



**Year 12**  
**Summer Transition Work**

**Economics**  
**Exam Board – Edexcel**

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# Economics at Becket Sixth Form

*The purpose of the BBC News article below and the tasks is to start getting you to 'think like an economist' and apply your new found knowledge of this subject to the world around you. This task should take you no more than one hour, and it will give me an idea of your writing, arithmetic, research and reasoning skills. See you in September 2022! Mr Bestwick.*

## Ryanair warns flight prices to Europe will rise this summer

**BBC News, 16<sup>th</sup> May 2022**

Plane ticket prices will rise this summer due to high demand for European beach holidays, Ryanair has said.

Airline boss Michael O'Leary said he expects prices for flights to rise by a "high single-digit per cent". He said the airline's lower fares were currently driving an increase in passenger numbers, helping the company's recovery from the pandemic. He said he hoped the airline would return to "reasonable profitability" in its current financial year. The firm reported annual losses of £302m on Monday, saying its recovery from Covid restrictions being lifted had been impacted by the Omicron variant and the war in Ukraine. The conflict in Ukraine has driven up global oil prices with concerns supplies from Russia, a major exporter of fossil fuels and jet fuel, could be disrupted. The group's loss for the year to 31 March was smaller than expected and narrowed from the £867m losses seen the previous year.



Mr O'Leary said he expected prices to be lower up to June compared to pre-pandemic levels, but added "based on about 50% of all bookings, we expect prices will be up high single-digit per cent" over the Summer. "It seems to us that there will be higher prices into that peak summer period because there's so much demand for the beaches of Europe and those price rises going to continue," told the BBC's Today programme. "I think prices will be low next winter. But it's too early to say, there's clearly going to be an economic downturn, there's some fear of recession and in a recession the lowest-cost provider, which in the UK and in Europe is Ryanair, will do better, but will do better because we can sustain lower prices." In its results the airline stated customers were still booking their trips later than usual and said the "booking curve" looked more like pre-Covid times. Ryanair said traffic recovered strongly as it carried 97.1 million guests, up from just 27.5 million the year before thanks to the lifting of pandemic restrictions. It said it hopes to boost this further to 165 million passengers this year - ahead of the 149 million record level seen pre-Covid.



Elsewhere, Holiday giant Tui has said it expects summer bookings to "almost reach" 2019 levels this year, but warned there will be "no last minute" deals. "There will be practically no last minute offers at low prices this summer," said Fritz Jousen, Tui's chief executive. Mr O'Leary said he hoped to see "pinch points" at UK airports such as Manchester or Heathrow eliminated by the end of June in time for the peak summer period. He said: "There's no doubt I think getting through airports this summer is going to be challenging and we're encouraging all of our customers to show up earlier and allow more time to get through airport security". However he claimed this was less the case at other airports Ryanair uses, such as Glasgow, Stansted, and Bristol. He said Ryanair didn't face the same recruitment challenges as some competitors because it had kept people on. Ryanair asked staff to take pay cuts during the pandemic to avoid job losses.

Original article: <https://www.bbc.co.uk/news/business-61463274>

Ryanair's webpage: <https://www.ryanair.com/gb/en>

British Airways webpage: [https://www.britishairways.com/travel/home/public/en\\_gb/](https://www.britishairways.com/travel/home/public/en_gb/)

**Tasks on the next page**

**Your name:** \_\_\_\_\_

Once you have read the article on Ryanair, answer the questions below in the space provided. Some questions will require you to undertake your own research.

**Q1**      **What is Economics about as a subject?**

**Q2**      **“Ryanair said traffic recovered strongly as it carried 97.1 million guests, up from just 27.5 million the year before thanks to the lifting of pandemic restrictions”. Calculate the percentage change in its number of customers (show your working out).**

**Q3**      **Ryanair has said that “plane ticket prices will rise this summer due to high demand for European beach holidays”. Explain why you think prices rise when there is a rise in demand for them.**

**Q4**      **The article also states another reason why prices of air fares are likely to rise. What reason is given, and why would it lead to higher prices?**

**Q4** Ryan O’Leary is quoted saying “there’s clearly going to be an economic downturn, there’s some fear of recession”. Using an appropriate resource, find a definition for an ‘economic recession’ and then explain the definition *in your own words*.

**Q5** If there is likely to be a recession, the UK will see a rise in the number of people who are unemployed.

a) What does ‘unemployment’ mean?

b) Michael O’Leary says that “in a recession the lowest-cost provider, which in the UK and in Europe is Ryanair, will do better”. Explain why Ryanair is likely to do better than competitors like Virgin and BA at a time when unemployment rises. You are encouraged to use Ryanair’s and BA’s website to give context (application) to your answer.

**Q6** Many commentators say that the UK and many other countries have become addicted to flying, when we should be reducing the number of flights taken.

a) Why might someone argue this?

b) Research and briefly describe ONE WAY the UK government uses to try to reduce the number of flights taken.

# Coronavirus: Rolls-Royce to cut 9,000 jobs amid virus crisis

BBC News, 20<sup>th</sup> May 2020

Rolls-Royce has said it will cut 9,000 jobs and warned it will take "several years" for the airline industry to recover from the coronavirus pandemic. The Derby-based firm, which makes engines, said the reduction of nearly a fifth of its workforce would mainly affect its civil aerospace division. "This is not a crisis of our making. But it is the crisis that we face and must deal with," boss Warren East said.



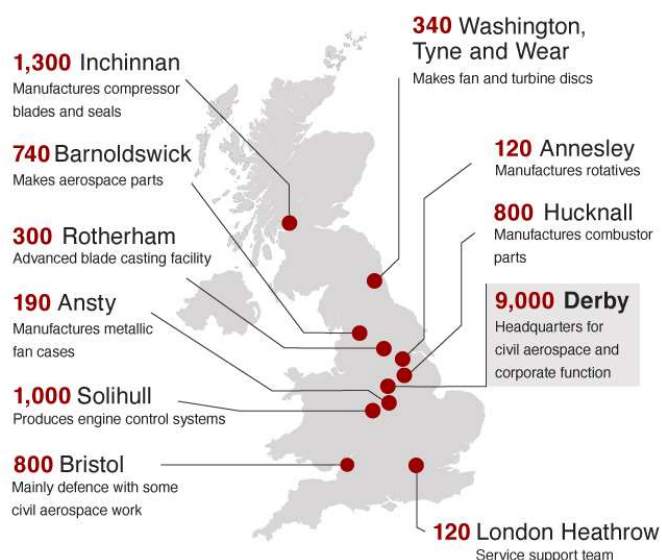
plane

The bulk of the job cuts are expected to be in the UK at its site in Derby. Rolls-Royce employs 52,000 people globally and Mr East told the BBC's Today programme that the company had not yet concluded on "exactly" where the job losses would be, due to having to consult with trade unions.

But he said: "It's fair to say that of our civil aerospace business approximately two-thirds of the total employees are in the UK at the moment and that's probably a good first proxy." Rolls-Royce's civil aerospace business has a number of sites in the UK, but the largest plant is in Derby. The company said it will also carry out a review of its sites but declined to comment on which ones may close.

John, a worker in Rolls-Royce's civil aerospace division who spoke to the BBC on condition of anonymity, said that while he expected there would be job cuts, the eventual 9,000 figure was "a shock".

## Rolls-Royce civil aerospace employees



Source: Rolls-Royce

BBC

"Since the Covid-19 outbreak we knew that business would shrink," he said. But he said the scale of the cuts as well as the potential closure of some sites was a surprise. Unite the trade union said the decision was "shameful opportunism". "This company has accepted public money to furlough thousands of workers," said Unite's assistant general secretary for manufacturing, Steve Turner. "Unite and Britain's taxpayers deserve a more responsible approach to a national emergency. We call upon Rolls-Royce to step back from the brink and work with us on a better way through this crisis."

## How will airlines get flying again?

Rolls-Royce initially furloughed 4,000 workers in the UK last month. Some 3,700 people remain on the Coronavirus Job Retention Scheme though which the government pays 80% of a worker's wage up to £2,500 a month. But Mr East said: "No government can extend things like furlough schemes for years into the future. We have to look after ourselves and make sure we meet medium term demand."

Source: <https://www.bbc.co.uk/news/business-52723107>

Tasks on the next page

Your name: \_\_\_\_\_

Answer the questions below in the space provided, once you have read the article on Rolls Royce.

Some questions will require you to undertake your own research. Provide your source of information at the end of your answer.

**Q1** What is Economics about as a subject?

**Q2** Rolls Royce (RR) has announced 9,000 job cuts. What percentage is this of its global workforce? (show your working out)

**Q3** Rolls Royce design and manufacture aeroplane engines (such as the Trent) <https://www.rolls-royce.com/products-and-services/civil-aerospace/airlines/power-of-trent.aspx> which are then sold to aeroplane manufacturer like Boeing. Why do you think the Coronavirus pandemic (and the subsequent actions of governments) would lead to Rolls Royce making 9000 workers redundant? Fully explain your answer.

**Q4** Explain one reason why losing a job will have a negative impact on a Rolls Royce worker.

**Q5** Explain why you think the UK government decided to agree to pay 80% of a worker's salary as part of its Coronavirus Job Retention Scheme (where workers are 'furloughed' by their employer). Your answer should refer to the impact on the UK economy.

**Q6** Do you agree with Rolls Royce's decision to lay off 9000 workers; or do you agree with Steve Turner of the Unite trade union? Fully justify your answer.