

## Question 1

### SECTION A

Read the following extracts (A to D) before answering Question 1.

Write your answers in the spaces provided.

#### Extract A

##### Commonwealth Games, Birmingham, 2022

Durban, South Africa, was due to stage the Commonwealth Games 2022 but withdrew due to financial and practical concerns. Bids were also submitted by Edmonton, Canada and Liverpool, but the Commonwealth Games Foundation (CGF), chose Birmingham, the UK's second biggest city.

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Over 1,000 people will be recruited to deliver Birmingham 2022. Job vacancies will include roles related to administration, planning, marketing and security. Recruitment and training of staff will be led by Gi Group, a world leader in human resource management.

Gi Group will deliver comprehensive recruitment services and fill over 1,000 roles across multiple specialisms, including selection, training and on-the-job support. Gi Group will also assist all Birmingham 2022 staff with developing their careers from August 2022, once the Games are over.

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(Source: adapted from <https://birmingham2022.gigroup.com/about>)

#### Extract B

##### Huge progress at the Birmingham 2022 Alexander Athletics Stadium

Since planning permission was granted in January 2020, the demolition of three existing stands at the Perry Park site has been completed and work has started on rebuilding the stands with steelwork from British companies.

The £184m scheme remains on budget and scheduled for completion in spring 2022, ahead of its initial use as the venue for the Commonwealth Games athletics competition.

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After the Games, the stadium is set to become a focal point of health, wellbeing, sport, academic and community activity as part of a £500m City of Birmingham Regeneration Scheme.

The stadium, which will hold around 30,000 spectators at each session during the Games, will switch to a permanent capacity of around 18,000 post-Games – the largest permanent facility capable of hosting international athletics in the UK. Furthermore, it will continue to be the home of the world-famous Birchfield Harriers Athletics Club.

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(Source: adapted from <https://www.birmingham2022.com/news/blog/hugely-encouraging-progress-at-birmingham-2022-alexander-stadium/>)

#### Extract C

##### Capital funding and business partnerships for 2022 Commonwealth Games

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| Project                                         | Cost (£m)  | Main source(s)                                                                                                                                    |
|-------------------------------------------------|------------|---------------------------------------------------------------------------------------------------------------------------------------------------|
| Alexander Athletics Stadium redevelopment       | 184        | Central Government and Sport England (£112m), Birmingham City Council (£27m), Local Enterprise Partnership (£20m), West Midlands Authority (£25m) |
| Sandwell Aquatics Centre, Smethwick (New build) | 73         | Central Government, Sandwell Council, Local Enterprise Partnership, Sport England, and Sandwell Leisure Trust                                     |
| Smithfield Arena (New build)                    | 64         | Central Government, Birmingham City Council, West Midlands Authority                                                                              |
| Coventry Stadium adaptations                    | 32         | Central Government, Coventry City Council                                                                                                         |
| National Exhibition Centre adaptations          | 25         | Central Government, West Midlands Authority                                                                                                       |
| Other sites and infrastructure                  | 400        | Sport England, Business Partners/ Sponsorships                                                                                                    |
| <b>Total</b>                                    | <b>778</b> |                                                                                                                                                   |

(Source: adapted from <https://www.birmingham2022.com/business/partnerships>, [www.sandwell.gov.uk](https://www.sandwell.gov.uk) and <https://www.birmingham2022.com/news/blog/hugely-encouraging-progress-at-birmingham-2022-alexander-stadium/>)

#### Extract D

##### Commonwealth Games vision and mission (Extracts from)

Ian Reid, Birmingham 2022 Chief Executive Officer stated: "In order to deliver this iconic celebration of sport we need to forge dynamic, new business partnerships. The Games will boost jobs and investment and promote Birmingham's national and international reputation."

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The Birmingham 2022 Commonwealth Games will

- Embrace and drive the youth, diversity, humanity and pride of the region and the 76 countries of the Commonwealth.
- Inspire, engage and connect communities and athletes to realise their full potential and live happier, healthier lives.
- Drive sustainable economic growth and aspiration; creating opportunities through trade, investment, jobs and skills.
- Transform and strengthen local communities, working together to deliver new and improved homes, facilities and transport links.

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(Source: adapted from <https://www.birmingham2022.com/about-us/our-purpose/>)

- 1 (a) Assess **two** types of staff training that might be used by the Gi Group for the 2022 Commonwealth Games.

(8)

- (b) Assess the importance of capacity utilisation during the Commonwealth Games.

(10)

- (c) Assess the factors that may have led to Birmingham, UK being chosen as the location for the 2022 Commonwealth Games.

(12)

Ian Reid believes that the Commonwealth Games' Directors' objectives should be to prioritise jobs and investment when making business decisions. However, others have suggested that the objectives should meet the needs of all stakeholders.

(d) Using the data in Extracts A to D, evaluate these **two** objectives and recommend which is more appropriate for the 2022 Commonwealth Games' Directors.

(20)

(Total for Question 1 = 50 marks)

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## Question 2

### SECTION B

Read the following extracts (E to H) before answering Question 2.

Write your answers in the spaces provided.

#### Extract E

##### Mr High Flyer

Ryanair boss Michael O'Leary's entrepreneurial spirit came from his father, Timothy, who had set up a range of businesses over the years.

Whilst working in the Texas office of the world's first low-cost airline, Southwest Airlines, Michael O'Leary learned its strategy of flying into secondary airports with lower landing fees. He returned to Ireland inspired with ideas as the new Ryanair Chief Executive in 1994.

O'Leary considers himself to be abrasive, but also a visionary and humble.

"Am I cold-hearted and ruthless?" he asked himself during a TV interview. "I think in business terms, yes I am. I'm here to run a company. We must make money to survive. We must out-compete the competition".

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#### Extract F

##### Civil Aviation Authority (CAA) takes action against Ryanair

The CAA is taking action against the budget airline for failing to comply with its regulations. Flights had to be cancelled as a result of Ryanair not correctly planning the work rotas for its pilots.

Ryanair failed to give customers accurate information about their rights and falsely claimed it did not have to re-route passengers onto other airlines. It also refused refunds for additional expenses such as meals, hotels and extra travel costs.

Even though Ryanair cancelled 20,000 flights in September 2017, passenger numbers actually increased in October 2017 by 8% when compared to October 2016. Furthermore, Ryanair forecasts a €1.4bn full-year profit after tax for the year ending March 2018, even when taking into account €25m in compensation payments. Furthermore, Chief Executive Michael O'Leary said "higher pay to attract and retain flight crew will add €100m to the airline's annual costs".

(Source adapted from: Ryanair passenger numbers increase by 8% year-on-year in October despite cancelling thousands of flights, by Emma Featherstone © The Independent - November 2017)

#### Extract G

##### Budget or bust?

In September 2017 Monarch Airlines finally went into administration.

Monarch Airlines failed to adapt quickly enough to the low-cost, no-frills model popularised by easyJet and Ryanair. Monarch only began changing from a charter airline to a low-cost airline in 2009, by which time it was a tenth of the size of Ryanair.

Monarch relied on Middle East tourism, which fell due to terror attacks in Tunisia and Egypt, the failed 2016 coup in Turkey and the ongoing Syrian civil war and migrant crisis. At the same time, the depreciation in £ sterling had a big impact on fuel and maintenance costs.

In 2016 Monarch agreed to lease a new fleet of Boeing-737s, to replace its fleet of ageing Airbus. This would have dramatically reduced both fuel and maintenance costs, but the first of the planes wasn't due to be delivered until 2018.



Owners Greybull Capital chose not to save Monarch for a third time in four years, having paid £125m when it acquired the airline in 2014, and £165m to rescue Monarch in 2016.

© Haymarket Media Group 2017

Extract H

Ryanair partners Air Europa to the Americas

In May 2017, Ryanair announced a partnership with Air Europa. This enables its 130 million customers to book Air Europa long-haul flights on the Ryanair.com website. UK customers are able to browse and book Air Europa flights on 20 long-haul routes from Madrid to a number of countries in North, Central and South America. The main competitors on these routes are Spain's Iberia and Vueling airlines.

|                          | UK     | Argentina | Brazil | Cuba   | Mexico | USA    |
|--------------------------|--------|-----------|--------|--------|--------|--------|
| GDP (\$) per capita 2016 | 43 200 | 20 100    | 15 200 | 11 900 | 18 900 | 57 600 |
| GDP growth 2016 %        | 1.8    | (2.0)     | (4.2)  | (1.2)  | 2.3    | 1.5    |

© Ryanair DAC 2018

- 2 (a) Assess **two** difficulties for Michael O'Leary when developing from an entrepreneur to a leader.

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(b) Assess the likely effects of consumer protection legislation on a business, such as Ryanair.

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(c) Assess whether Monarch Airlines' business failure was due to internal causes.

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For long-haul flights to the Americas, Ryanair and Air Europa could use competitive pricing or a penetration pricing strategy to maximise profit.

- (d) Evaluate these two pricing strategies and recommend which **one** should be used by Ryanair and Air Europa to maximise profit.

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(Total for Question 2 = 50 marks)

**TOTAL FOR SECTION B = 50 MARKS**  
**TOTAL FOR PAPER = 100 MARKS**