

Paper Reference 9EC0/01
Pearson Edexcel
Level 3 GCE

Economics A
Advanced
Paper 1: Markets and Business Behaviour

Monday 20 May 2019 – Morning

Data Book

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

Surname					
Other names					
Centre Number					
Candidate Number					

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.

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SECTION B

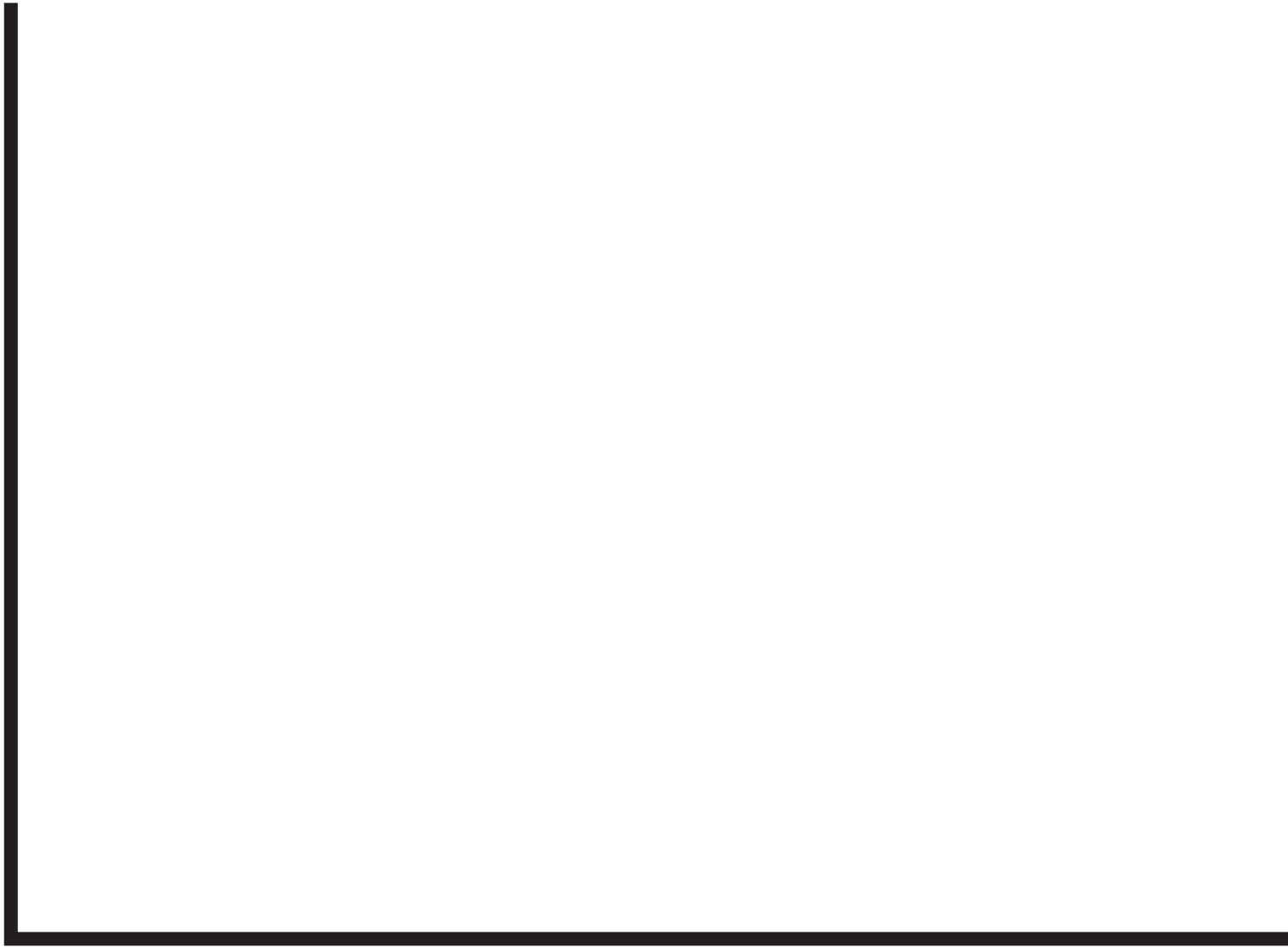
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Question 1

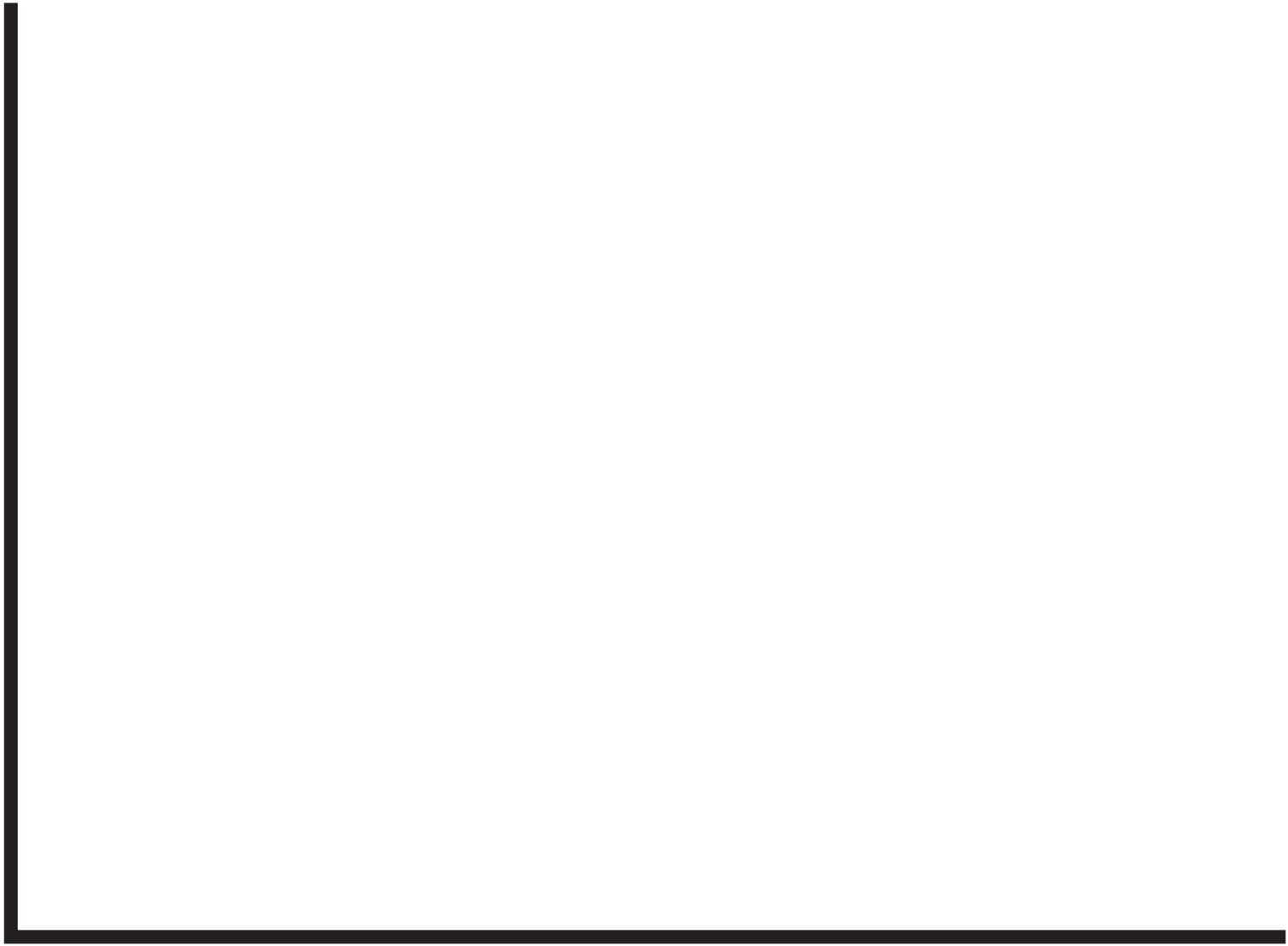
Year	Quantity of UK new house builds
2016	134 612
2017	162 880

(Source: <http://www.telegraph.co.uk/business/2017/05/25/number-new-homes-built-hits-highest-level-since-financial-crisis/>)

Question 2(a)



Question 2(a)



Question 2(b)

Diagram A

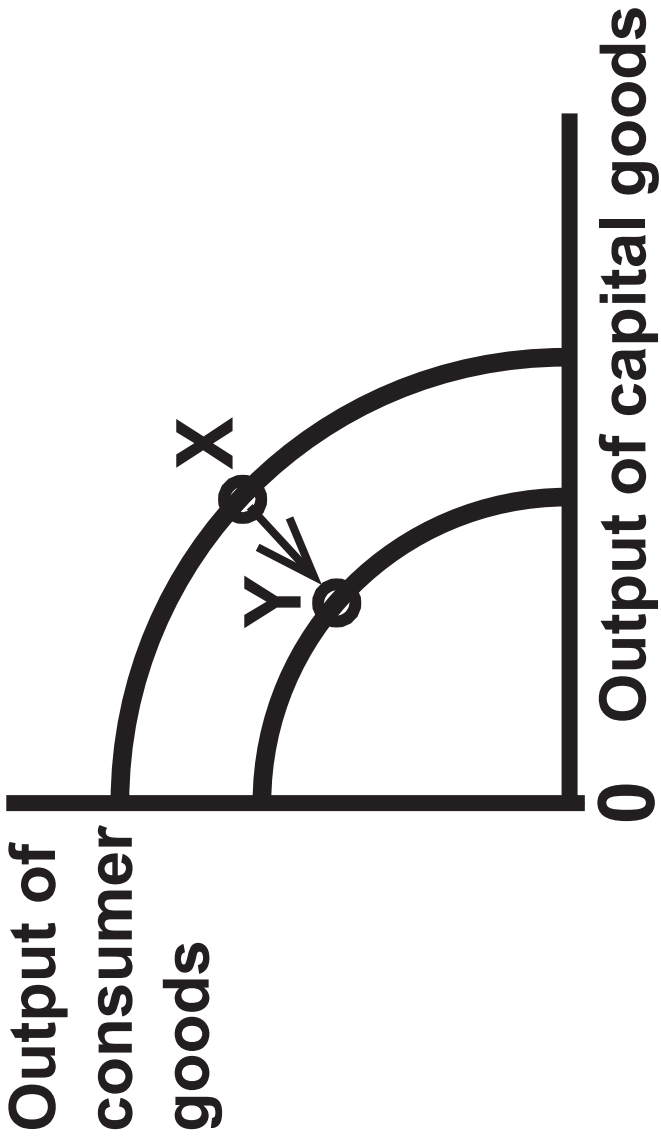


Diagram B

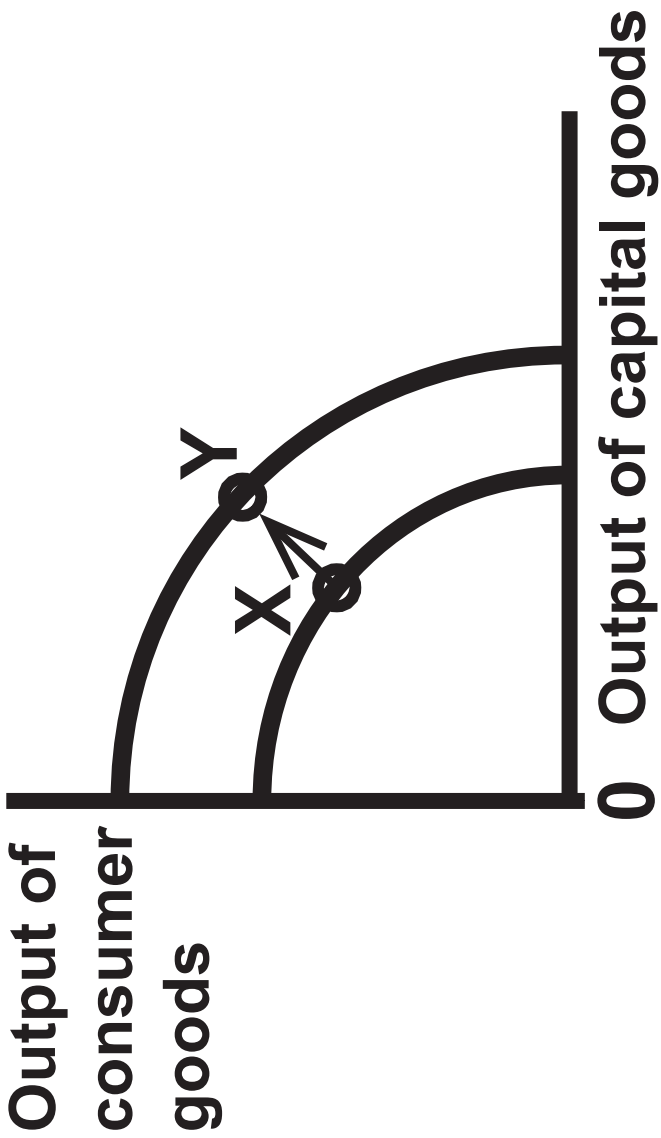


Diagram C

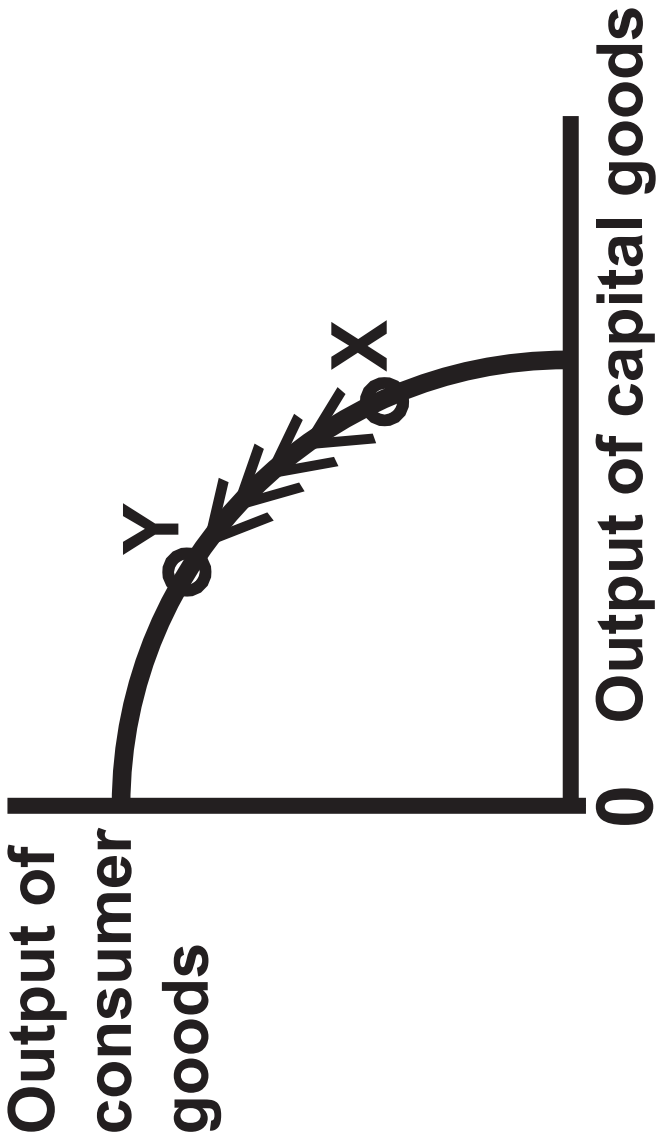
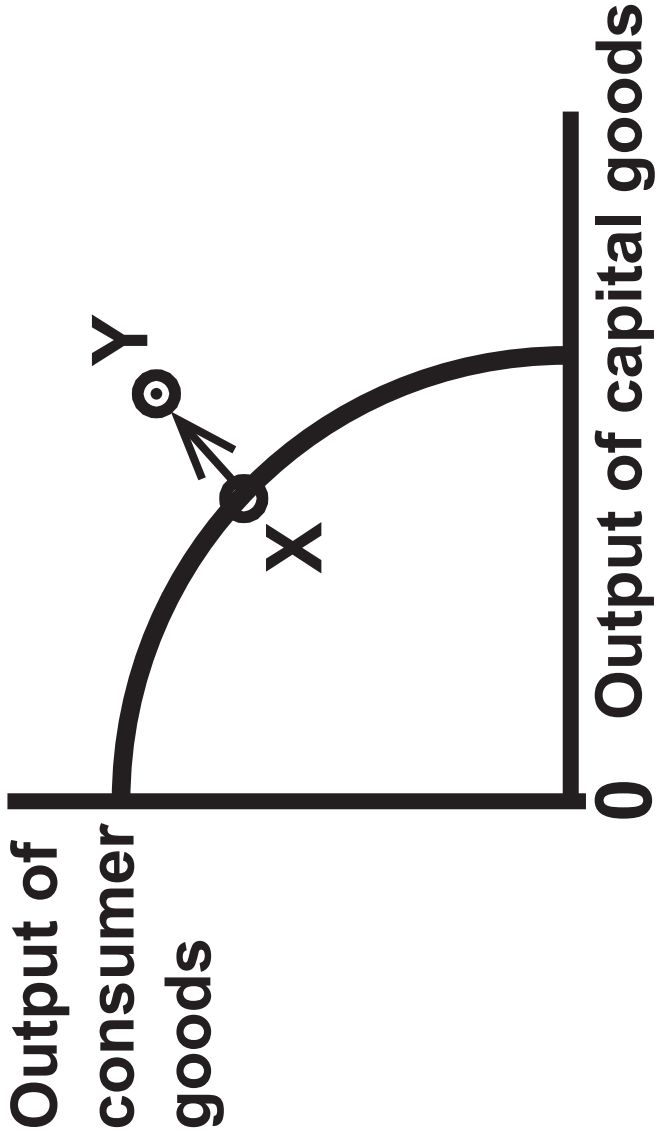
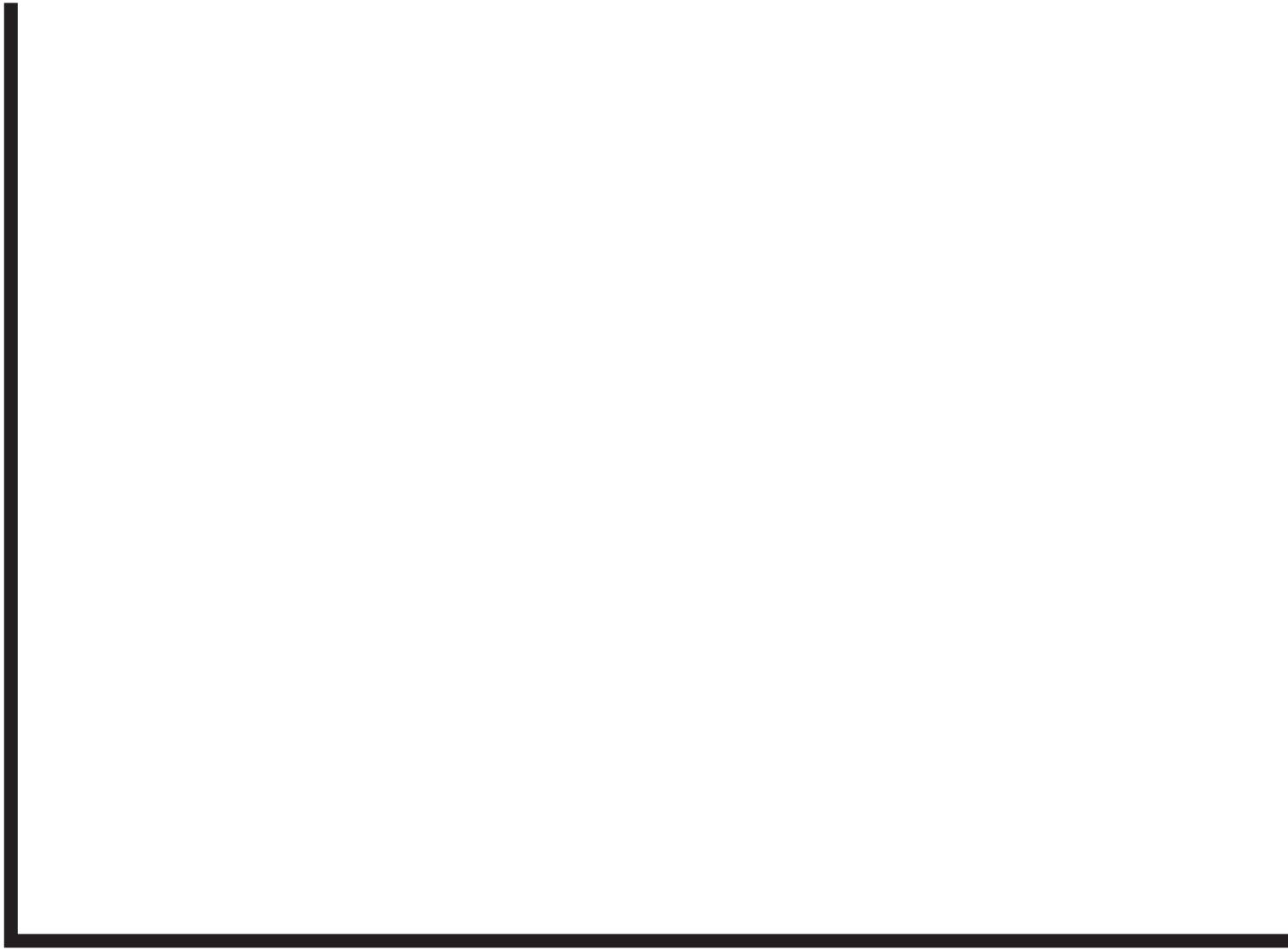


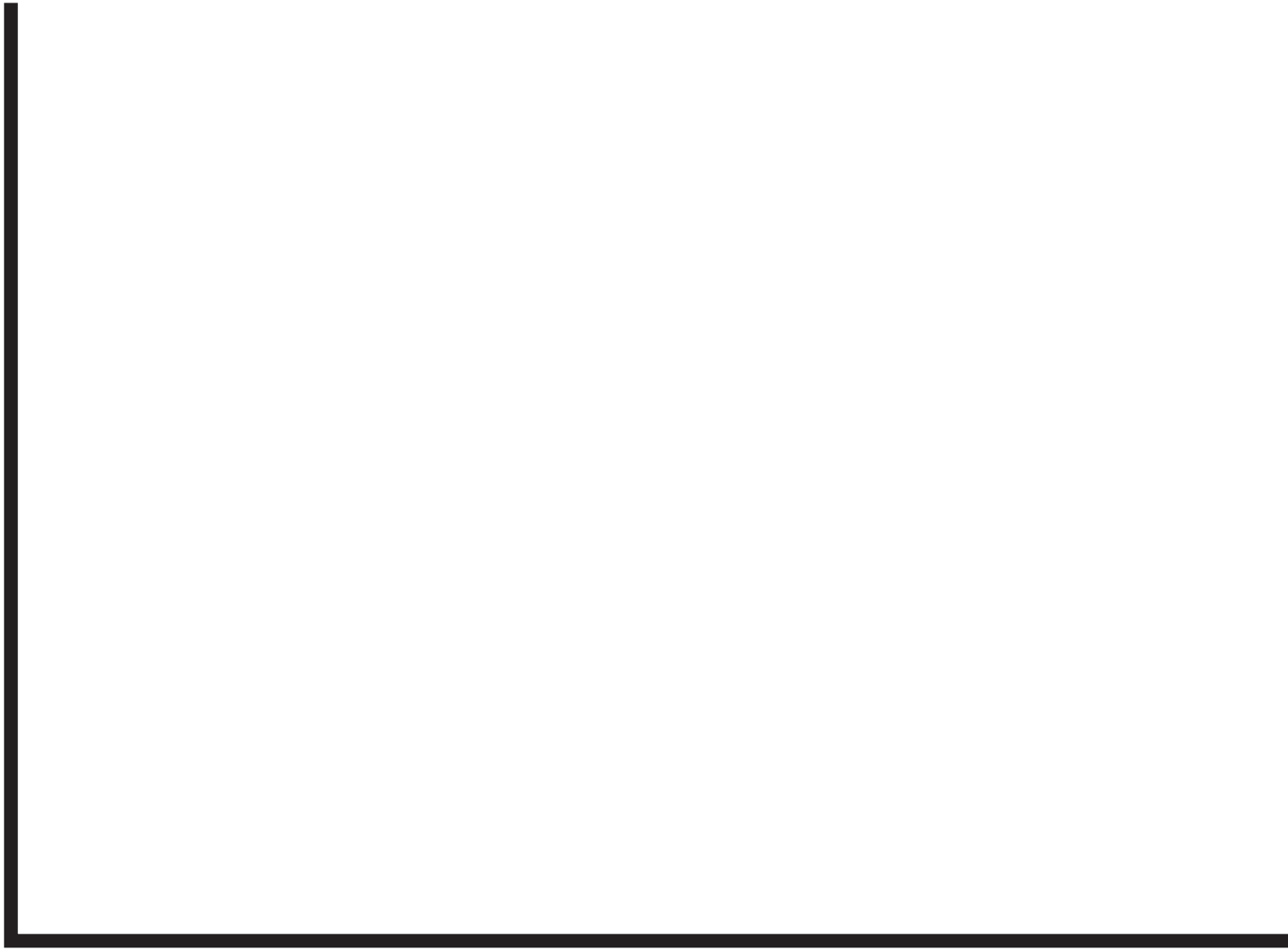
Diagram D



Question 3(b)

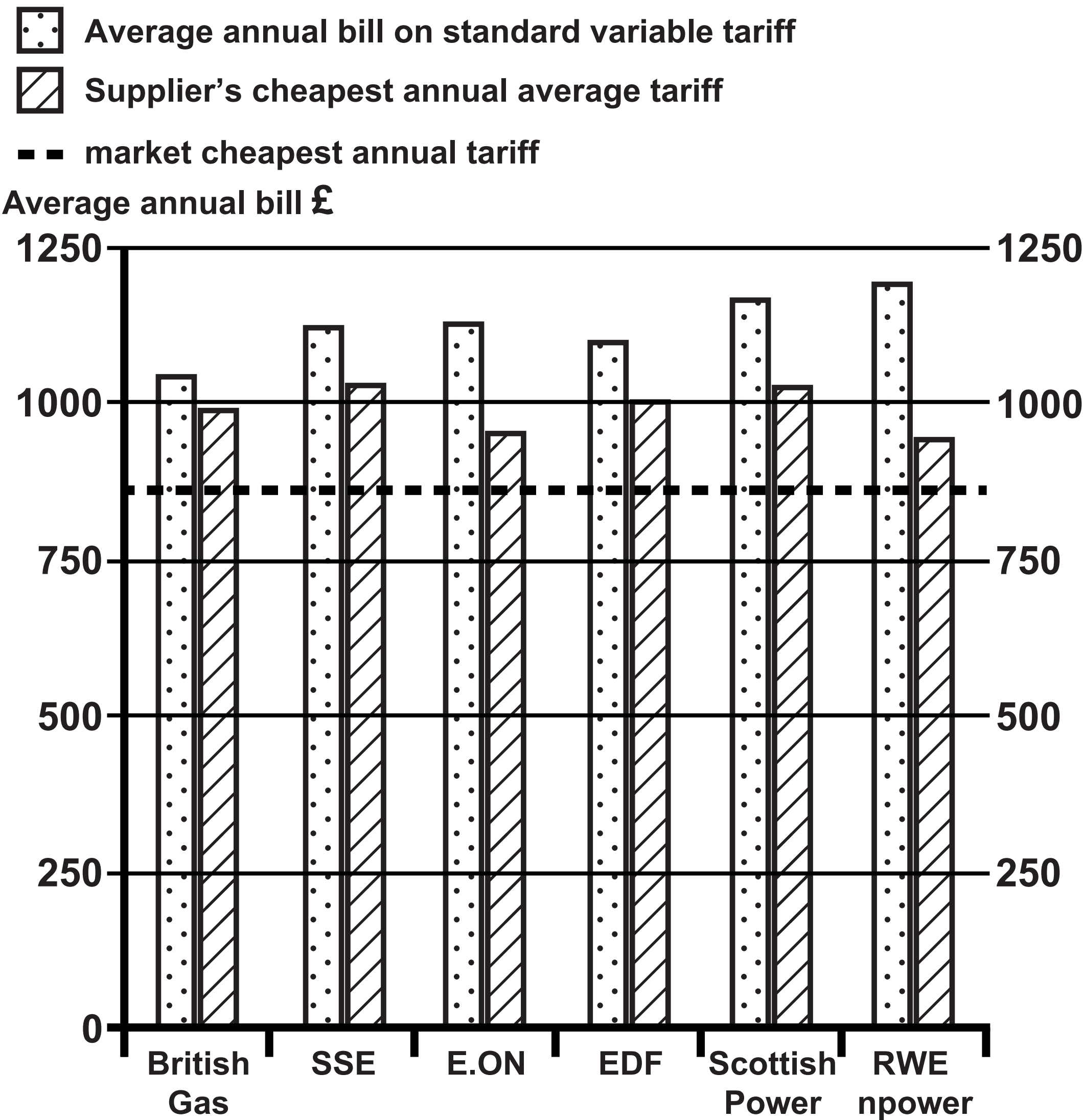


Question 3(b)



Question 6

Figure 1: Average annual household bill from the Big Six UK energy suppliers, 2017



(Source: <https://www.lovemoney.com/news/67298/standard-variable-tariff-compared-cheapest-deal-provider-savings>)

Question 6

Extract A

Energy price cap to fix 'broken' market in UK

The Prime Minister recently said that the regulator Ofgem (Office of Gas and Electricity Markets) should limit electricity and gas suppliers' most expensive tariffs.

- 5 Under the planned new legislation, the energy bills of
11 million households will be capped for as long as
five years. The government claimed this cap could save
households up to £100 a year. This legislation would
force Ofgem to change the licence conditions for energy
10 suppliers so that they are required to cap electricity and
gas prices. The measure will apply to anyone on
a standard variable tariff, the expensive plans that
customers are moved to when cheaper, fixed-price deals
end. Ofgem will need to consult energy companies on
15 how the cap is calculated, the government said. The Prime
Minister repeated her claim that she had to act because
the 'market is broken', a charge the big energy companies
reject. "I have been clear that our broken energy market
has to change – it has to offer fairer prices for millions
20 of loyal customers who have been paying hundreds of
pounds too much," she said.

However, Michael Lewis, chief executive of E.ON said
"the government must guard against any unintended
consequences that undermine customer service and push
25 up prices as a whole. A price cap will not be good for

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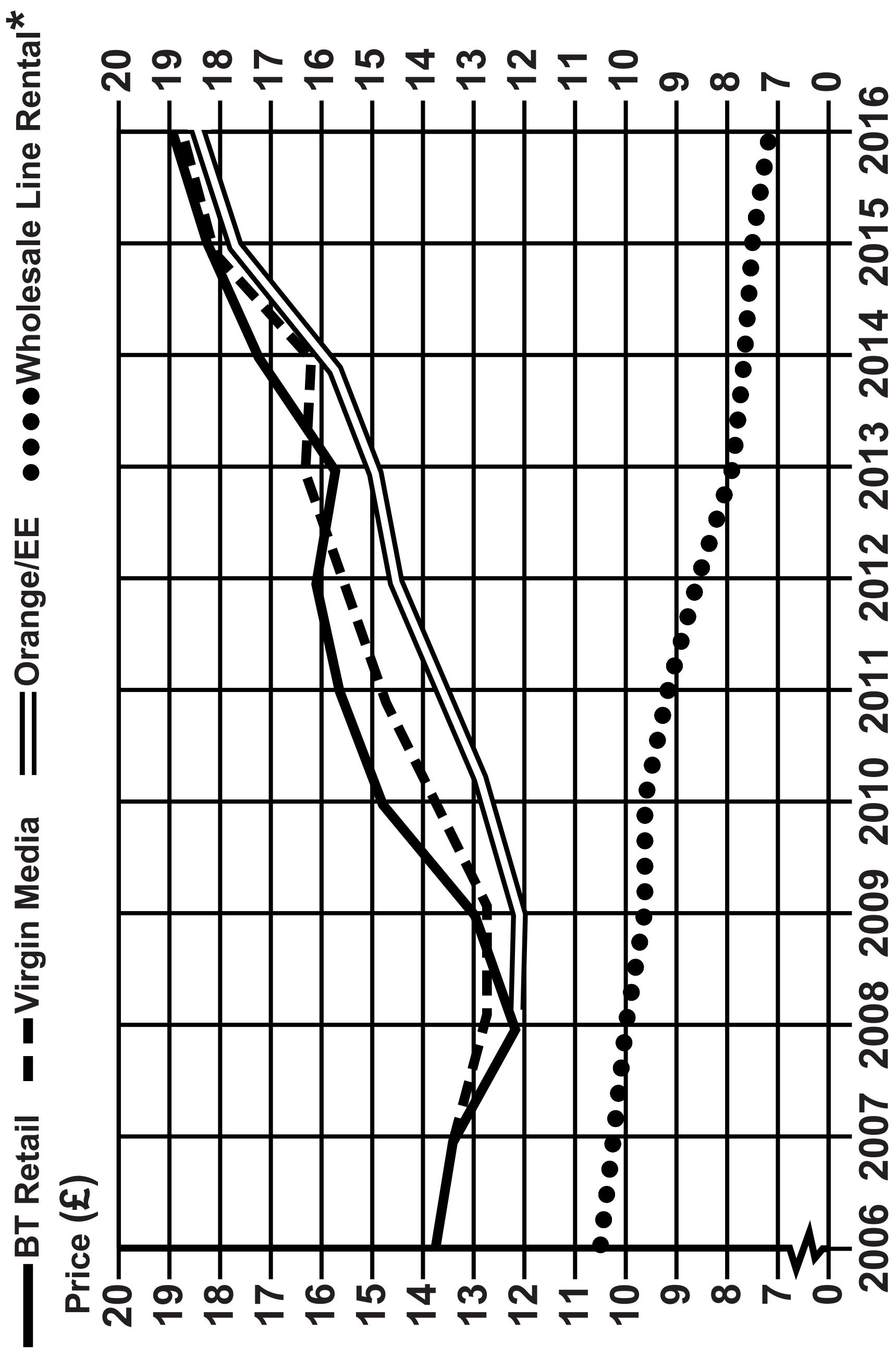
Extract A continued.

**customers. It will reduce competition and innovation”.
Smaller suppliers such as First Utility said the Big Six had
only themselves to blame for the cap, because they had
kept millions of people on standard variable tariffs.**

**(Source: adapted from ‘UK puts energy efficiency at heart of
climate change strategy’, Adam Vaughan, Copyright Guardian
News & Media Ltd 2017 [https://www.theguardian.com/
money/2017/oct/12/may-energy-price-cap-ofgem-electricity-
gas-tariffs](https://www.theguardian.com/money/2017/oct/12/may-energy-price-cap-ofgem-electricity-gas-tariffs))**

Question 6

Figure 2: The monthly rental cost of a telephone landline



*Wholesale line rental – the rental price BT Openreach charges telephone service providers
(Source: <https://www.ofcom.org.uk/about-ofcom/latest/features-and-news/landline-prices-review>)

Question 6

Extract B**BT profit rises**

BT Group, which includes BT Openreach and BT Retail, reported a rise in profit as revenue increased following the integration of the consumer mobile business, EE.

- 5 BT finalised the takeover of EE in August 2016, and the integration has resulted in BT controlling 35% of the mobile consumer market. The profit of the UK-based telecommunication group in its second quarter 2017 rose to £566 million.
- 10 BT Group chief executive Gavin Patterson said: “We will operate a multi-brand strategy with UK customers being able to choose a mix of BT, EE or Plusnet services, depending on which suits them best. The acquisition enables us to offer great value bundles of services and
- 15 customers are set to be the winners as we compete for their business”.

(Source: adapted from www.marketwatch.com (Oct 27 – 2016) and <http://home.bt.com/news/bt-life/bt-to-retain-ee-brand-as-acquisition-confirmed-11364037422234>)

Question 6

Extract C

BT to slash landline charges for 1 million customers

Rental charges for landline-only customers – households with a telephone-only contract but no BT broadband – will fall from **£18·99** to **£11·99** per month after the regulator attacked existing deals as ‘poor value for money’. This rental reduction will save a million landline-only customers **£84** a year.

The regulator Ofcom (Office of Communications) said it stepped in because these bills for landline-only customers – nearly two-thirds of whom are over **65** – have “soared” in recent years. This is despite BT and other landline providers benefiting from significant cuts in the wholesale line rental cost of providing the service by BT Openreach. Many landline-only customers are elderly, and have been with BT for decades. Ofcom has focused on BT because it accounts for two-thirds of the UK’s **1·5** million landline-only customers.

A spokesperson for Ofcom said “This position [of dominance] has allowed BT to increase prices without much risk of losing customers, and other providers have followed BT’s pricing lead. We expect BT’s price cut to mean other providers will follow suit”. Ofcom said that over three-quarters of BT’s landline-only customers have never switched provider, which has left them a prime target for price rises. The regulator said that all major landline

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Extract C continued.

providers have increased their line rental charges by between **23%** and **47%** in recent years, while their own costs for providing the service have fallen about **27%**

Ofcom said it is also looking at measures to help people
30 shop around for better deals with more confidence.

(Source: adapted from 'BT to slash landline charges for 1m customers', Mark Sweney, Copyright Guardian News & Media Ltd 2017 <https://www.theguardian.com/business/2017/oct/26/bt-to-slash-landline-charges-for-1m-customers>)