IQM3005

LEVEL 3 · CONTROLLED ASSESSMENT

INTO QUALIFICATIONS

Economics

Assessment 1: Controlled response to data

Pre-release data pack

Duration 2 hours	**Total marks** 30
Assessment window **To be assigned before issue**	**Assessment set** **Set S of 2026**
Audience **Candidates**	**Release timing** **exam release**

This pack may be annotated and taken into the controlled assessment. Do not add loose pages.

Source and accessibility controls

- All extracts are original constructed assessment material. Their provenance and creation date appear below.
- The numerical displays identify units and include text summaries. No external research is required to interpret this pack.
- Read all seven extracts A–G. Use Tables 1–2 when the controlled questions refer to them.

Extract A · Choices in the city of Lydon

Lydon has a fixed transport improvement budget of £12 million this year. It can fund either a new bus depot or a protected cycle network, but not both. The council judges the cycle network to be the next best use of the money if the depot is selected. Existing roads are congested at peak times. The bus depot would allow more frequent services, but would take eighteen months to complete. The figures and organisations throughout this pack form one constructed assessment scenario.

Source: Original constructed assessment scenario, authored 7 September 2026. Figures and organisations are fictional; they are not observations about a real transport market. Accessed: Not applicable — original material created 7 September 2026

Extract B · Fares and passenger journeys

A fare trial covered the same group of routes before and after a price reduction. The average fare fell from £2.50 to £2.00 and weekly passenger journeys rose from 80,000 to 88,000. For the elasticity calculation, assume that other determinants of demand were unchanged. Use the original values as the bases for percentage changes. The routes connect residential areas to the city centre, and most surveyed passengers reported having limited practical alternatives at peak times. Separately, the council expects a rise in household incomes next year. Its survey suggests that bus journeys are an inferior good for the households concerned: as their incomes rise, they tend to switch some journeys to cars. This is a forecast, not an observation from the fare trial.

Table 1 · Fare trial on the selected routes

Measure	Before trial	During trial
Average fare (£ per journey)	2.50	2.00
Passenger journeys (per week)	80,000	88,000

Text summary: The fare decreased from £2.50 to £2.00 per journey, while weekly journeys increased from 80,000 to 88,000.

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Extract C · Operating costs at Lydon Transit

Lydon Transit leases its existing depot for £18,000 per month under a contract whose payment is unchanged by the number of services operated in that month. Diesel purchases rise when additional bus kilometres are operated. Managers are considering a permanent expansion of the fleet and depot. In the long run, all inputs can be varied. A larger fleet could support a specialist maintenance team and bulk purchases of spare parts. These arrangements could lower average cost over a range of output. At a much larger scale, delays in communication between depots could raise average cost. No numerical estimate of either effect is available.

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Extract D · Competition on the routes

Three firms provide 95% of the city's scheduled bus journeys. Lydon Transit has 55%, MetroLink has 25%, and Northbus has 15%; small operators share the remaining 5%. The three firms monitor one another's fares and service frequency. When MetroLink increased evening frequency, the other two responded within a month. Entry requires vehicles, depot access and route permissions. Firms compete through fares, punctuality, frequency and on-board facilities. The figures do not establish that the firms have agreed to collude.

Table 2 · Shares of scheduled bus journeys

Operator	Share (%)
Lydon Transit	55
MetroLink	25
Northbus	15
Other operators combined	5

Text summary: The largest three operators account for 95% of journeys, with individual shares of 55%, 25% and 15%.

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Extract E · Who gains from an additional bus journey

When a traveller replaces a peak-time car trip with a bus journey on a service that has spare seats, other road users may face less congestion and local residents may experience less air pollution. These third-party benefits are not fully reflected in the fare paid by that traveller. Not every new bus passenger switches from a car: some previously walked or cycled. New services also use fuel and road space. The council has not estimated the monetary value of the net external benefit of each additional bus journey.

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Extract F · A proposed maximum fare

The council is considering a maximum fare below the market-clearing fare on selected routes. Operators would receive no compensation under this proposal. The council expects cheaper tickets to improve affordability. Operators warn that they might reduce service frequency or leave costly routes if revenue no longer covers their costs. At busy times, more people may wish to travel than there are seats. The council has limited information about each firm's costs, and cannot be certain how quickly operators would adjust capacity.

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Extract G · A proposed passenger subsidy

An alternative proposal would pay operators £0.40 for each eligible passenger journey, with a fixed annual public budget. The intention is to encourage lower fares and additional services. The amount passed on in lower fares would depend on demand, supply and competitive conditions. Operators might retain part of the subsidy. The council could require operators to report fares, service kilometres, passenger numbers and crowding. Funding the subsidy would leave less money for other local services. A councillor argues that a subsidy should be judged by whether it increases socially valuable journeys, rather than passenger numbers alone.

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