Please check the examination details below before entering your candidate information

Candidate surname	Other names

Centre Number | Candidate Number

Pearson Edexcel Level 3 GCE

Monday 12 May 2025

Morning (Time: 2 hours)

Paper reference **9EB0/01**

Economics B

Advanced

PAPER 1: Markets and how they work

You must have:
Source Booklet (enclosed)

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions.
- Answer the questions in the spaces provided – *there may be more space than you need*.

Information

- The total mark for this paper is 100.
- The marks for **each** question are shown in brackets – *use this as a guide as to how much time to spend on each question*.
- Calculators may be used.

Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ▶

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Answer ALL questions.

SECTION A

Read Extracts A–F in the Source Booklet before answering Question 1.

Write your answers in the spaces provided.

1 (a) Explain **one** benefit to train operating companies (TOCs) of leasing the trains.

(4)

(b) Using a supply and demand diagram, illustrate the impact on the market for rail travel from a decrease in bus fares.

(4)

(c) Using Extract B, calculate to two decimal places, the percentage of total income for the rail industry that came from government subsidies between April 2023 and March 2024. You are advised to show your working.

(4)

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(d) Analyse **two** possible reasons why the UK Government subsidises rail travel.

(6)

(e) Using Extract C, discuss the power that train drivers have in the labour market.

(8)

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(f) Using Extract D, assess the impact on consumers of *Avanti West Coast* having a monopoly on its routes.

(10)

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(g) Assess whether the investment into a new railway line between Birmingham and Manchester can reduce geographical immobility.

(12)

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UK train manufacturers have urged the government to buy more trains.

(h) Assess the possible benefits to the UK economy if the UK Government buys more trains.

(12)

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(Total for Question 1 = 60 marks)

TOTAL FOR SECTION A = 60 MARKS

SECTION B

Read Extract G in the Source Booklet before answering Question 2.

Write your answer in the space provided.

2 Evaluate the extent to which the removal of the cap on bankers' bonuses will be beneficial to the UK banking industry.

(20)

(Total for Question 2 = 20 marks)

TOTAL FOR SECTION B = 20 MARKS

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QUESTION 3 BEGINS ON THE NEXT PAGE

SECTION C

Read Extracts H–I in the Source Booklet before answering Question 3.

Write your answer in the space provided.

3 Evaluate whether the social benefits of building nuclear power stations outweigh the social costs.

(20)

(Total for Question 3 = 20 marks)

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

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Economics B

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PAPER 1: Markets and how they work

Source Booklet

Do not return this Booklet with the question paper.

Turn over ▶

P 8 4 9 3 0 A

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Sources for use with SECTION A

Read the following extracts (A–F) before answering Question 1.

Extract A

The UK rail industry

Following privatisation in 1993, British Rail was divided into three main parts:

- Network Rail that owns the rail infrastructure (track, signalling, bridges, tunnels, stations and depots)
- Train Operating Companies (TOCs) such as *Avanti West Coast* that operate the passenger and freight trains
- The rolling stock companies (ROSCOs) that own the trains and lease them to the TOCs.

ROSCOs have replaced many of the older trains that were being used before privatisation with modern trains. They are often responsible for the maintenance and rebuilding of the trains they lease to the TOCs. The ROSCOs received £3.3bn in leasing fees from the TOCs from April 2023 to March 2024.

(Source: adapted from https://www.orr.gov.uk/about/who-we-work-with/industry/rolling-stock-companies)

Extract B

UK rail industry operational income and expenditure between April 2023 and March 2024

Income	**£bn**	**Expenditure**	**£bn**
Passenger income	11.0	Train Operator's costs	12.5
Government subsidies	12.5	Network Rail	11.1
Other sources	1.9	Other costs	1.4
Total income	**25.4**	**Total expenditure**	**25.0**

(Source: adapted from https://dataportal.orr.gov.uk/media/udsa42ql/rail-industry-finance-uk-statistical-release-202324.pdf)

Extract C

***Avanti West Coast* train drivers to be paid £600 for overtime shifts**

Avanti West Coast train drivers will receive an increased fee for working overtime shifts as part of an agreement between the Train Operating Company (TOC) and the ASLEF trade union, which represents over 21,000 members. The deal means train drivers will now be paid £600 to work an extra shift in addition to their standard four-day week.

The new deal will remain until 13 March 2025 and aims to improve the reliability of the train operator's services and avoid more industrial action which has disrupted rail passengers for 22 months.

Reports indicate that the pay increase could take some train drivers' average annual salary to around £100 000. *Avanti West Coast* states that a typical train driver salary, excluding overtime, reaches £70 000 within a few years of starting.

(Source: adapted from https://www.independent.co.uk/travel/news-and-advice/avanti-train-drivers-pay-overtime-shifts-b2518207.html)

Extract D

***Avanti West Coast* contract renewed despite poor performance**

In 2023, *Avanti West Coast*'s contract to operate train services was renewed for a further nine years.

It will continue to operate rail routes from Scotland, Wales, Manchester and Liverpool to London. The renewal came despite issues with trains arriving late or not at all. Only 46% of *Avanti West Coast* services ran on time compared to the national average of 70% in 2022.

These figures come after the firm distributed £13.5m to its shareholders in 2022, an increase of 17% from the year before. This was despite its pre-tax profits decreasing from £16.6m to £12.3m.

(Source: adapted from https://news.sky.com/story/avanti-west-coast-and-crosscountry-rail-contracts-renewed-despite-disastrous-2022-for-avanti-12965074)

Extract E

City mayors put forward alternative to the cancelled HS2 northern leg

In October 2023, Prime Minister Rishi Sunak cancelled HS2's northern leg, arguing the £36bn cost would be better spent on local transport. HS2 will now only connect London to the West Midlands.

In response, West Midlands Mayor, Andy Street and Greater Manchester Mayor, Andy Burnham, commissioned a review into alternatives funded by both the private sector and government.

Experts concluded that a new rail line is essential to address the "missing link" between the two major city regions, as the M6 motorway and West Coast rail network cannot meet future demand. The proposed rail link would follow the original HS2 route north of Birmingham to Manchester Airport but at a lower cost.

(Source: adapted from https://www.ft.com/content/183e3afc-099a-4cee-9bed-6416a97d981a)

Extract F

Jobs at risk as UK Government fails to bridge gaps in new train orders

More than 2,000 jobs are at risk at two major UK train factories due to a lack of new orders. *Alstom*'s Derby factory has begun layoffs after halting production, while *Hitachi*'s Newton Aycliffe factory in the north-east of England may run out of work within a year.

Both *Alstom* and *Hitachi* have lobbied the government to order more trains to plug their gaps in production until 2025. This is when work on new government-owned HS2 high-speed trains is scheduled. The government has failed to add extra orders on to existing contracts for the factories.

It is estimated the *Alstom* closure could put at risk between 5,000 and 7,000 jobs in the railway supply chain, many of them in small and medium enterprises across the Midlands.

The leader of Derby City Council said, "This will hit this great industry, our city, and the wider Midlands economy extremely hard. Without government support we will lose train making in the UK forever and put almost two centuries of local rail heritage at risk."

(Source: adapted from https://www.ft.com/content/21bb0b5d-26b8-422f-99fb-8aff7119945e)

Source for use with SECTION B

Read the following extract (G) before answering Question 2.

Extract G

Cap on bankers' bonuses removed

In October 2023, regulators removed the cap on bankers' bonuses. The cap had restricted bonuses to twice the base pay for employees of banks, building societies and investment firms within the EU.

The bonus cap, introduced after the 2008–09 Global Financial Crisis, was meant to reduce excessive risk-taking in the financial sector. Regulators, including the Financial Conduct Authority (FCA), argued the removal of the cap would give firms greater flexibility to cut pay in cases of poor performance or misconduct.

Since leaving the EU, the UK Government has claimed removing the cap will increase the post-Brexit competitiveness of the City by making London a more attractive place for banks to base their staff. This could further enhance the financial sector's contribution to the UK economy.

In 2023, there were over 2.5 million people employed across the UK in financial services, producing £278bn of economic output. This represented 12% of the entire UK's GDP and contributed £100bn in tax revenue.

Paul Nowak, General Secretary of the Trades Union Congress, criticised the decision to remove the cap as 'obscene'. "At a time when millions up and down the country are struggling to make ends meet — this is an insult to working people," he said.

(Source: adapted from https://www.ft.com/content/cc419caf-213d-418e-b921-90e80c7a114b and https://assets.publishing.service.gov.uk/media/64ad6d32fe36e0000d6fa6a9/State_of_the_sector_annual_review_of_UK_financial_services_2023.pdf)

Sources for use with SECTION C

Read the following extracts (H–I) before answering Question 3.

Extract H

Costs and benefits for nuclear power stations

There are five nuclear power stations in operation across Britain today. However, based on current plans, Sizewell B will be the only one still open by 2028. That means the country's existing nuclear capacity will fall from about 6 gigawatts today to just over 1 gigawatt. In response, the UK Government has set out ambitious plans to build new power stations to reach 24 gigawatts of capacity by 2050.

Progress has been slow so far, with just one new nuclear power station, Hinkley Point C in Somerset, under construction by French energy company EDF. The project, which began in 2017, has suffered repeated delays and is not expected to start producing electricity until 2029 at the earliest.

"Just like other infrastructure projects, we have found construction slower than we hoped and faced inflation, labour and material shortages — on top of the global health crisis and Brexit disruption," said Stuart Crooks, Managing Director of Hinkley Point C.

Hinkley Point C, once operational, will generate enough to power 6 million homes and provide 7% of the country's electricity, reducing dependency on fossil fuels. Meanwhile another plant, Sizewell C in Suffolk, has been approved but is yet to begin construction.

(Source: adapted from https://www.telegraph.co.uk/business/2024/03/12/charts-show-why-sunak-forced-build-new-gas-plant/)

Extract I

The Stop Hinkley Campaign

The Stop Hinkley Campaign has reacted to the news that the cost of Hinkley Point C has increased to £46bn and may now not be open until 2029. In 2022, the cost of building the nuclear plant was estimated to be £26bn and was expected to be completed by June 2027.

Spokesperson, Roy Pumfrey said, "Any sensible government would be urgently looking at the overwhelming case to provide our power from 100% renewables. And it's not just costs that are increasing, the whole project is noisy and is damaging the environment."

(Source: adapted from http://stophinkley.org/press-releases/hinkley-point-c-cost-ballooning-amid-further-delays/)

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