

Please check the examination details below before entering your candidate information

Candidate surname					Other names				
Centre Number					Candidate Number				

Pearson Edexcel Level 3 GCE

Wednesday 15 May 2024

Morning (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.

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Answer ALL questions.

SECTION A

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

Write your answers in the spaces provided.

Extract A

TUI Group lose market share to Jet2holidays

The *TUI Group* (*TUI*) has finally responded to being overtaken by *Jet2holidays* as the UK's largest tour operator.

TUI Chief Executive Sebastian Ebel said: "We want to be the market leader not only in numbers but also in quality. We want to grow stronger than our competitors."

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The firm aims to take market share from rivals by broadening its product offering and looking beyond its traditional core package-holiday customers. It is targeting the larger and higher growth segments of the leisure market, such as accommodation only, flight only, car hire, tours and experiences.

Sebastian Ebel referred to these potential new customers as 'energised adventurers' and 'travelistas'. Energised adventurers are older, confident, more affluent and adventurous holidaymakers interested in culture and exploration. Travelistas are younger, independent and adventurous travellers who spend less on a holiday but travel more often.

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TUI reported record holiday bookings for summer 2023 and 2024 now that global travel restrictions have been lifted for consumers.

15

(Source: adapted from <https://travelweekly.co.uk/news/air/jet2-has-done-very-well-filling-gap-thomas-cook-left-says-tui-chief>)

Extract B

Statement of comprehensive income of TUI Group Q3 2023 and Q3 2022

	Q3 2023 (€m)	Q3 2022 (€m)
Revenue	5 286.0	4 433.2
Cost of sales	5 018.4	4 313.4
Gross profit	267.6	119.8
Operating profit/(loss)	52.5	(331.2)

(Source: adapted from: <https://www.tuigroup.com/en-en/investors/news/2023/ir-news/20230809>)



Extract C**TUI hails return to profit but warns of €25m additional costs from Rhodes' wildfires**

The package holiday operator *TUI* has enjoyed its first profitable April to June since before the global health crisis but warned that it expects €25m additional costs from last month's wildfires in Rhodes. *TUI* had to evacuate 8,000 customers which represented 20% of its customers on the island.

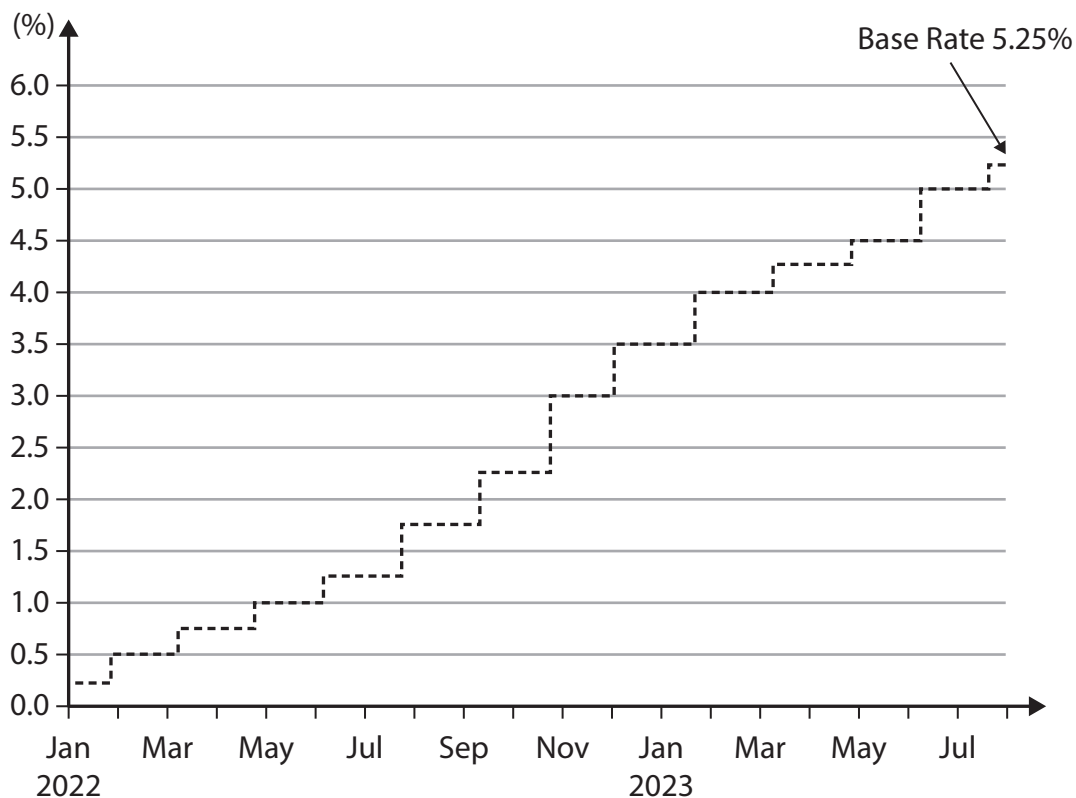
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"The financial impact of the wildfires in recent weeks covering cancellations, customer compensation, repatriation flights and welfare costs has added €25m additional costs to our full year 2023 results," the company said.

TUI said that Rhodes accounted for about 5% of its summer holiday offering this year, and while bookings had been affected straight after the wildfires in Rhodes and southern Europe, they had recovered quickly. It predicted summer bookings would still be 6% higher than last year.

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(Source adapted from: <https://www.theguardian.com/business/2023/aug/09/tui-hails-return-to-profit-but-warns-of-25m-hit-from-rhodes-wildfires>)

Extract D**UK Interest (base) Rate (%) January 2022 – August 2023**

(Source: adapted from <https://www.bankofengland.co.uk/monetary-policy/the-interest-rate-bank-rate>)

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Extract E**UK travel and tourism to create 700,000 jobs over next decade**

The UK travel and tourism sector is highly fragmented and firms within this sector range from large tour operators such as *TUI* and *Jet2holidays* to smaller independent hotels, bed and breakfasts, travel consultants and leisure activities.

According to the World Travel and Tourism Council, the UK's travel and tourism contribution to GDP is forecast to grow at an average annual rate of 3% between 2022–2032. It is set to reach more than £286 bn or 10.1% of the total economy in 2032. The UK travel and tourism sector is expected to create nearly 700,000 new jobs over the next decade and is a major employer in the UK.

5

The most popular tourist destination in the UK is the capital, London. In 2022, there were 15.6 million international visitors to London who spent around £14.2 bn. In England, Manchester is the second most visited city after London. Manchester has amazing cuisine, an assortment of museums and incredible nightlife. Its number of overseas tourists is rising by 10% a year.

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(Source: adapted from: <https://travelweekly.co.uk/news/air/uk-travel-and-tourism-to-create-70000-jobs-a-year-over-next-decade>)

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1 (a) Explain **one** reason why an increase in market share might be an important business objective for *TUI*.

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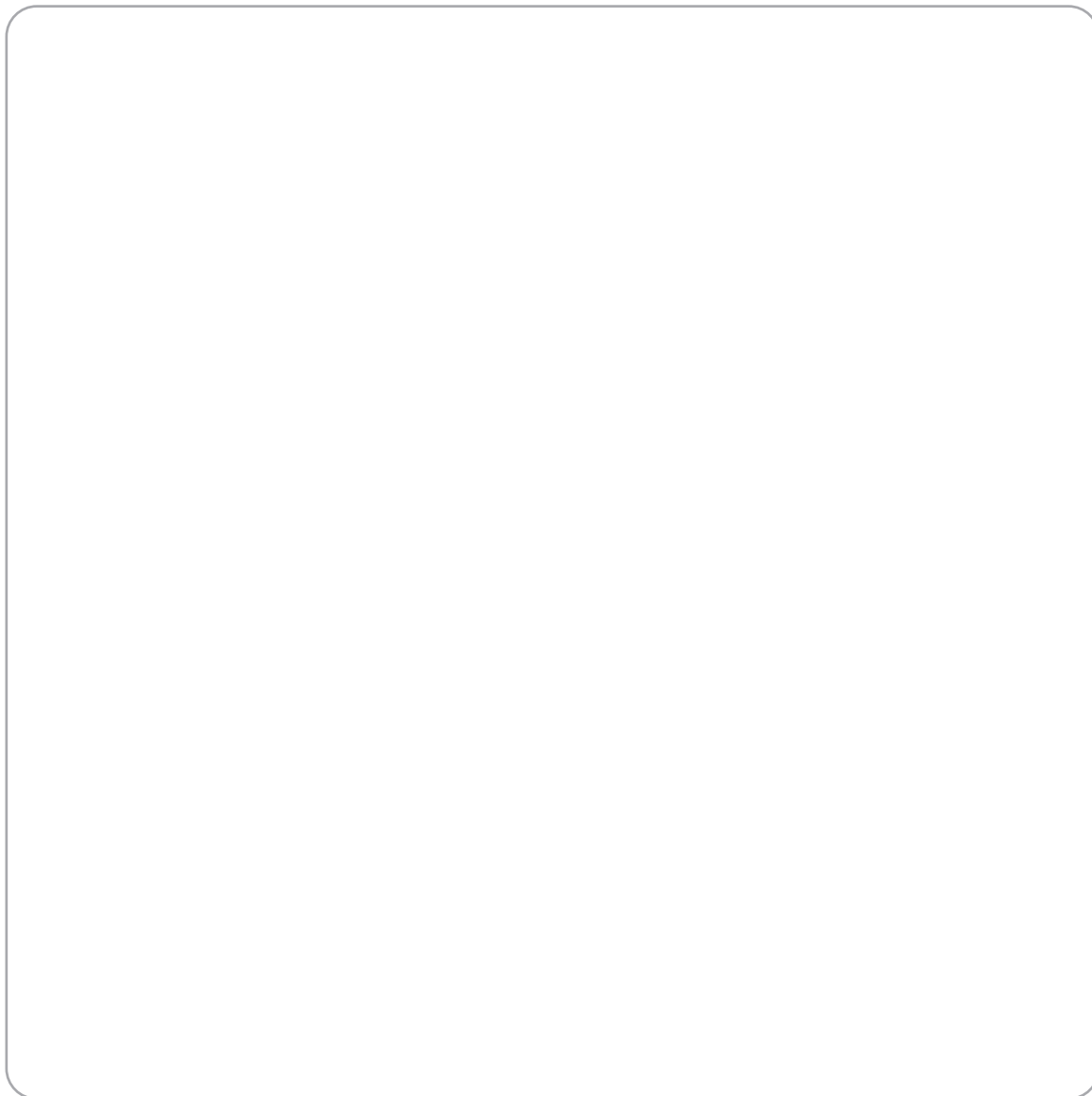
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(b) Using a supply and demand diagram, illustrate the impact on the market for global travel after travel restrictions have been removed for consumers.

(4)



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(c) Using Extract B calculate, to two decimal places, the operating profit margin for TUI in Q3 2023. You are advised to show your working.

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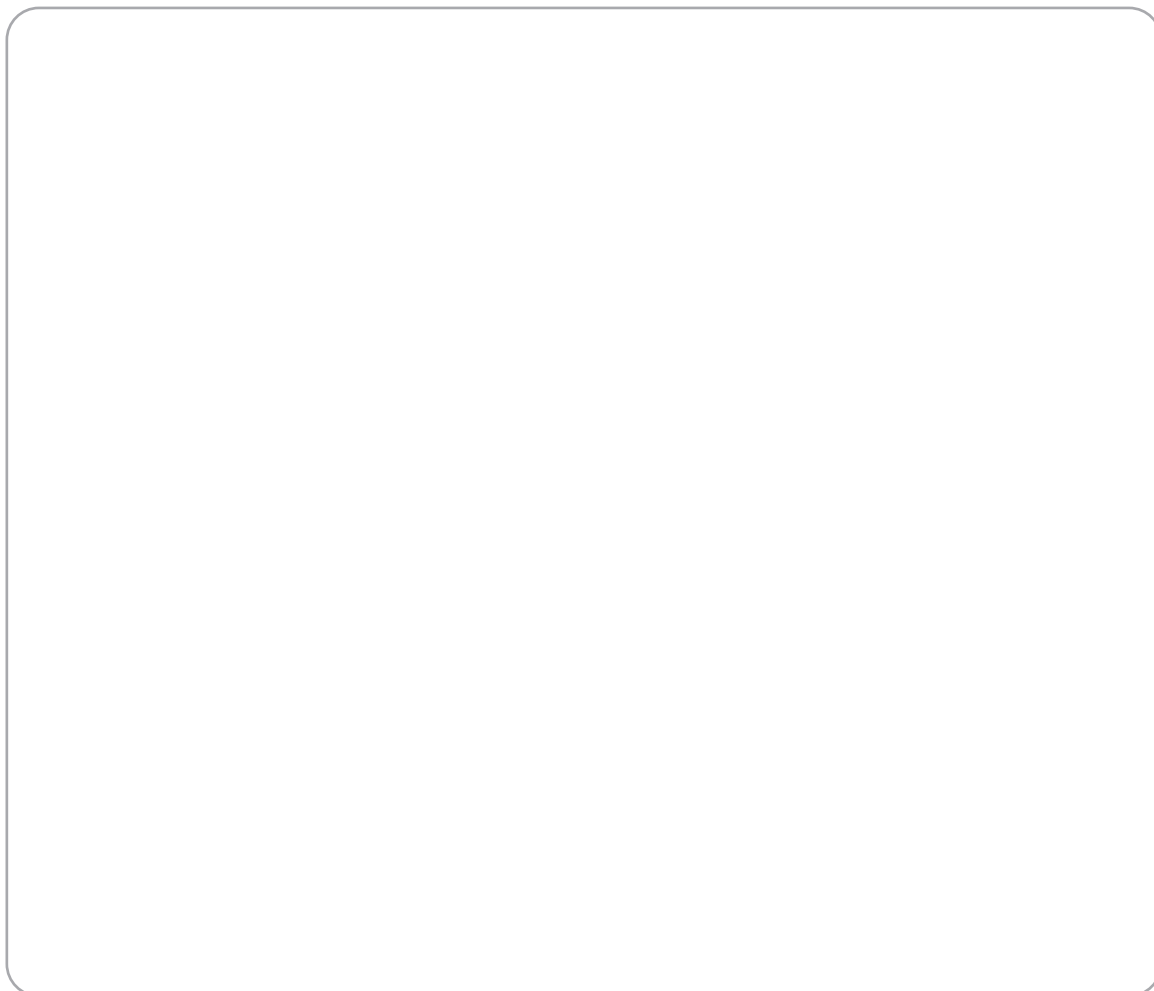
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Many airlines are now investing in aircraft that are more fuel efficient and use low-carbon jet fuel in a bid to reach net-zero carbon emissions by 2050.

- (d) Using a supply and demand diagram, analyse the likely impact on the market for air travel of improvements in aircraft technology.

(6)



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(e) Discuss the likely impact of the wildfires in Rhodes on *TUI's* break-even level of output.

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(f) Assess the possible benefits of market mapping for *TUI*.

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(g) Using Extract D, assess the possible impact of changes in UK interest rates on holiday firms such as *TUI*.

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(h) Assess the likely impact from the growth of the travel and tourism sector on aggregate demand (AD) in the UK.

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(Total for Question 1 = 60 marks)

TOTAL FOR SECTION A = 60 MARKS



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QUESTION 2 BEGINS ON THE NEXT PAGE



SECTION B

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

Write your answer in the space provided.

Extract F

Sugar tax and childhood obesity

Obesity has become a global public health problem with over half the world predicted to be overweight or obese by 2035. Estimates suggest obesity could cost the global economy around £3.3 trillion annually by 2035, or 3% of global GDP.

In England, one in ten reception age children (four to five years old) is obese and this figure doubles to one in five children in Year 6 (10 to 11 years). Obese children are more likely to suffer from depression and in later life have serious health problems including high blood pressure and type 2 diabetes. 5

In the UK, young people consume significantly more added sugars than the recommended levels. A large source of this is sugary drinks. Children from deprived households are more likely to be at risk of obesity and to be heavy consumers of sugary drinks and unhealthy food containing high levels of sugar, salt and fat. 10

In April 2018, the UK Government introduced a sugar tax on soft drinks – the soft drinks industry levy. The tax was targeted at manufacturers of the drinks to incentivise them to reduce the sugar content of soft drinks. The levy raised £334m in the financial year 2021–22. Research indicated that the sugar tax had reduced childhood obesity in Year 6 girls by over 5,000 cases per year since its introduction. 15

A planned restriction on advertising unhealthy foods before 9 pm on TV and online has been repeatedly pushed back. The ban, originally planned for April 2022, will now come into force in October 2025, a delay that has been greeted with dismay by health campaigners. 20

(Source: adapted from <https://www.cam.ac.uk/research/news/sugary-drinks-tax-may-have-prevented-over-5000-cases-of-obesity-a-year-in-year-six-girls-alone>)

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2 Evaluate the effectiveness of indirect taxation on demerit goods to reduce childhood obesity in the UK.

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(Total for Question 2 = 20 marks)

TOTAL FOR SECTION B = 20 MARKS



SECTION C

Read the following extract (G) before answering Question 3.

Write your answer in the space provided.

Extract G

Artificial Intelligence (AI) set to affect 300 million jobs across major economies

The latest breakthroughs in artificial intelligence (AI) could lead to the automation of 25% of the work done in America and Europe, according to research by Goldman Sachs. The investment bank said that AI systems such as ChatGPT, which can create content that is indistinguishable from human output, could spark a productivity boom that would eventually raise annual global gross domestic product (GDP) by 7% over a 10-year period.

5

There are already big claims for generative AI's transformational effects on productivity. A recent paper published by the Brookings Institution – written with assistance from the ChatGPT – cites evidence that it can help coders work at twice their previous speed, halve the time taken to complete certain writing tasks and make call centres 14% more productive.

10

But if the technology lived up to its promise, it would also bring significant disruption to the labour market, exposing the equivalent of 300 million full-time workers across large economies to automation. Goldman Sachs calculates that roughly two-thirds of jobs in America and Europe are exposed to some degree of AI automation.

15

Lawyers and administrative staff would be among those at greatest risk of becoming redundant. It did not foresee AI being adopted for more sensitive tasks such as making a court ruling, checking the status of a patient in critical care or studying international tax laws.

(Source adapted from: <https://www.ft.com/content/7dec4483-ad34-4007-bb3a-7ac925643999>)

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3 Evaluate the extent to which the use of technology might increase productivity for a firm.

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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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