

AS ECONOMICS

Paper 1 The Operation of Markets and Market Failure

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DO NOT WRITE ANY ANSWERS IN THIS INSERT. YOU MUST ANSWER THE QUESTIONS IN THE ANSWER BOOKLET PROVIDED.

CONTEXT 1: TOURISM IN THE UK

Questions 21 to 26

- **Extract A:** Overseas residents' visits to the UK (thousands), 2018 Quarter 1 to 2022 Quarter 2
- **Extract B:** Challenges facing the tourism industry
- **Extract C:** Should the UK encourage or limit tourism?

CONTEXT 2: EYE CARE IN THE UK

Questions 27 to 32

- **Extract D:** Number of National Health Service (NHS) sight tests in England (thousands), 2012/13 to 2019/20
- **Extract E:** Looking after our eyes
- **Extract F:** Is enough being done?

Context 1**Total for this context: 50 marks****TOURISM IN THE UK****Extract A: Overseas residents' visits to the UK (thousands), 2018 Quarter 1 to 2022 Quarter 2**

Note: Figures from 2020 onwards may be underestimates due to difficulties in collecting data from certain types of travel during this time.

Source: Office for National Statistics

Extract B: Challenges facing the tourism industry

As the world recovered from the recession of 2008, there was more demand for travel and tourism. By 2019, this sector accounted for 4.3 million jobs in the UK. In the first quarter (Q1) of that year (January to March), there were 8.3 million visits by overseas residents, who spent £4.8 billion. After a period of travel restrictions due to the pandemic, tourism is starting to recover again. However, employment in the sector in 2021 was 200 000 below the 2019 level. In Q1 of 2022, usually the least popular quarter to visit the UK, there were nearly 4 million visits, with spending of £3 billion.

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The loss of visitors, jobs and revenue is not the only concern. As tourism increases, some popular locations and cities will struggle to cope with the number of tourists, particularly at certain times. It is feared that the damage done by visitors in some areas could mean that these locations become less attractive in future. The environment is a scarce resource and there is not enough money to deal with the problems caused. It may be necessary to restrict the number of visitors by perhaps increasing taxes that tourists and other visitors have to pay.

10

Source: News reports, December 2022

Extract C: Should the UK encourage or limit tourism?

Venice, in Italy, is home to 50 000 people but, in a typical year, 4 million stay overnight and another 20 million visit for the day. This causes pollution from transport and litter, adding to the cost of maintaining the city, which is also liable to flooding. It seems reasonable that tourists should help to pay for the upkeep of the city, so that it remains a desirable place to visit. Since 2011, tourists staying in a five-star hotel in the peak season have been taxed €5 for each night. However, they are only charged for five nights, even if they stay longer. They pay 50% less in the off-peak season. From spring 2024, a variable day-tourist tax is also being introduced, according to how busy the city is expected to be. Those who do not pay may be fined between €50 and €300. 5

How long will it be before the UK introduces similar measures and what else can be done? 10
In a survey in 2018, Edinburgh City Council found that 85% supported an extra charge for visitors staying overnight. This could raise £15 million a year. Wales is also considering an overnight tax to support 'sustainable tourism'. In recent years, with more people holidaying in the UK, some tourist sites have been overwhelmed by visitors. In two months in mid-2020, volunteers collected 200 bags of litter near Mount Snowdon, a major attraction in North Wales. Traffic congestion in the area has also caused problems for the emergency services, with temporary solutions including more regular bus services and pre-booked parking. 15

In 2022, the Isle of Wight Council discussed introducing a 'green levy' to help keep beaches clean and support the environment by perhaps adding £1.50 to the price of a journey from the mainland. People may be willing to pay more to keep it an attractive tourist destination and may not notice the extra charge. However, with the tourist industry still recovering and prices rising generally, critics claim it is the wrong time to introduce any form of tourism tax. Depending on the amount, it could have a damaging effect on local businesses, encouraging tourists to go elsewhere. 20

Source: News reports, January 2023

Turn over for Context 1 questions

Turn over ►

Context 1 – Questions 21 to 26

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 Define 'scarce resource' **Extract B** (line 11). **[3 marks]**
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Extract C (lines 4–7) states: 'Since 2011, tourists staying in a five-star hotel in the peak season have been taxed €5 for each night. However, they are only charged for five nights, even if they stay longer. They pay 50% less in the off-peak season.'
- Calculate the total amount of tax paid by two people staying for seven nights in a five-star hotel in the off-peak season. **[4 marks]**
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 Use **Extract A** to identify **two** significant features of the number of visits to the UK by overseas residents over the period shown. **[4 marks]**
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 A local authority has limited resources to allocate to two services, 'cleaning beaches' and 'other local government services'.
- Draw a production possibility diagram showing the potential provision of these two services. Assuming these resources remain fully employed, show on this diagram the effect of allocating more resources to cleaning beaches. **[4 marks]**
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Extract B (lines 1–2) states: 'As the world recovered from the recession of 2008, there was more demand for travel and tourism.'
- Explain possible reasons for an increase in the demand for travel and tourism. **[10 marks]**
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Extract C (lines 13–14) states: 'In recent years, with more people holidaying in the UK, some tourist sites have been overwhelmed by visitors.'
- Use the extracts and your knowledge of economics to discuss whether there should be more state intervention to limit tourism in the UK. **[25 marks]**

There are no extracts printed on this page

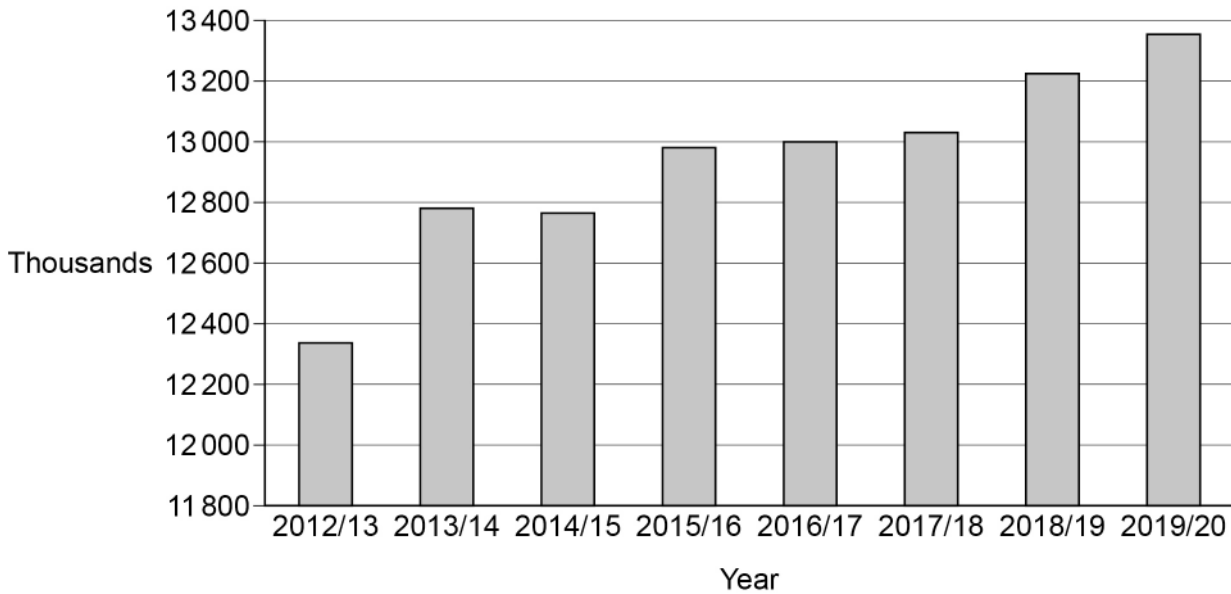
Turn over for Context 2

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Context 2

Total for this context: 50 marks

EYE CARE IN THE UK

Extract D: Number of National Health Service (NHS) sight tests in England (thousands), 2012/13 to 2019/20

Source: NHS Digital

Extract E: Looking after our eyes

In 2020, about 59% of the UK population wore glasses (spectacles) and about 9% wore contact lenses. Between 2004 and 2019, the number of optometrists (those who conduct eye tests) in England rose from 7 734 to 14 087 but there are still more than five times the number of optometrists in France per 10 000 of the population than in the UK.

Many eyesight problems worsen as we become older. Adults are advised to have their eyesight tested every two years, or more often if needed. Some groups, including those over 60 and people receiving certain welfare benefits, are entitled to free NHS eye tests and vouchers towards the cost of glasses. Otherwise, the charge for eye tests in most of the UK is around £25. It's free for everyone in Scotland but those earning the median income there pay income tax at a higher rate than in the rest of the UK. 5

What about the cost of glasses? It is not unusual to leave a high-street opticians having spent several hundred pounds on new glasses, depending on the choice of lenses and frames. This helps to pay both the fixed and variable costs of running these shops. The high price may put some people off having their eyes tested. However, you can also have an eye test and then order glasses online, but maybe not for all frames and lenses. Increased competition and easier access to the internet have helped to bring down the price of some basic glasses to £25 or less. 15

Source: News reports, December 2022

Extract F: Is enough being done?

During the pandemic, it was more difficult to access eye-care services and many people put off booking routine eye tests. As a result, the number of eye tests in 2020 was 23% lower than in 2019. This led to hundreds of thousands of people not being referred for further tests and treatment. According to Specsavers, nearly 3000 people lost vision due to their eye disease not being treated. The extra cost of this has been estimated to be £2.5 billion. These costs fall not just on individuals, but on their families, businesses and society as a whole. If treated early, many sight problems can be corrected. 5

Each year, poor eyesight results in a fall for around 270 000 people in the UK who are over 65. Many of these people require a stay in hospital. As well as affecting a person's quality of life and adding to health care costs, eyesight problems can lead to lower productivity. Some eye diseases may be linked to other illnesses, so it is important that people have their eyes checked regularly and can access appropriate treatment at a reasonable cost. According to a recent survey by The Guide Dogs for the Blind Association, 8% of the population has never had an eye test. Some of these people may be drivers. 10

Should eye tests be free to all? Maybe everyone should pay the full cost, since many who are subsidised can afford to pay. Should drivers over a certain age be required to have an eye test every few years? Perhaps more effective advertising would help but this and regulation both cost money. Should the government prioritise reducing the waiting list of people who need urgent eye treatment or are there more important issues? Is the government doing enough to improve eye health throughout the UK? 15
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Source: News reports, December 2022

Turn over for Context 2 questions

Turn over ►

Context 2 – Questions 27 to 32

- 2 7** Define 'variable costs' **Extract E** (line 13). **[3 marks]**
- 2 8** **Extract E** (lines 2–3) states: 'Between 2004 and 2019, the number of optometrists... in England rose from 7 734 to 14 087'. During this time, the population of England increased from 50.2 million to 56.3 million.
- Calculate the percentage change, between 2004 and 2019, in the number of people in England for each optometrist. Give your answer to **one** decimal place. **[4 marks]**
- 2 9** Use **Extract D** to identify **two** significant features of the number of National Health Service (NHS) sight tests in England over the period shown. **[4 marks]**
- 3 0** **Extract F** (lines 9–10) states: 'As well as affecting a person's quality of life and adding to health care costs, eyesight problems can lead to lower productivity.'
- Draw a production possibility diagram showing the output of two products, 'goods' and 'services'. Show on this diagram the effect of a fall in productivity due to more people having eyesight problems. **[4 marks]**
- 3 1** **Extract E** (lines 15–17) states: 'Increased competition and easier access to the internet have helped to bring down the price of some basic glasses to £25 or less.'
- Explain factors that could lead to a fall in the price of glasses. **[10 marks]**
- 3 2** **Extract F** (lines 18–19) states: 'Should the government prioritise reducing the waiting list of people who need urgent eye treatment or are there more important issues?'
- Use the extracts and your knowledge of economics to discuss whether the government should increase its spending to improve eye health in the UK. **[25 marks]**

END OF QUESTIONS

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