



Marginal social cost pricing in European seaports

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Abstract

Europe's competitiveness in the global economy depends increasingly on an efficient and cost effective transport and port system. In the EU, Ports are becoming no different from any other multi-product industry offering a range of services and operating under different environments and organizational structures. Many port infrastructures and services are owned or managed by the private sector. In spite of the lack of standardization and homogeneity in ports, the European Commission is keen to adopt a common approach to pricing in ports. Therefore, a European Commission White Paper (1998) suggests the application of marginal social cost pricing taking into account externalities such as cost of accidents and environmental and congestion costs. The purpose of this paper is to show the recent changes in the port industry and to investigate the issue of port pricing in theory and the possible application of marginal social cost pricing in European seaports.

Keywords: Port pricing; Marginal social cost; Public goods; Privatization.

1. Introduction

Seaports are considered as an important link in distribution channels, particularly those involving international trade. The European port sector handles more than 90% of the Union's trade with third countries and around 30% of intra-EU traffic. Moreover, ports are an essential interface between seaborne and land-based modes of transport. In ports, as in many other industries, prices can 'make' or 'break' a port. Efficient prices can lead to prosperity and growth; the wrong ones can cause bankruptcy or the proliferation of subsidies and inefficiency. Europe's competitiveness in the global economy depends increasingly on an efficient and cost effective transport and port system.

Traditionally, ports were considered as a public good. Consequently, pricing and investment in this sector were among the responsibilities of the public port authorities. These responsibilities also covered security and environmental problems. In recent

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