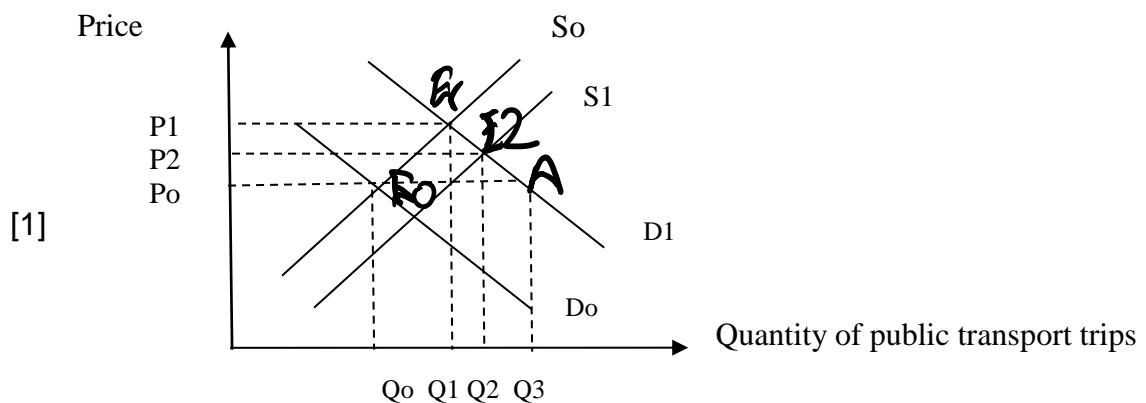


- (a) **Using Table 1, compare the relative changes in the public transport ridership of bus, MRT and taxi for the period shown. [2]**

Bus ridership, taxi ridership and MRT ridership all rose. [1] MRT ridership increased most significantly while taxi ridership rose by the least. [1]

- (b) **With the help of a supply and demand diagram, explain the likely impact of increasing population and lower energy costs on the market for public transport. [6]**

An increasing population means more users for public transport, which leads to a rise in the demand for public transport trips from  $D_0$  to  $D_1$ . A shortage of EoA at  $P_0$  results in the equilibrium price and quantity of public transport increasing from  $P_0$  to  $P_1$  and  $Q_0$  to  $Q_1$  respectively.



With lower energy costs, the unit cost of producing public transport trips falls, which results in a rise in the supply of public transport trips from  $S_0$  to  $S_1$ . Equilibrium price falls from  $P_1$  to  $P_2$ , while equilibrium quantity increases from  $Q_1$  to  $Q_2$ .

With increases in both demand and supply for public transport trips, the quantity of public transport trips rises but the impact on its price is uncertain.

- (c) (i) **Using Extract 1, calculate the price elasticity of demand for bus travel from 2014 to 2015. [2]**

$PED = \% \text{ change in quantity demanded of bus travel} / \% \text{ change in Price of bus travel}$

PED for bus travel is (-) 1.96.

- (ii) **Explain the likely impact of a fall in bus fares on bus operators' total revenue. [3]**

The fall in bus fares could be due to a rise in the supply of bus trips due to a subsidy [extract 2] which lowers the unit cost of producing bus trips.

Total revenue =  $P \times Q$

As the demand for bus trips is price elastic as shown in c(i), bus operators' total revenue is likely to increase as the loss in total revenue due to the fall in bus fares

is smaller than the gain in total revenue due to the more than proportionate rise in bus trips.

- (d) **With reference to extract 3, explain why car prices may remain prohibitive. [3]**

Extract 3 suggests that there continues to be a strong consumer preference towards use of cars which is a status symbol so the high demand for cars results in extremely high car prices or prohibitive prices.

If people increasingly feel that car is a status symbol, demand will increase. The low availability of car stocks means that  $PES < 1$ . Hence, any increase in demand brings about a sharp increase in price explaining why car prices remaining prohibitive.

- (e) **Comment on the use of subsidies as a means to keep public transport affordable in Singapore. [6]**

A subsidy reduces the unit cost of producing public transport trips which increases the supply of public transport trips and hence lowers its price, making public transport more affordable in Singapore.

Strengths:

Cheaper public transport would reduce the problem of inequity as the lower income groups could afford more public transport.

Subsidies are effective being a market-based solution which is flexible that can be easily implemented to influence the affordability of public transport.

Limitations:

E.g. However, extract 5 points out the Singapore government, in recent years, has been spending more than it collects due to an ageing population. Hence, subsidies on public transport would place a strain on the government's budget, which would limit spending in other areas such as healthcare and education. The opportunity cost of subsidising public spending may be significant, due to large potential welfare gain to an ageing population with more spending on healthcare and education being sacrificed.

Conclusion

In my opinion, while the Singapore government could successfully keep public transport affordable via subsidies, it should not depend on subsidies as the only way to do so in light of greater net benefit that can be gained by an ageing population via better allocation of government funds in various areas.

- (f) **Discuss the view that developing transport infrastructure is vital to Singapore's regional and global competitiveness. [8]**

SG's regional and global competitiveness refers to the price and non-price competitiveness of SG exports, as well as SG's ability to attract foreign direct investment (FDI) and foreign labour within the region or internationally. To decide if developing transport infrastructure is vital or essential to SG's regional and global competitiveness, one should weigh the significance of developing Singapore's transport infrastructure against developing other areas in affecting her regional and global competitiveness. .

**Thesis:** Developing transport infrastructure may be vital to SG's regional and global competitiveness.

Transport infrastructure is a key factor that affects the efficiency that goods are traded and businesses are conducted.

A good land transport network has significantly improved the accessibility of the Central Business District, which facilitates business transactions and mobility of workers. A more efficient land transport system translates into unit cost savings (especially in terms of time) for firms and workers. Furthermore, SG is the region's largest air hub, with highly developed transport infrastructure. The expectations of higher profits due to more efficient transport infrastructure is likely to attract an inflow of FDI to SG away from neighbouring countries which have less developed infrastructure, which means that SG is more competitive in attracting FDI.

Furthermore, due to a more efficient transport infrastructure, workers may spend more time on their work and even become more productive as they spend less time travelling.

Illustrate using AD/AS analysis

**Anti-thesis:** Developing other aspects of the economy may be vital to SG's regional and global competitiveness.

Government spending on education and training may be more important in enhancing SG's competitiveness. Illustrate using AD/AS analysis

In face of increasing regional competition, the SG government may also need to allocate more funds to R & D to maintain her competitiveness in niche areas, such as the region's financial centre or petrochemical industry (Extract 5), of which transport costs constitute a less significant proportion of total costs.

Further government spending on transport infrastructure, however, may have negative consequences such as a budget deficit (Extract 5). If the SG government runs persistent deficits over many years, these debts will accumulate.

Hence, the SG's government to develop transport infrastructure may not be vital to SG's competitiveness if such negative consequences occur.

### **Conclusion:**

Whether developing transport infrastructure is vital in boosting SG's regional and global competitiveness depends on the pervasiveness of transport infrastructure in facilitating the country's economic activities with other countries. Transport infrastructure plays a significant role in facilitating a wide range of economic activities in SG (i.e trade, air and financial services) since SG is a key air, financial and trading hub in the region as well

as internationally. Hence, developing transport infrastructure is vital to her regional and global competitiveness.

<b>Level</b>	<b>Knowledge, Application, Understanding &amp; Analysis</b>	<b>Marks</b>
L3	For an analytical explanation and clear justification for whether developing transport infrastructure is vital to Singapore's global and regional competitiveness, using data from the case materials.	6-8
L2	For a descriptive explanation of whether developing transport infrastructure is vital to Singapore's global and regional competitiveness, using limited data from the case materials. OR  For a one-sided analytical explanation of whether developing transport infrastructure is vital to Singapore's global and regional competitiveness, using limited data from the case materials.	3-5
L1	For an answer that demonstrates knowledge of how developing transport infrastructure could affect Singapore's competitiveness.	1-2