

OXFORD CAMBRIDGE AND RSA EXAMINATIONS
ADVANCED GCE
2885
ECONOMICS
Transport Economics

THURSDAY 18 JUNE 2009: Afternoon

DURATION: 1 hour 30 minutes

SUITABLE FOR VISUALLY IMPAIRED CANDIDATES

Candidates answer on the Answer Booklet

OCR SUPPLIED MATERIALS:

8 page Answer Booklet

OTHER MATERIALS REQUIRED:

None

READ INSTRUCTIONS OVERLEAF

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.**

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.**

SECTION A

Answer this question.

1 VALUING THE ECONOMIC BENEFITS OF ROAD IMPROVEMENTS

Two of the most stated reasons for road improvements are reductions in accidents and improvements to traffic flow to reduce congestion. These factors are highlighted in the decision to improve 4 km of the A14 in Suffolk (see Extract A below).

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FIG. 1 KILLED OR SERIOUSLY INJURED CAR USER CASUALTIES FOR SELECTED REGIONS, 1995–2005.

<u>Region</u>	<u>1995</u>	<u>1997</u>	<u>1999</u>	<u>2001</u>	<u>2003</u>	<u>2005</u>
<u>East of England</u>	2680	2643	2384	2342	2055	1852
<u>London</u>	2508	2891	2194	2174	1745	1015
<u>England</u>	19575	19647	17253	16484	14632	12435

Appraising road improvements involves estimating the value of human life and the value of travelling time saved. The economic value of human life involves the length of life, and the net economic contribution which the person could be expected to make during his or her lifetime. The value of travelling time depends on the purpose of the journey and the average wage rate (see Fig. 2 on page 4).

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**FIG. 2 ESTIMATES OF VALUES OF TIME SPENT
TRAVELLING PER PERSON PER HOUR
(IN 2002 PRICES).**

Average value of working time travelling for all workers	£26.43
Value of non-working time for a commuter trip	£5.04
Value of non-working time for other trips, e.g. leisure	£4.46

EXTRACT A

In the Government's Ten Year Transport Plan, July 2000, plans were announced to improve the strategic road network. As part of this programme, the Highways Agency implemented a scheme to improve the A14, connecting the east coast ports of Felixstowe and Harwich with the Midlands and the North, at the Haughley Bends near Stowmarket. 20

The scheme is approx 4 km in length and will provide safer access to villages to the south of the current A14. The existing junctions with local roads mean that the visibility along the current A14 is poor, and the road has a bad safety record. 25

The Transport Minister said: 'When the new route is complete, it will make the A14 safer and less congested for long distance and local traffic. It will boost an important route for freight traffic, which contributes to the health of the UK economy by strengthening links with Belgium, Holland and other European countries. This scheme is also good news for walkers, cyclists and horse riders because the Highways Agency is going to use the old A14 as a dedicated route for them.' 30 35

The Mayor of Stowmarket said: ‘This will save lives. There have been a lot of deaths on the Haughley Bends, as well as people ending up in hospital. This new road project is excellent.’

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**Adapted from The Evening Star 21 September 2007
and The Highways Agency website**

- (a) Using Fig. 1, compare the changes in car user casualties in the East of England with London between 1995 and 2005. [2]**
- (b) Two economic benefits of improving the strategic road network are the reduction in serious accidents and the travelling time saved.**
 - (i) Using Extract A, identify and explain TWO OTHER economic benefits of the road improvement at the Haughley Bends. [4]**
 - (ii) Explain the difficulties involved when estimating the economic benefit of reducing the loss of life following road improvements such as the scheme at Haughley Bends. [4]**
 - (iii) Use Fig. 2 to comment on the significance of the different valuations of travel time incorporated into the appraisal of new road schemes. [4]**
- (c) Discuss the extent to which improvements to the strategic road network, such as the A14 scheme, can be considered a move towards a more sustainable transport policy. [6]**

SECTION B

Answer ONE question.

- 2 (a) Explain why the demand for both passenger and freight transport is a ‘derived demand’. [10]**
- (b) Discuss the effectiveness of different government policies aimed at increasing supply in the local bus market. [15]**
- 3 (a) Explain the relationship between contestability and efficiency within a market. [10]**
- (b) Discuss the extent to which the entry of low cost airlines has increased efficiency in the air passenger transport market. [15]**
- 4 (a) With the aid of a diagram, explain what is meant by ‘road user charging’. [10]**
- (b) Discuss whether road user charging is an appropriate means of correcting the market failure associated with traffic congestion in urban areas and on motorways. [15]**

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