

Long-Run Marginal Cost in the RoRo Industry

ABSTRACT

In this article a quantitative analysis of the cost structure a shipping company has to take into account when starting and running a regular Ro-Ro cargo line is carried out (a Short Sea Shipping line, for instance). The aim of the paper is to find an expression for the total costs depending on the parameters of the analyzed route, bearing in mind that the vessel capacity will be an important factor. This model will apply to rolled cargo vessels, especially trucks or platforms. Once the costs function is obtained the long run marginal costs will also be obtained, depending on the line capacity, aiming to obtain the optimum pricing, according to microeconomic theory. Frequency and regularity reflected upon the amount of scales will also be considered to be important because the long run marginal costs will depend on the amount of scales and the amount of transported platforms/trucks..