

**OXFORD**

INTERNATIONAL  
AQA EXAMINATIONS

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# **INTERNATIONAL A-LEVEL**

## **ECONOMICS**

UNIT 3: THE ECONOMICS OF BUSINESS BEHAVIOUR AND THE  
DISTRIBUTION OF INCOME

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### **SPECIMEN 1**

#### **Source Booklet**

Extract A: World GDP and the production of passenger cars

Extract B: Competition and change in the automotive industry

Extract C: On the road to a greener future

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**Extract A: World GDP and the production of passenger cars**

Year	GDP (US\$ trillion)	Car production (millions)
2007	84.9	53.2
2008	87.3	52.8
2009	86.9	47.8
2010	91.5	58.2
2011	95.2	59.9
2012	98.3	63.1
2013	101.7	65.7
2014	105.3	67.8
2015	108.9	68.5
2016	112.5	72.1
2017	116.8	73.5
2018	120.3	70.5

**Note:** The 2018 GDP figure is an estimate based on 3% growth in the world economy (World Bank forecast, January 2019)

Source: The World Bank and OICA, June 2019

**Extract B: Competition and change in the automotive industry**

The world automotive industry includes a wide variety of organisations involved in the design, manufacture and sale of motor vehicles. As the world economy has grown, the production of motor vehicles has increased. The industry is dominated by a few large firms and although their market shares have varied, Toyota, Volkswagen, General Motors, Hyundai/Kia and Ford have been the top five producers of motor vehicles since 2007. In 2017, they produced 42.5% of the total number of vehicles manufactured worldwide. However, the big five do not dominate every market. For example, in China the domestic company Geely Auto is the third largest seller.	1 5
Manufacturers of cars differentiate their products by offering a range of models with different features. Advertising and marketing are used as part of the competitive process. There are significant barriers to entry in the industry, start-up costs are high and brand loyalty can make it difficult for new entrants to attract customers. Manufacturers have a degree of monopoly power and charge different prices in different markets, taking into consideration the price, income and cross elasticities of demand for their products.	10 15
Currently, the industry is undergoing a period of rapid technological change, and there will be winners and losers. Concerns about global warming are encouraging firms to switch away from producing diesel and petrol vehicles towards hybrid and electric cars. Artificial intelligence (AI) is another challenge facing the car industry, but the fixed costs of the initial investment are substantial. Its use gives the car a brain, fitted with sensors, cameras and high-tech electronics; the car is becoming a computer on wheels. Many existing cars have functions that help the driver avoid accidents and congestion, and new manufacturers such as Tesla are developing driverless cars. AI is also changing the way in which cars are built, which has the potential to increase productivity and reduce costs.	20 25

Source: News reports, 2019

**Extract C: On the road to a greener future**

Transport is responsible for around 22% of greenhouse gas emissions in the European Union (EU). The EU has cut its emissions of greenhouse gases by 23% since 1990, but the emissions in the transport sector actually grew by 20%. The external costs of road transport are well known. They include accidents, noise pollution, damage to the landscape, and emissions causing global warming and health problems. Taxes on cars and fuel, subsidies for public transport and a variety of other measures have been used in an attempt to limit the use of cars, vans and lorries. However, transporting goods and passengers by road is convenient, and as incomes have risen, journeys and vehicles have increased.	1 5
Governments in many countries, including Japan, India and France, provide subsidies for people buying energy-efficient hybrid and electric cars. Some countries are introducing new regulations designed to limit fossil-fuel powered engines and to promote the use of electric vehicles. France and the UK have decided to ban fossil-fuel engines by 2040, and Norway has planned for all new cars to be zero-emission by 2025. The world's largest car market, China, has put in place quotas for electric vehicles and is also considering setting a date for banning fossil-fuel powered vehicles.	10 15

Source: News reports, 2019

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