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Implementing Reform in Transport

Effective Use of Research on Pricing in Europe

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A Marginal Costs Pricing Scheme for Airport Operations and Externalities

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Abstract

Delays, environmental nuisance and congested facilities are examples of airport inefficiencies that economists characterize as unchecked operational and demand related externalities. These, in turn, lead to waste of resources that amount to a significant financial and social burden on communities, local governments, the airlines and passengers. In this presentation I first examine these inefficiencies and discuss their sources and magnitudes. Subsequently, I propose marginal costs pricing scheme aimed at correctly pricing these externalities, thereby internalising them. The third part of the talk focuses on policy issues regarding potential barriers to the acceptability of such a scheme and required institutional changes. Data are drawn from European and international aviation.