

Paper Reference 9EC0/01
Pearson Edexcel
Level 3 GCE

Economics A
Advanced
Paper 1: Markets and Business Behaviour

Tuesday 5 June 2018 – Afternoon

Data Book

In the boxes below, write your name, centre number and candidate number.

Surname					
Other names					
Centre Number					
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INSTRUCTIONS

There may be spare copies of some data sheets in case you need them.

**THIS DATA BOOK MUST BE RETURNED WITH THE
QUESTION PAPER AT THE END OF THE EXAMINATION.**

Contents

Page

SECTION A

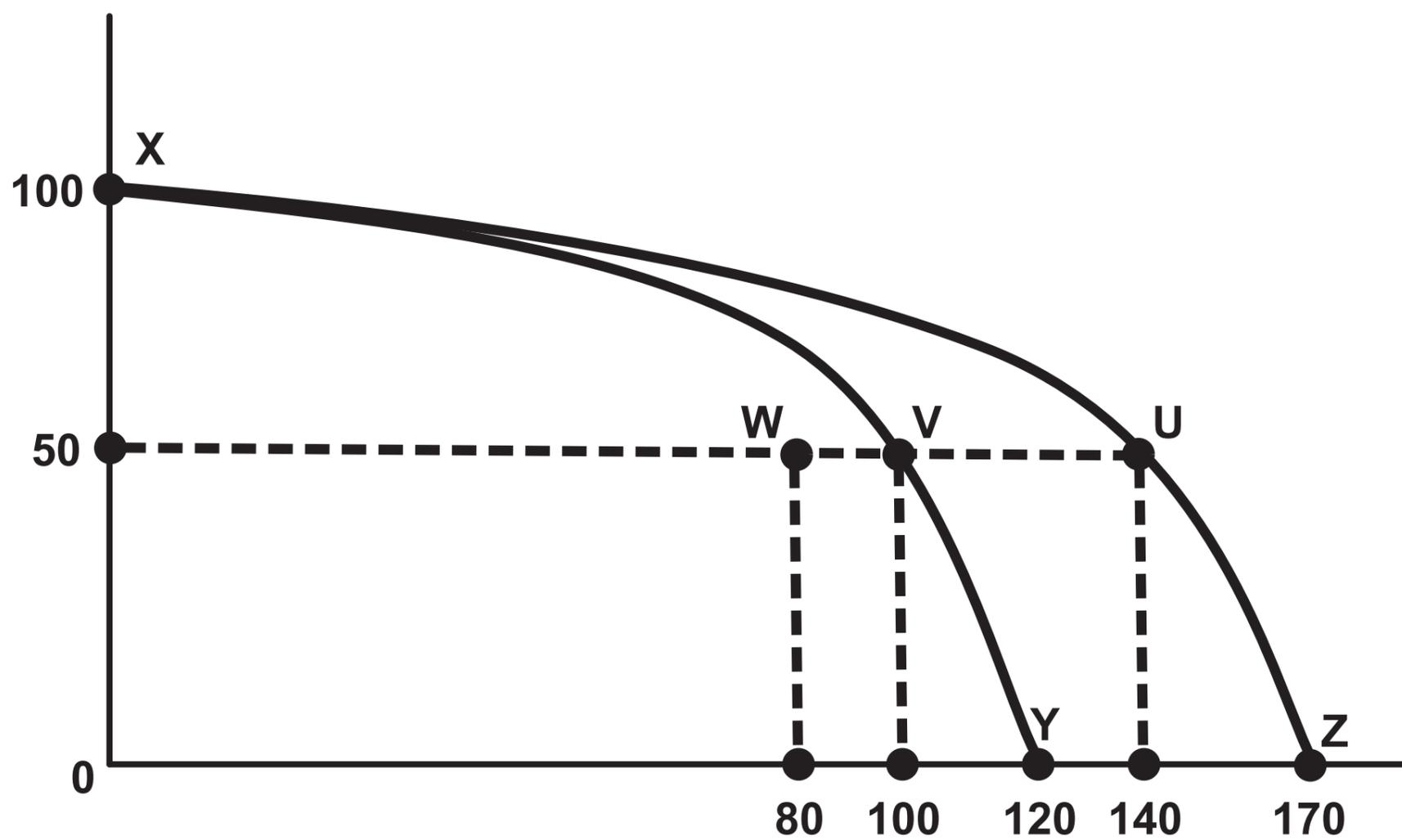
- 4 Question 1**
- 5 Question 4**
- 6 Question 5**
- 7 Question 5(c)**

SECTION B

- 8 Figure 1 for Question 6**
- 9 Figure 2 for Question 6**
- 10 Extract A for Question 6**
- 11 Extract B for Question 6**
- 12 Extract C for Question 6**

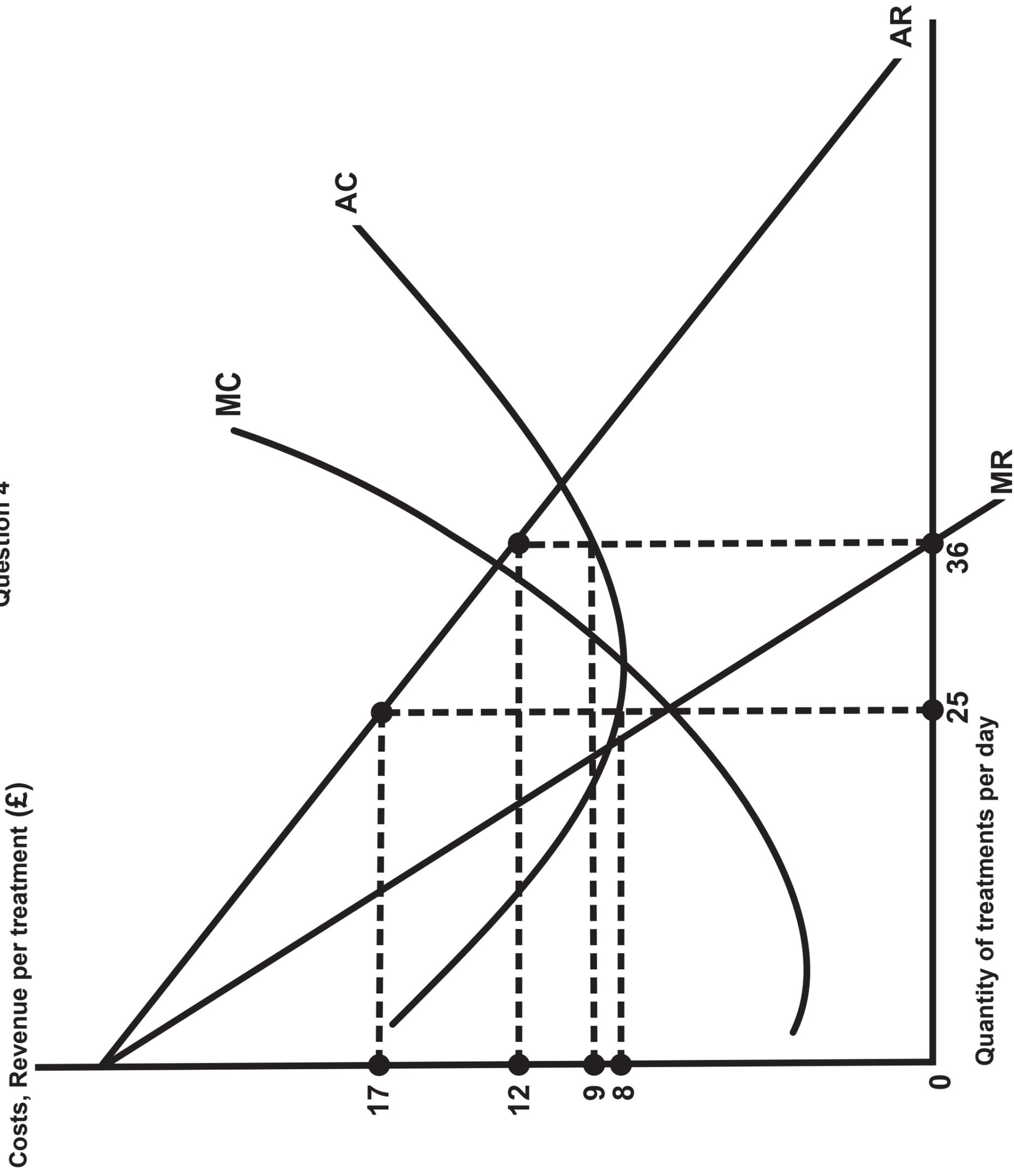
Question 1

Output of capital goods



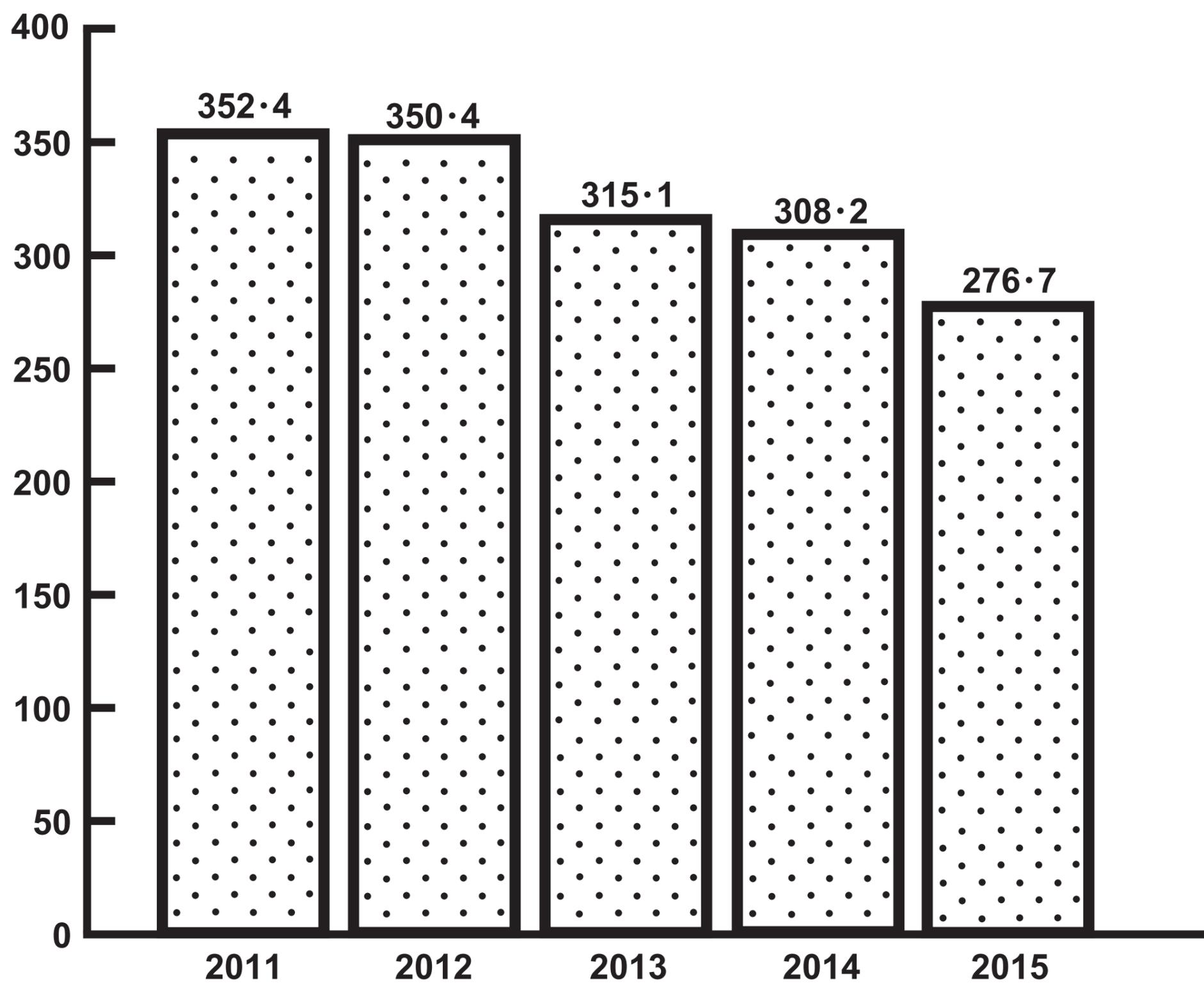
Output of consumer goods

Question 4



Question 5

millions of PCs



(Source: adapted from IDC and reported in The Times, 14th January 2016)

Question 5(c)

Company	Sales of PCs (million)
Lenovo	57 182
HP	53 534
Dell	39 049
Apple	20 794
Acer Group	19 680
Others	86 461
Total	276 700

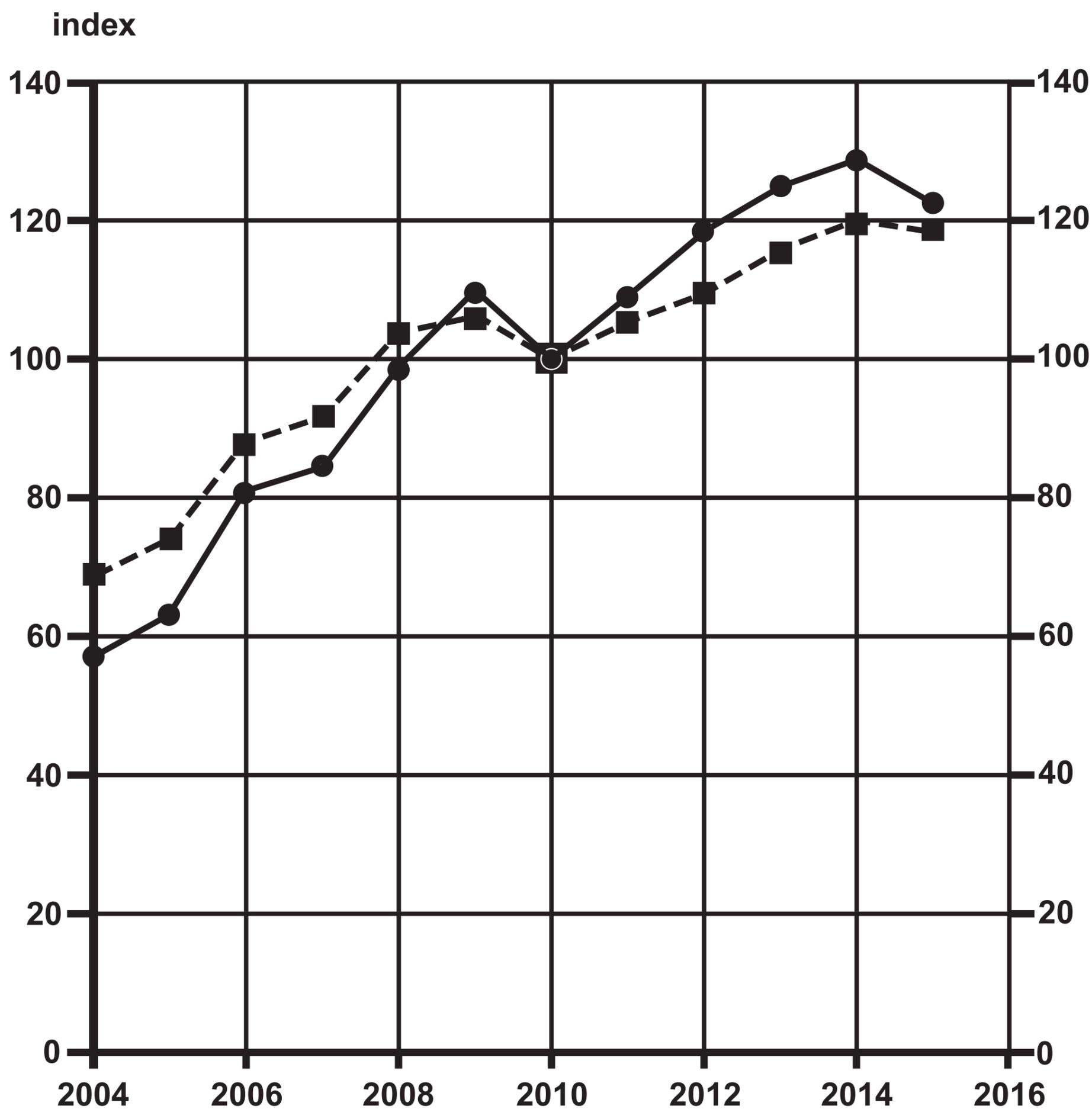
(Source: IDC, reported in The Times, 14th January 2016)

Figure 1 for Question 6

UK retail electricity and gas real price indices, 2004–2015

● Gas ■ Electricity

Indices: 2010 (base) = 100



(Source: <https://assets.publishing.service.gov.uk/media/5773de34e5274a0da3000113/final-report-energy-market-investigation.pdf>)

Figure 2 for Question 6

UK retail electricity and gas supply: market share by company, 2016

Company	Electricity %	Gas %
British Gas	23	36
EON	16	13
SSE	16	13
EDF	12	8
Scottish Power	11	9
RWE (nPower)	10	9
Other companies	12	12
Total	100	100

(Sources: <https://www.ofgem.gov.uk/chart/electricity-supply-market-shares-company-domestic-gb> and <https://www.ofgem.gov.uk/data-portal/retail-market-indicators>)

Extract A for Question 6

Competition and Markets Authority (CMA) report into the UK energy market

An investigation into the UK energy market by the CMA concluded that customers have been paying **£1.4 billion** a year more than they would in a fully competitive market. It found that **70%** of domestic customers of the six largest energy firms were on an expensive standard rate. These customers could each save over **£300** a year by switching to a cheaper deal but appear reluctant to do so.

However, the CMA investigation found no evidence of anti-competitive practices by firms. There has even been an increase in new entrant energy suppliers over recent years and their combined market share has reached **12%** in both gas and electricity supply.

To protect consumers, the CMA has introduced various measures to open up and increase competition in the UK energy market. These include:

- the creation of a database designed to help consumers switch energy suppliers – rival suppliers can directly contact these customers
- the conversion of all homes to smart energy meters making it easier for customers to measure energy consumption and switch supplier
- new rules to protect the four million vulnerable customers using prepaid meters – this includes a temporary price cap until smart meters have been installed.

(Source: adapted from 'Competition and Markets Authority Final report into Energy Market Investigation' <https://www.gov.uk/government/news/cma-publishes-final-energy-report-in-full>)

Extract B for Question 6

Proposals to regulate profits in the UK energy market

5 Currently energy retail companies make an average profit of 7% of total revenue. The Chairman of the Competition and Markets Authority (CMA) suggested that these profits are as much as five times higher than they should be, given the companies' limited role in marketing, metering and billing customers. He recommended a profit cap of 1.25% of total revenue.

10 However, Scottish Power criticised proposals for regulating profits saying that it would reduce investment in the energy industry and undermine long-term energy provision. The firm claimed that such a low rate of return is below the profit margin made by supermarkets.

All six large energy firms are vertically integrated – producing as well as distributing gas and electricity. This can provide efficiency benefits but also harm competition.

(Source: adapted from 'Profit cap doesn't fit with new investment, energy boss warns', by Robin Pagnamenta, The Times, 19th September 2016)

Extract C for Question 6

Skills shortages in the UK energy sector

The energy sector is facing a skills shortage of engineers and technicians. Some **29%** of employers in the gas and electricity industries report unfilled job vacancies compared with an average of **18%** across all industries.

- 5** A lack of information and advice on career prospects for young people is partly to blame – many graduates have a negative image of the work involved. There is also a lack of students taking science, technology, engineering and maths-based subjects at school and university. Less than one-fifth of the energy sector's workforce are women.
- 10** The energy sector is characterised by an ageing workforce – data from the UK Labour Force Survey reveal that around two-thirds of workers are aged over **50**. These cannot easily be replaced as a long time period is required for training and developing workers' skills in a highly regulated industry.

- 15** Urgent action is required by businesses and the government to reduce labour immobility to benefit the energy sector. This action could include policies to increase investment in training programmes, recruit skilled workers from overseas, change the industry image and deal with its ageing workforce.

(Source: adapted from 'Sector insights: skills and performance challenges in the energy sector', by the UK Commission for Employment and Skills, March 2015; https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/416998/15.03.25._Energy_SLMI_-_evidence_report.pdf)