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Please check the examination details below before entering your candidate information

Candidate surname	Other names

Centre Number

Candidate Number

Pearson Edexcel Level 3 GCE

Time 2 hours

Paper reference **9EB0/01**

Economics B

Advanced
PAPER 1: Markets and how they work

You do not need any other materials.

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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Pearson

Answer ALL questions.

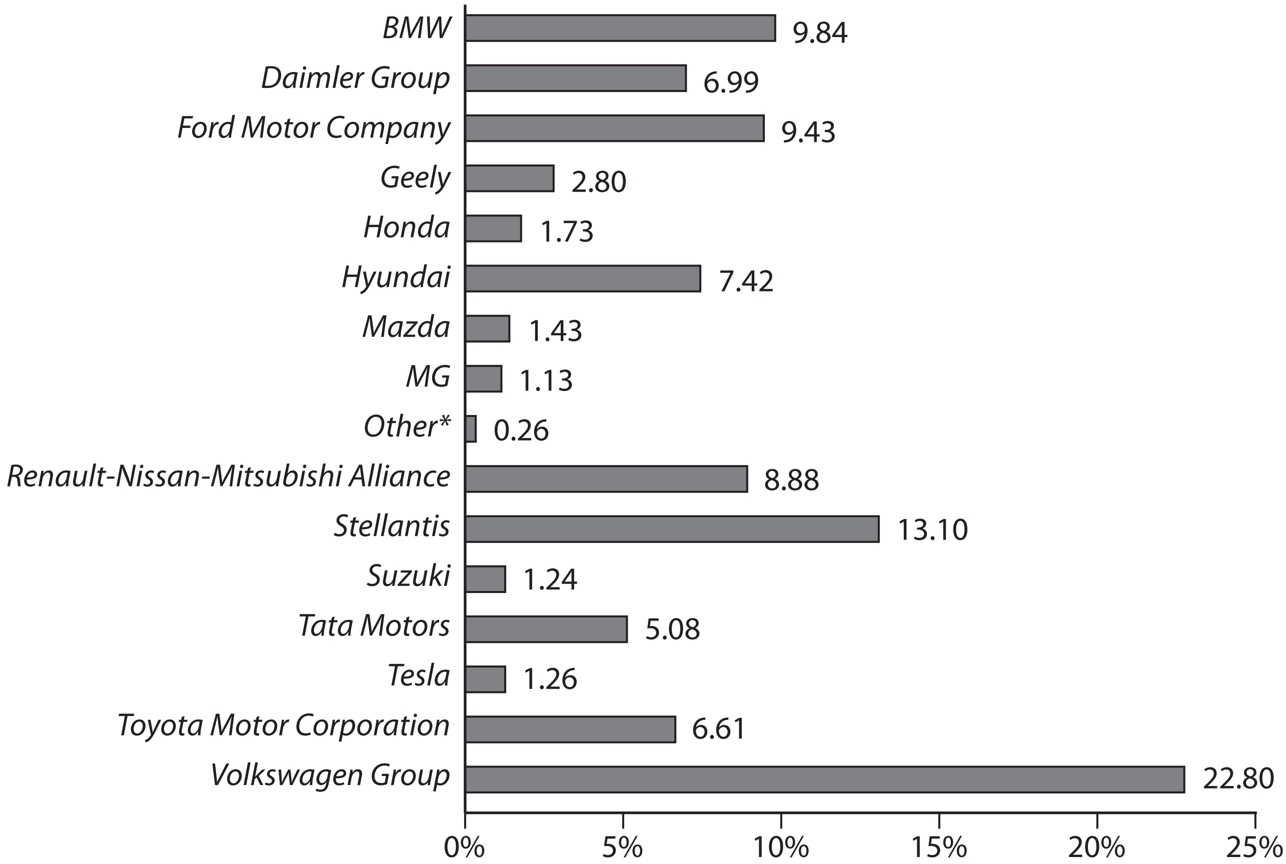
SECTION A

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

Write your answers in the spaces provided.

Extract A

UK market share figures (%) for car manufacturers in 2020



*Other consists of four smaller brands with market share figures between 0.05–0.08% each.

(Source: adapted from https://www.autocar.co.uk/car-news/features/winners-and-losers-2020-uk-car-market)

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Extract B

What is *Stellantis*?

Stellantis is a new firm that has been formed by the merger of several leading car manufacturers. The creation of *Stellantis* in January 2021 created the fourth-largest car firm in the world and brought together some of the car industry's most famous brands under one name.

Stellantis has 18 car brands in its business, these include *Peugeot, Citroen, Vauxhall, Fiat, Alfa Romeo, Ferrari* and *Maserati*. There are no plans to have the *Stellantis* name featured on any of the firm's cars.

It is a diverse range of brands – some clearly compete against each other in the high volume sector while others occupy niche markets which, with the correct investment, could be hugely profitable to *Stellantis*. There are similarities with the *Volkswagen Group* in this respect.

Stellantis results for 2020 showed revenue of €60 734m with profit for the year of €2 022m.

(Source: adapted from https://cardealermagazine.co.uk/publish/stellantis-what-is-it-which-brands-does-it-have-and-what-does-it-mean-for-customers-and-dealers/214546

https://www.stellantis.com/en/investors/reporting/financial-reports)

Extract C

Ellesmere Port: *Vauxhall* plant's future secured with electric vehicle production

Vauxhall's parent firm, *Stellantis*, has revealed a new electric vehicle future for its Ellesmere Port plant in Cheshire, removing a threat of closure for the factory.

Stellantis confirmed that a government subsidy and a £100m investment of its own would safeguard the 1,000 jobs left at the site and 6,000 more jobs in the local supply chain. Ellesmere Port would become *Stellantis*' first manufacturing site dedicated to battery electric vans and some of its passenger car models.

The announcement follows months of talks between the company and officials on whether the plant was viable on several grounds, including the impact of Brexit. However, the biggest issue for *Stellantis*, in the wake of the UK's trade deal with the EU, was the government's vision for an all-electric car future.

Chief executive Carlos Tavares had previously described the ban on the sale of new petrol and diesel-powered cars from 2030 as 'brutal' and ministers were warned the plant, which dates back to 1962, may have to shut without state aid for an electric conversion. The amount of money given by the government was not disclosed for reasons of commercial sensitivity but has been reported to be around £30m.

(Source: adapted from https://news.sky.com/story/ellesmere-port-vauxhall-plants-future-secured-with-electric-vans-12349750)

Extract D

UK Government to ban the sale of new petrol and diesel cars by 2030

New petrol and diesel cars and vans are set to be banned from sale in 2030 in the UK with new plug-in hybrids banned from 2035.

After 2035, the only new cars and vans that can be sold will be electric vehicles such as the *Tesla Model 3* and *Nissan Leaf*, plus any hydrogen-powered cars. However, second-hand petrol and diesel cars will still be able to be sold after 2030.

To help facilitate the transition from petrol and diesel cars, £1.3bn is being invested in electric vehicle charging points for homes, streets and motorways across England. A further £582m is being set aside for grants to help people buy electric vehicles.

The government is also investing £500m in the development and mass production of batteries, while £525m is earmarked for nuclear power plants, partly to help meet the demand for electricity that the growing number of electric vehicles will bring.

Prime Minister Boris Johnson said: "My Ten Point Plan will create, support and protect hundreds of thousands of green jobs, whilst making strides towards carbon net zero by 2050."

Sales figures for 2020 saw 2.3 million new cars sold and of these 6.3% were electric or plug-in hybrids.

(Source: adapted from https://www.autoexpress.co.uk/news/108960/2030-petrol-and-diesel-ban-what-it-and-which-cars-are-affected)

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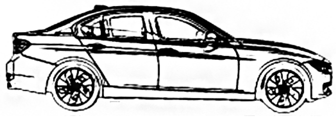
Extract E

Cost of running an electric car compared to a petrol car

	Electric *BMW i3* £29 570* 	 Petrol *BMW 318i* £29 600
Fuel	3.7p per mile + £354 home charger	14.2p per mile
Tax	£0	£445
Loss of value	£16 707	£15 066
Insurance	£1 089	£824
Servicing + tyres	£322 + £243	£528 + £87
TOTAL	67p per mile	74p per mile

**BMW i3* cost includes government grant of £2 500

(Source: adapted from https://www.buyacar.co.uk/cars/economical-cars/electric-cars/650/cost-of-running-an-electric-car)

1 (a) Using Extract A, calculate to two decimal places the 5-firm concentration ratio for the UK car manufacturing industry. You are advised to show your working.

(4)

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(b) Explain **one** reason why there is less likely to be price competition in the car industry.

(4)

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(c) Using Extract B, calculate to two decimal places the profit for the year margin for *Stellantis* in 2020. You are advised to show your working.

(4)

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(d) Using a suitable diagram, analyse the likely impact on the market for new petrol and diesel cars if the government increases the subsidy on new electric cars.

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Of all the vehicles made in the UK, 81% are exported, with over half going to the EU.

(e) Discuss the likely impact on UK car exports following a depreciation of the pound against the euro.

(8)

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(f) Assess the likely benefits for *Stellantis* of selling a range of different car brands.

(10)

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(g) Assess the benefits to the UK economy of subsidising the *Vauxhall* car plant in Ellesmere Port.

(12)

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(h) Assess the likely impact on the UK economy of the Government banning the sale of new petrol and diesel cars from 2030.

(12)

(Total for Question 1 = 60 marks)

TOTAL FOR SECTION A = 60 MARKS

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PLEASE TURN OVER FOR QUESTION 2

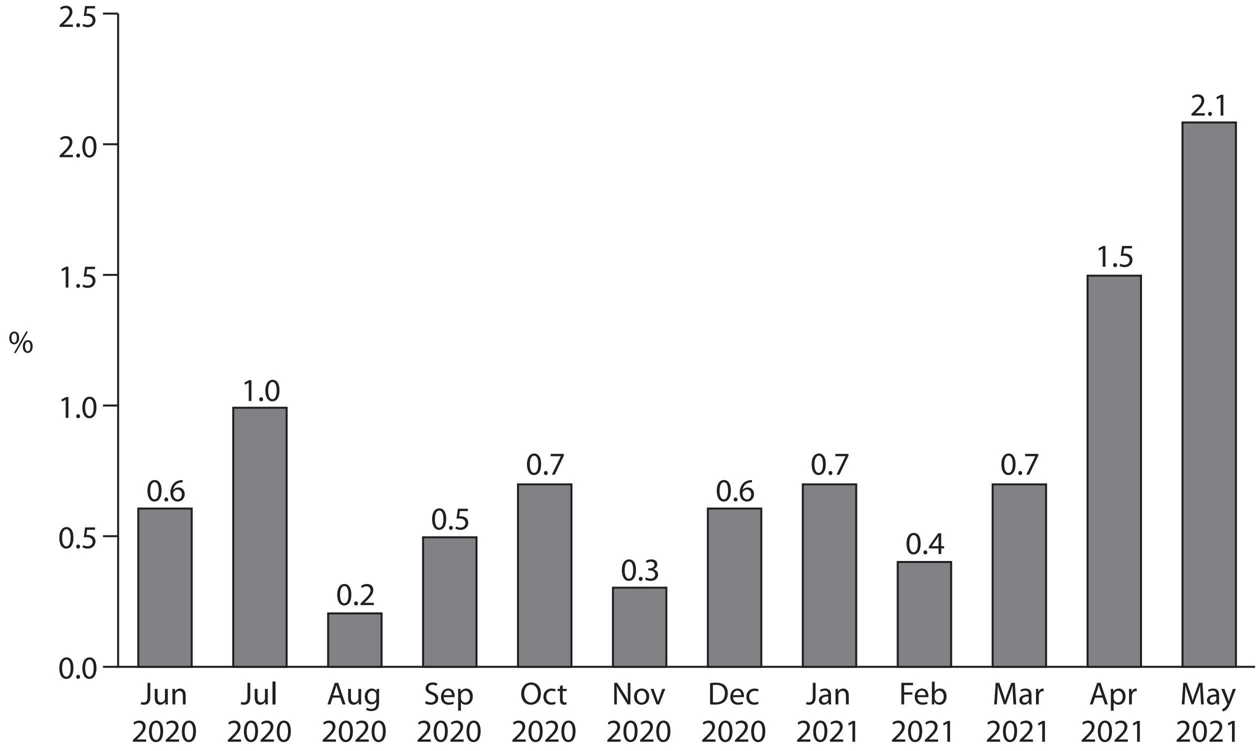
SECTION B

Read the following extracts (F and G) before answering Question 2.

Write your answer in the space provided.

Extract F

UK Consumer Price Index (CPI) inflation rate (%) June 2020 – May 2021



(Source: adapted from https://tradingeconomics.com/united-kingdom/inflation-cpi)

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Extract G

UK inflation risk May 2021

The Bank of England (BoE) has sought to calm fears about inflation. It was 2.1% in May 2021 and is expected to exceed 4% in the coming months. The BoE said the surge in prices was 'transitory' and should not affect monetary policy in 2021.

The central bank's message came after data showed inflation rising much faster than it had previously forecast as the economy rebounded more strongly than expected. The main upward pressure came from clothing, motor fuel, recreational goods and meals and drinks consumed outside of the home. The BoE's Monetary Policy Committee (MPC) signalled that it would wait for inflation to subside rather than take action.

"The committee's central expectation is that the economy will experience a temporary period of strong Gross Domestic Product (GDP) growth and above-target CPI inflation, after which growth and inflation will fall back," the MPC said in its summary of its latest meeting in June 2021.

The committee voted to keep interest rates at 0.1%, the lowest it has ever been in UK history, and to continue the programme of asset purchases, which is set to raise the total amount of quantitative easing to £895bn.

(Source: adapted from https://www.ft.com/content/a2df9e5c-2dd4-4295-9938-890329c4e61f)

2 Evaluate the effectiveness of using monetary policy to control inflation in the UK.

(20)

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(Total for Question 2 = 20 marks)

TOTAL FOR SECTION B = 20 MARKS

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PLEASE TURN OVER FOR QUESTION 3

SECTION C

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

Write your answer in the space provided.

Extract H

Thousands of *Uber* drivers to receive employee benefits

The move comes after the business lost a UK Supreme Court case in March 2021 which found that *Uber* was wrong to class its drivers as independent contractors and should instead treat them as employees. It is believed that around 70 000 *Uber* drivers will benefit from the changes.

Uber has said that all of its drivers will now be paid at least the national living wage of £8.91, irrespective of the driver's age. Drivers will also enjoy holiday time based on their earnings. Drivers will automatically be enrolled into a workplace pension scheme, with *Uber* contributing to the pension alongside driver contributions.

The GMB union, which represents *Uber* drivers, welcomed the move. Mick Rix, national officer at GMB, said "It's a shame it took the GMB winning four court battles to make them see sense. Other gig economy companies should take note – this is the end of the road for bogus self-employment."

(Source: adapted from https://www.yourmoney.com/household-bills/thousands-of-uber-drivers-to-receive-employee-benefits/)

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Extract I

Business secretary denies plans to rip-up workers' rights

Business secretary Kwasi Kwarteng has denied reports that the UK Government wants to reduce workers' rights now that the UK has left the EU. In January 2021, the Financial Times (FT) reported that some workers' protections and rules brought in under the EU's Working Time Directive – including the 48-hour limit on the working week – could be amended by the government.

Kwarteng has denied the claim, stating that his department wanted to "protect and enhance workers' rights".

Labour's shadow Business Secretary Ed Milliband tweeted: "These proposals are not about cutting red tape for businesses but ripping up vital rights for workers. People are already deeply worried about their jobs and health."

"The labour market rules that exist in the UK already strike a good balance between providing protection for workers and flexibility for employers," said Rachel Suff, employee relations adviser at the Chartered Institute of Personnel and Development (CIPD).

(Source: adapted from https://www.personneltoday.com/hr/business-secretary-denies-plans-to-rip-up-workers-rights/)

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3 Evaluate the case for a reduction in the regulations that protect UK employees.

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(Total for Question 3 = 20 marks)

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

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