



A Level Economics B

MOCKS MARKING TRAINING

Delegate booklet 1

A level Economics B: Delegate booklet 1

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Calculate (4 marks)

Question

This question is taken from the A level specimen paper 1, question 1a.

Extract A: Travel Behaviour

There is some evidence to suggest that UK residents changed their travel behaviour in 2008–09, by choosing to take holidays within Great Britain rather than abroad. This has been referred to as the ‘Rise of the Staycation’. A holiday visit is defined as a visit to a destination for holiday purposes that includes at least one overnight stay.

(Source: <http://www.ons.gov.uk/ons/rel/tourism/tourism-satellite-account/2010---the-economic-importance-of-tourism/sty-home-or-away-staycation.html>)

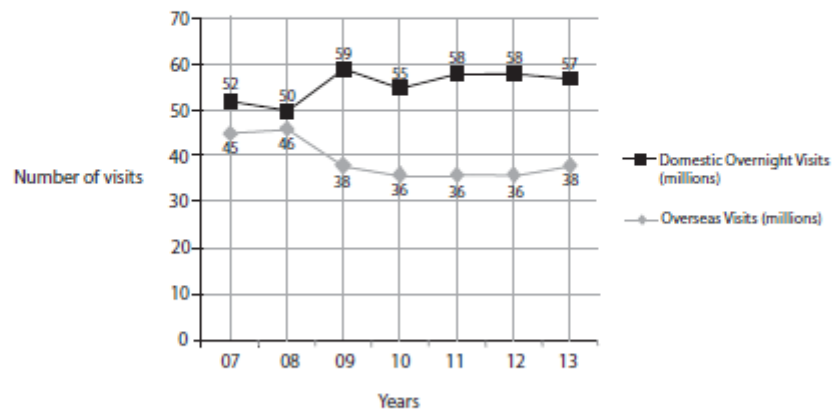


Figure 1

The Number of Holiday Visits in GB and to Overseas Destinations by UK residents 2007–2013

- 1 (a) Calculate, to 2 decimal places, the percentage change in the number of Britons taking domestic holidays from 2007 to 2013 (Figure 1). You are advised to show your working.

(4)

Sample 1

$$\begin{aligned}\% \text{ Change} &= \frac{\text{Change in value}}{\text{Original value}} \times 100 \\ \text{Change in value} &= 57 - 52 = 5 \\ \% \text{ Change} &= \frac{5}{52} \times 100 = 9.62\%\end{aligned}$$

Sample 2

52 million
57 million

$$52\,000\,000 \div 100 = 520\,000$$
$$57\,000\,000 \div 520\,000 = 109.625$$

~~52000000 x 109.625 = 5699600000~~

9.6%

Explain (4 marks)

Question

This question is taken from the A level specimen paper 1, question 1b.

Extract A: Travel Behaviour

There is some evidence to suggest that UK residents changed their travel behaviour in 2008–09, by choosing to take holidays within Great Britain rather than abroad. This has been referred to as the 'Rise of the Staycation'. A holiday visit is defined as a visit to a destination for holiday purposes that includes at least one overnight stay.

(Source: <http://www.ons.gov.uk/ons/rel/tourism/tourism-satellite-account/2010---the-economic-importance-of-tourism/sty-home-or-away-staycation.html>)

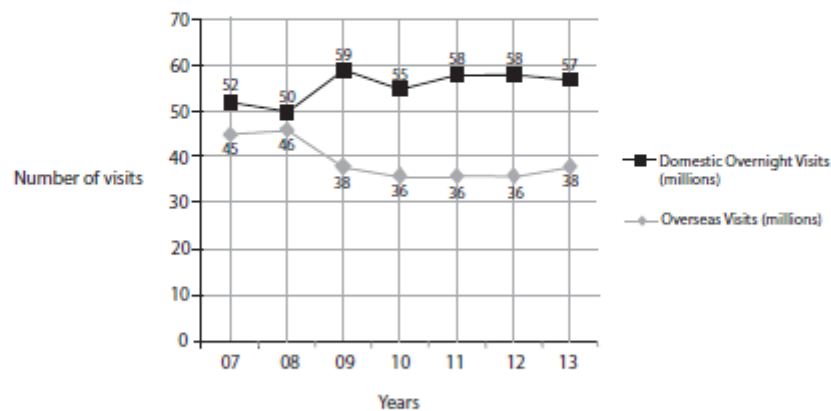


Figure 1

The Number of Holiday Visits In GB and to Overseas Destinations by UK residents 2007–2013

- (b) Using Figure 1, explain the variation in the types of holiday taken by UK citizens between 2007 and 2013.

(4)

Sample 1

Foreign holidays have decreased while domestic holidays have increased. This is because a recession occurred in 2008. So people's incomes fell and many people lost their jobs, therefore they were not able to afford overseas visits. So instead, switched to domestic overnight visits which are cheaper. This is shown on ~~the~~ domestic holidays had risen from 52 million visits ^{in 2007} to 57 million visits in 2013.

Sample 2

The number of UK residents having foreign holidays has decreased between 2007 and 2013, whereas the number of domestic holidays has increased. In 2007 the number of ^{overseas} visits was 4.5 million whereas in 2013 this had decreased by 7 million to 3.8 million. In comparison to the domestic holidays which increased by 5 million visits. The decrease in foreign visits ~~can~~ ^{could} be the result of a reduced disposable income due to people losing their jobs in the 2008-2009 recession. Therefore as a result consumer confidence might have fallen and so they will settle for a cheaper substitute, a cheaper domestic holiday, which is responsible for the increase in domestic holidays.

Analyse (6 marks)

Question

This question is taken from the A level specimen paper 1, question 1d.

Extract B: Saving the package holiday

Tour operators feared the internet would put an end to the package holiday, but the new economic climate has made them more popular now. Despite predictions of its decline, the package holiday remains a popular choice among Britons. The dotcom boom made it possible for anyone to book flights and hotels at the click of a mouse. Suddenly, there was no need to study a glossy brochure before booking a holiday at the local travel agent. Travel operators such as *Thomas Cook*, were set to become less popular following an increase in the number of budget airlines such as *easyJet* and *Ryanair* which entered the European airline market. In addition, 1994 saw the introduction of the Air Passenger Duty (APD) which added a duty ranging from £13 per passenger on short-haul flights up to £97 for the longest flights from the UK to help reduce the environmental costs of flying. 5 10

However, the death of the package holiday now seems like an idea that has been left out in the sun too long. Of 36 million breaks taken by British holidaymakers in 2011, 15 million were package holidays, according to market research company *Key Note*.

If the package holiday has proved resilient, this is also because holiday companies are changing. "We've seen a shift from short-haul, to medium- and long-haul holidays, and from budget to four- and five-star hotels," says Karl Burns, analyst at *Panmure*. German-owned *TUI Travel plc* was far quicker to adapt, he says, but *Thomas Cook* is now beginning to transform itself too, by specialising in family package holidays. 15

(Source: adapted from <http://www.theguardian.com/business/2013/jul/14/austerity-saves-package-holiday>)

(d) Analyse **one** benefit to *Thomas Cook* of specialising in family package holidays.

(6)

Sample 1

As the market shifts in favour of medium to long haul luxury breaks, there are limited demographics of a population that can afford this. Many young families want an exciting holiday abroad and if the parents earn sufficient then these package holidays are a great break. Thomas Cook benefits as it can make more profit ~~off~~ from expensive, large margin goods such as trips out ~~such~~ scuba diving, swimming with dolphins and so on. Children incite the demand and the affluent parent will pay. This guarantees Thomas Cook a stream of profit ~~into~~ ~~that the income elastic mass market holidays which have suffered in the recession~~ from fewer products. This eliminates the need to sell quite as many holidays to cover costs.

Sample 2

Due to Thomas Cook's competition increase due to online bookings with cheaper airlines like easyjet, they couldn't stay competitive, specialising means they can target a niche in the holiday market so they can focus their resources and meet the needs of the niche, so they will be willing to pay more for the family package holidays.

Discuss (8 marks)

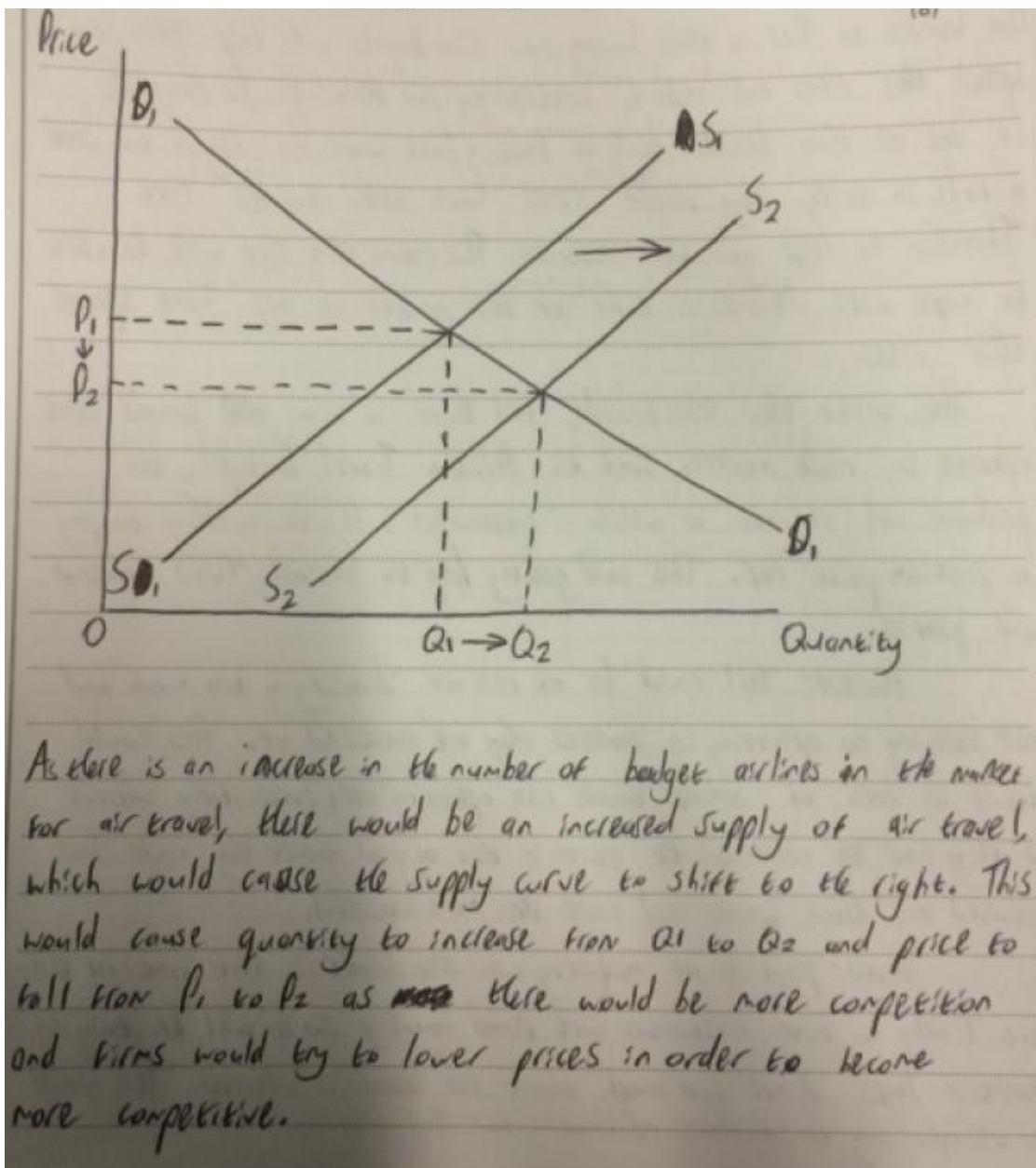
Question

This question is taken from the A level specimen paper 1, question 1e.

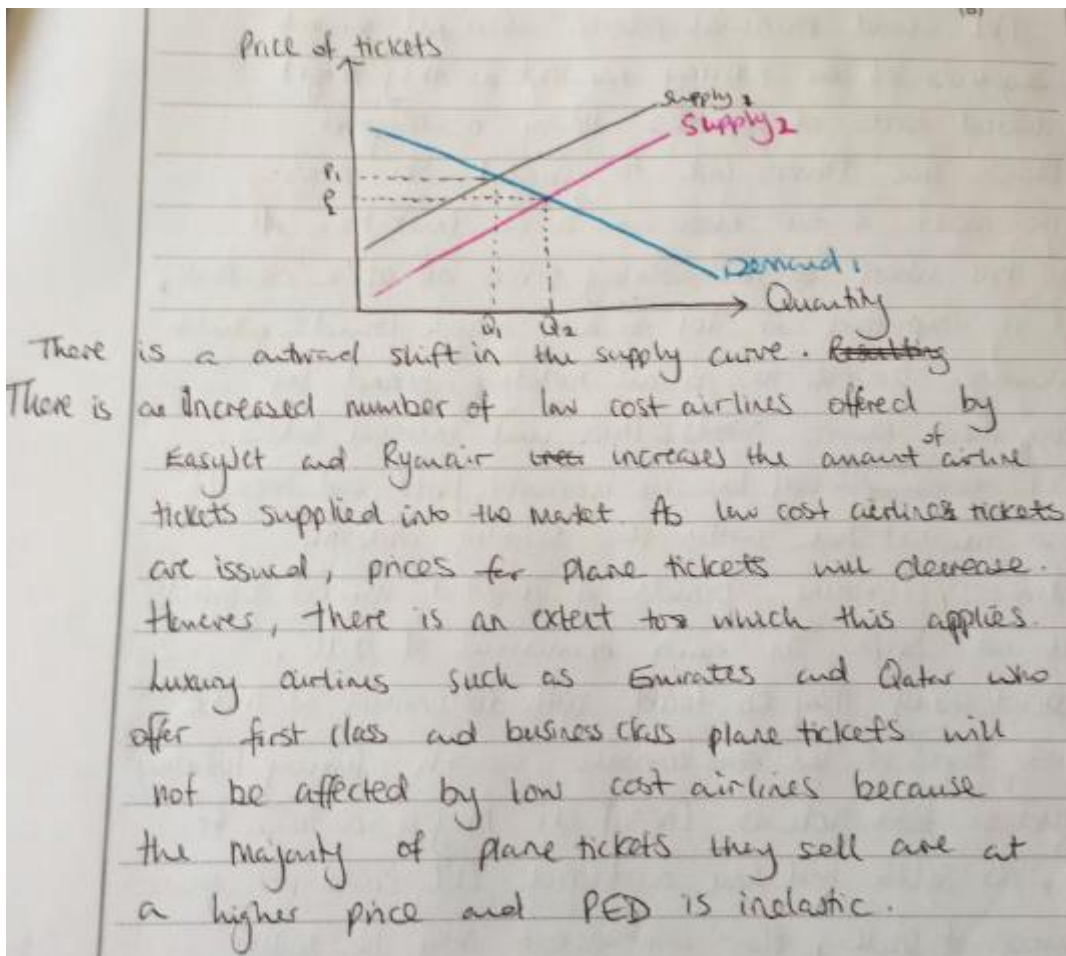
- (e) Using a suitable diagram, discuss the likely impact of an increase in the number of budget airlines on the market for air travel.

(8)

Sample 1



Sample 2



Assess (10 marks)

Question

This question is taken from the A level specimen paper 1, question 1f.

Extract C: TUI Travel plc (TUI)

TUI is one of the world's leading leisure travel groups, with over 220 trusted brands in 180 countries and more than 30 million customers. The business is grouped into three sectors – Mainstream, Accommodation & Destinations and Specialist & Activity. From popular holiday brands such as *Thomson* and *First Choice* to a collection of specialist travel providers such as *Crystal Ski* and *African Travel Concept*, *TUI* offers the breadth and depth of experiences and expertise for every type of traveller. 5

TUI is a global business, employing approximately 55,000 people and operating in 31 key markets worldwide. The head office is in the UK and *TUI* is listed on the London Stock Exchange as a member of the FTSE 100 and FTSE4Good indices.

(Source: adapted from <http://www.tuitravelplc.com/about-us/at-a-glance#.VH9bkM9yblU>)

- (f) Assess the likely benefits to *TUI* of having over 220 brands (Extract C).

(10)

Sample 1

One key benefit is the ability for TUI to spread risk through its diversification into different styles of holiday: Mainstream, accommodation and specialist. By possessing lots of brands, TUI gains a reputation for each brand rather than the group. For example ~~they~~ Crystal Ski holidays are an established brand who are specialists at providing ~~the~~ quality ski experience. TUI gains both customers and revenue from existing in that market but also the ability to gain consumer loyalty through the specialised brand. This diversification allows TUI to withstand market shocks from ~~the~~ some market sectors. ~~For example~~

Also, TUI ~~is~~ can delegate ~~responsibility~~ and empower each brand to work more independently so that a better, more tailored customer service approach can be taken, potentially increasing revenue.

However, by spreading itself ~~over~~ over such a wide selection of brands, ~~variable~~ fixed costs will increase due to all the equipment each brand 'HQ' will need such as highly paid managers, ~~and~~ ~~and~~ telecommunications technology and rent. It also becomes harder for TUI to regulate its own company due to a long chain of command. This could lead to unclear direction or conflicts along the chain.

Overall, for such a large company the benefits of spreading risk outweigh the disadvantages.

Sample 2

Having over 220 brands will benefit TUI as it ~~to~~ will spread risk. If TUI only had one or a few brands, all of the profits would be spread amongst a smaller group, meaning each brand would have a greater share of total ~~the~~ revenue. If one of the brands faced problems and went bankrupt then more money will be lost than if just one out of 220 brands went bankrupt. Also it helps spread risk by having brands in 180 countries as if trends change in one country and sales fall then this can be offset by gains experienced in another. ~~to~~ In addition, by having ~~a larger number~~ ^{220 brands} there is going to be more activity in the business and so TUI will be able to make more profits.

However, by having 220 brands, TUI may not be able to benefit as much from economies of scale, and so ~~AC~~ ^{AC} would not decrease, as there is not as much 'bulk-buying' as there would be if all the business costs were spent by just one brand. Furthermore by having so many brands this will require much organisation by TUI and may distract from the main focus of the business. Similar to this, by having 220 brands TUI may risk losing their own brand identity and fall out of favour with customers.

Assess (12 marks)

Question

This question is taken from the A level specimen paper 1, question 1h.

Extract C: TUI Travel plc (TUI)

TUI is one of the world's leading leisure travel groups, with over 220 trusted brands in 180 countries and more than 30 million customers. The business is grouped into three sectors – Mainstream, Accommodation & Destinations and Specialist & Activity. From popular holiday brands such as *Thomson* and *First Choice* to a collection of specialist travel providers such as *Crystal Ski* and *African Travel Concept*, TUI offers the breadth and depth of experiences and expertise for every type of traveller. 5

TUI is a global business, employing approximately 55,000 people and operating in 31 key markets worldwide. The head office is in the UK and TUI is listed on the London Stock Exchange as a member of the FTSE 100 and FTSE4Good indices.

(Source: adapted from <http://www.tuitravelplc.com/about-us/at-a-glance#.VH9bkM9yblU>)

Extract D: Meet the Boeing 787 Dreamliner

TUI's UK airline, *Thomson Airways*, was the first in the UK to fly the new state-of-the-art *Boeing 787 Dreamliner* as part of its fleet in June 2013, flying from Manchester, East Midlands, Glasgow and Gatwick to Sanford in Florida and Cancun in Mexico. This will be one of 15 aircraft and part of a multi-billion-pound deal to buy more *Boeing* jets. The company is buying 60 of *Boeing's* narrow-bodied, fuel-efficient jets, with an option to take 90 more. The list price of the jets is £4 billion but TUI said it had secured the planes for a 'significant discount'. 5

What's so special about the Dreamliner?

- The Dreamliner offers its customers a more enjoyable in-flight experience and also brings business benefits as a result of its increased fuel efficiency, using up to 20% less fuel than comparable aircraft. 10
- Customers enjoy industry-leading seats in Economy Club with 33 or 34 inches of legroom. Premium Club seats with 38 inches of legroom give customers even more space to relax.
- The Dreamliner gives customers more room within the cabin – even at its lowest point, there is more than 6 feet of headroom. 15
- The windows on the Dreamliner are 30% larger than the size of normal aircraft windows – so customers get a great view no matter where they are sitting.
- The cabin pressure is 6,000 feet instead of 8,000 feet, which means more oxygen will be absorbed into the blood, so customers will leave the aircraft feeling fresher and less jet-lagged. 20
- State-of-the-art mood lighting mimics dawn and dusk, meaning customers' bodies are more in tune with the time of day at their destination.

(Sources adapted from: <http://www.tuitravelplc.com/about-us/at-a-glance#.VH42vjGsVic>
<http://www.tuitravelplc.com/brand-experience/meet-boeing-787-dreamliner#.VH4tqDGsVic>)

- (h) Assess whether the new Dreamliner aircraft could provide TUI with a competitive advantage.

(12)

Sample 1

competitive advantage is when a good or service has something unique about it that none of the competition has, allowing it to be charged at a premium price and a higher price than the competition. The new 'Dreamliner' has many features that give it a competitive advantage such as, 20% less fuel usage (more efficient), more legroom for both 'Economy class' and 'Premium class' and more headroom, larger windows, designs that increase oxygen in the blood so customers are "feeling fresher" and mood lighting. For customers using these Boeing 787 planes, they would see them as a luxury and would pay more money for it. If people are wanting cheaper flights and are using the ^{increasing number of} budget airlines ('easyjet' and 'Ryanair') then TFL wouldn't see much of an increase in ^{total} sales and would take longer for them to break-even, after paying under £4 billion for each aircraft.

(Total for Question 1 = 60 marks)

Sample 2

The new Dreamliner aircraft could provide TUI with a competitive advantage as it will help provide a better, more luxurious service for customers and differentiate TUI from other competition in the market. For example, the lower cabin pressure of the dreamliner to other aircraft may ~~also~~ attract new customers to TUI as they will have a better experience feeling less jet-lagged afterwards. This would mean the customers feel more refreshed for their holiday than if they used another firm and this ~~create~~ differentiation from other firms could help build TUI's competitive advantage.

The dreamliner also has increased fuel efficiency, meaning the average costs per passenger for TUI will decrease and this could result in lower travel fares for customers which would help to make TUI more competitive. On the other hand, the more luxurious service TUI will provide may be marketed as a premium product so consumers may be willing to pay premium prices for the service due to its competitive advantage over rival firms.

However, there is nothing to stop rival firms from also purchasing Dreamliner aircraft which would result in no differentiation in travel experience for customers and TUI would not gain competitive advantage over these rivals. Also, consumers may not be too interested about the extra features and just want a cheap flight so demand could fall if TUI begin charging premium prices for flights as air travel ~~can~~ could be a price elastic good. This would reduce how competitive TUI is.

Evaluate (20 marks)

Question

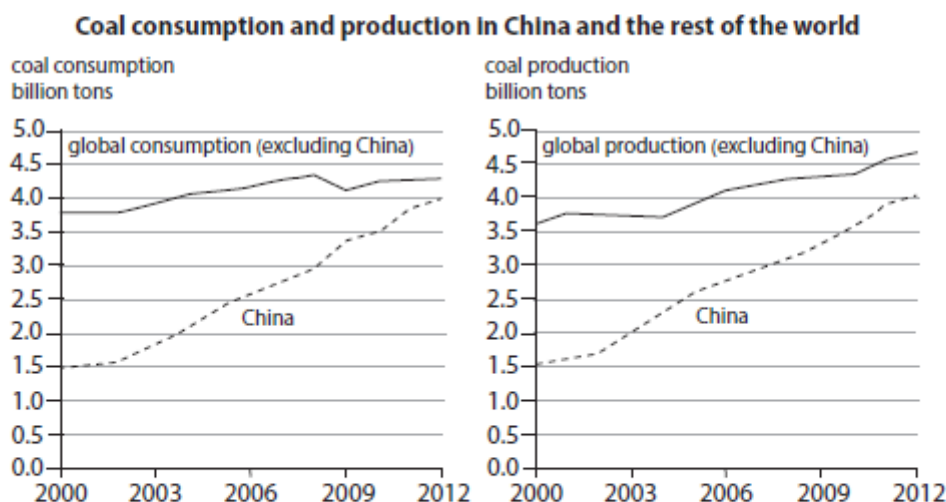
This question is taken from the A level specimen paper 1, question 3.

Extract F

Chinese production and consumption of coal increased for the 13th consecutive year in 2012. China is by far the world's largest producer and consumer of coal, accounting for 46% of global coal production and 49% of global coal consumption, almost as much as the rest of the world combined.

As a manufacturing country that has large electric power requirements, China's coal consumption fuels its economic growth. China's gross domestic product (GDP) grew 7.7% in 2012, following an average GDP growth rate of 10% per year from 2000 to 2011.

5



(Source: adapted from <http://www.eia.gov/todayinenergy/detail.cfm?id=16271>)

Extract G: China coal mine fire kills 26 November 2014

A fire at a Chinese coal mine that killed 26 workers is the latest fatal incident to hit the accident-prone industry. The blaze at the mine in the northeastern province of Liaoning also left 50 people injured. The mine is one of the biggest coal producers in the region, with an annual production capacity of 1.5 million tonnes. It employs 4,660 people.

China's mines are amongst the world's deadliest. The lack of regulation, corruption and poor operating procedures means that safety is often neglected by bosses. In their search for easy profits, accidents are common. In 2013 the country recorded 589 mining-related accidents, which left 1,049 people dead or missing, according to the Chinese government. Both the number of accidents and fatalities were down more than 24% from 2012. The government plans to close more than 2,000 small coal mines, a major source of accidents, in an effort to consolidate the industry.

5

10

However labour rights groups have said the actual death toll is likely to be much higher than official data, partly due to under-reporting of accidents as mine bosses seek to limit economic losses and avoid punishment. China is the world's biggest consumer of coal, relying on it for 65.7% of its energy needs in 2013.

15

(Source: adapted from <http://www.dailymail.co.uk/wires/afp/article-2849706/Coal-fire-kills-24-China-Xinhua.html>)

- 3 Using Extracts F and G, evaluate whether the Chinese government should intervene in the coal mining industry.

(20)

Sample 1

~~On initial~~ There was an argument for intervening strongly in the coal mining industry in China. There are clearly a lot of accidents and deaths each year due to poor operating procedures and a lack of regulation. ~~This is~~ These conditions are not going to motivate the workforce in the mines and could lower their productivity. Also, mine collapses will be expensive for mines to recover from which could lead to many firms going insolvent due to ~~inadequate~~ ~~poor~~ inadequate insurance and financial protection. The whole China has a large population so these deaths will still lead to bereaved families with out ^{main earners} ~~producers~~ which could lead to socially ~~depressed~~ and economically depressed areas developing around mining towns affected. The government could introduce ~~broader~~ stricter regulations ~~with~~ with strict enforcement such as health and safety procedures to limit accidents.

Also, smaller coal mines have less ability to utilise capital intensive methods to reduce risk to personnel so closing these and allowing large mining firms to take over could lead to greater efficiencies in production. ~~reducing the cost of coal~~

On the other hand, China as a nation utilises a huge quantity of ~~it~~ coal to fuel its economic growth. ~~If ~~strict~~ the~~ Regulation and stricter procedures could lead to a slowing in the coal supply's growth in China. This could lead to demand overtaking supply ~~fueling China's economic growth from said prices.~~

pushing ~~up~~ the price of coal up. This would adversely affect China's mass market manufacturing sector which uses vast quantities of electricity as it would increase their costs and reduce their competitiveness throughout the world. If too much regulation was introduced to the market then China could harm its economic growth as costs creep up close to western standards. If this happened much investment might leave China.

In conclusion, China might gain a lower death rate and a minute saving in welfare and community support from regulation of the coal industry. However, its economy is still imbalanced toward power-hungry manufacturing and too much regulation could lead to problems for China's already slowing growth. In the long run, however, China may invest in cleaner power ~~as~~ ~~compared~~ as coal becomes more expensive. This could reduce future ~~externalities~~ ~~externalities~~ externalities incurred through poor respiratory health due to poor air quality from coal fires.

TOTAL FOR SECTION C = 20 MARKS
TOTAL FOR PAPER = 100 MARKS

Sample 2

China's coal mining industry is clearly very important to the country as a whole and even other countries, and the growing consumption. One reason why the government maybe should not intervene is because of this; the industry clearly supports the economy hugely as the exports from coal will make taxes that go to the government also the lack of need to import coal for other industries makes things like product production & manufacturing cheaper so they can produce more for lower prices. Also the employees will all pay tax from their earnings & also on the products they buy with their income. All of these things boost the economy & are external benefits of the coal mining industry and if the government intervene then they may not have industry experts who can help them make the sector as efficient as it is now, causing external losses.

Another reason against intervention is that the government would most likely, as they have done already, close other small mines that are seen as the most dangerous. This would actually have a very bad effect as it would result in other mines having to take on their workload as well maybe even making them more dangerous. However, the number of deaths in these mines cannot be ignored & the loss of staff means more must be trained in their place creating avoidable costs.