

- 2 (a) Analyse the difference between the short run and long run equilibrium of a firm in monopolistic competition. [15]
- (b) Discuss whether the objective of firms in the transport sector should always be that of profit maximisation. [20]
- 3 (a) Analyse the main reasons why there has been increased growth in air travel in the last ten years. [15]
- (b) Discuss the impact of increased competition on firms in the airline market. [20]
- 4 (a) Analyse what is meant by an integrated transport policy. [15]
- (b) Discuss whether recent government policy has been successful in achieving an integrated transport policy. [20]

**Section B Total: [35 marks]**

**Paper Total: [60 marks]**









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Start your answer to part **(b)** here

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**14**

Additional answer space. If you use this space, please number your answers carefully.

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