



INTRODUCTION

Background

This special issue of *European Transport*, edited by André de Palma, Edoardo Marcucci, Esko Niskanen and Erik Verhoef, introduces a selection of the papers presented at the 3rd International Kuhmo Conference and Nectar Cluster 2 meeting on “Pricing, Financing, and Investment in Transport”, which was held 11-14 July 2006, in Tuusula, Finland. Judging by the quality of papers, and the comments received, the conference was a great success. It attracted over 50 participants, primarily from various European countries and North America. It was preceded by a three day Summer School on “The Economics of Transportation” featuring lectures on a variety of transport economic topics, given by Richard Arnott, Jan K. Brueckner, André de Palma, Amihai Glazer, and Erik Verhoef.

In offering an informal and unique environment for pleasant get-together and fruitful discussions and learning experience, the series of the Kuhmo-Nectar Conference and Summer School have become highly appreciated by all the participants coming from different backgrounds (academia, consultancy, government, independent agencies, international organizations). Encouraged by the positive comments and suggestions for future events, a next edition of this combined Conference and Summer School is scheduled to be held at the University of Urbino, Italy, in July 2007. We can only hope that the initiative will fulfil our expectations in further growing into a vivid and structural yearly highlight on our academic calendars.

From its beginning, this series of conference and summer school have aimed to highlight pricing, financing and investment issues of practical importance in transport, but also more systematically (the summer school) to cover alternative approaches to analyzing these issues and their theoretical backgrounds with the intent of: increasing knowledge and understanding of transport economics, and improve on the quality of research in transport economics; enhancing international cooperation and mutual understanding by attracting participants from different countries, at different levels of economic development, and from international organizations; improving the understanding between economists and other researchers working on transport, land use, regional science, political science, and institutional analysis; facilitating the exchange of views, ideas and experiences between theorists, applied researchers, and practitioners, and help them learn from each other in order to narrow the gap between theory and practice.

This special issue

As said, this special issue presents some of the papers presented at the conference. We will now briefly introduce these papers.

European competitiveness in the global economy is strictly and increasingly linked with an efficient and cost effective transport and port system. The issue of marginal social cost pricing in European seaports, dealt with by Abbes in the first paper, constitutes a key issue not only for European transport policy but also for its future growth opportunities. EU ports are becoming *de facto* multi-product industries offering a range of services and operating under different environments and organizational structures. Many port infrastructures and services are owned/managed by private operators. Notwithstanding the lack of standardization and homogeneity in port characteristics, the European Commission is keen to adopt a common approach to pricing in ports testified by a European Commission White Paper (1998) suggesting the application of marginal social cost pricing, taking into account externalities such as cost of accidents and environmental and congestion costs. Abbes critically discusses the recent changes in the port industry and investigates port pricing in theory, and the possible practical application of marginal social cost pricing in European seaports.

In the second paper, Beria proposes some reflections on transport mega projects in Italy, where he provides a comparative analysis of economic feasibility studies. The author surveys fifteen selected infrastructural transport projects in Italy and provides a critical evaluation of the environmental impact assessments and of the feasibility studies, with the purpose of deriving some general conclusions about the quality, transparency and contents of the assessment, given the Italian normative framework. The evidence from the projects considered suggests that little attention is paid to demand forecast modelling, nor to the use of standardised comparison schemes. Furthermore, some cases of double counting are encountered, as well as some theoretical errors in cost evaluation.

De Palma, Motamedi, Picard, and Waddell contribute the third paper, dealing with the empirical examination of the market for local amenities in the Paris metropolitan region. One important result derived in the paper relates to the considerable inequity in the spatial distribution of these local amenities, which include accessibility, environmental and social indicators. The results are obtained by employing a spatial analysis, using Lorenz curves to study the degree of inequity in the distribution of amenities. The largest divergence is found for noise (due to its concentration near airports), ‘Significant Urban Zones’ (areas with high concentrations of social and economic difficulties targeted for government assistance), the presence of water (lakes and rivers) and forests, and the presence of train and subway stations. Recognising that local amenities should be capitalized into the housing market, the authors study the willingness to pay of households for these amenities within the Paris region using alternative specifications of a location choice model. Some important results on the spatial scale of the amenity effects, and how this is captured in a location choice context, are acquired through the estimation of models both at a commune and at a grid cell level. This approach allows the authors to gain new insights into how households in the Paris region trade off amenities against each other, and against housing cost. An important point is that the residential location choice model fits the data moderately better at the smaller scale of the grid cell, compared to the commune.

Dumas discusses, in the fourth paper, the capitalization of land and commercial rents generated by railway infrastructures, as a source of finance for passenger railway companies. He describes the global situation of these activities in the different parts of the world in the period 2003-2004, and subsequently reviews the evolution of these activities during the period 1990-2004. The main conclusion of the study concerns the evidence of a convergent trend in terms of a common diversification strategy and activities. The author finally critically evaluates some consequences of the existence of this convergence, in terms of transport policy implications.

Quality in local public transport and its relevance for transport service contracts is the focus of the fifth paper, by Marcucci and Gatta. Given that service contracts constitute the wide-spread instrument to define bilateral commitments concerning contracts for transportation services and since, in this realm, the frequently divergent interests of public authorities and transport operators have to be reconciled via an appropriate regulatory apparatus, the definition, measurement and evaluation of quality constitutes a salient issue. In fact, in recent years the inclusion of quality requirements in contracts has become common practice, especially when adopting price-cap regulation. The authors suggest a criterion for service quality definition, measurement and integration in contracts for the production of socially valuable transport services. The adoption of choice-based conjoint analysis techniques to analyse customer preferences allows for the estimation of the passengers' evaluation of different service features and the calculation of a robust specification of a service quality index. The authors provide a practical application of the method proposed showing the results achieved in a case study that demonstrates how the procedure could be employed for measuring a service quality index in local public transport in a geographically differentiated market.

Finally, Meléndez-Hidalgo, Rietveld, and Verhoef in the sixth paper consider the more theoretical issue of "Surplus Equivalence", related to measuring benefits from transport infrastructure investments. In fact reductions in transport costs resulting from infrastructure improvements generate benefits measured as surplus changes either at an economy-wide scale (social welfare changes) or, else, as in cost-benefit analysis (CBA), at a transport market level as transport users' surpluses changes. The authors consider an economy with spatially separated markets integrated through a transport network, to study the equivalence between these two benefit measures. The strategy adopted, as also done by Jara-Díaz (1986), considers three different product market competition arrangements, it employs a two-node network and extreme competition assumptions on the production side: perfect competition and monopolistic production with arbitrage. The paper develops the work by Jara-Díaz by additionally considering perfect collusion (monopoly without resale) and Cournot-Nash oligopoly under flow-dependent transport costs (i.e. congestion in transport). The main results produced are based on numerical simulations in a three-node network with and without transshipment nodes.

The overall set of papers thus perfectly illustrates the broadness of the theme of the conference ("Pricing, Financing, and Investment in Transport"), both in terms of the wide variety of concrete issues covered by it, as by the array of methodological approaches that are used to address these.