

Liberalisation is being implemented in an increasing number of formerly public sectors in European countries, often at the initiative of the European Union. The existing literature effectively highlights both the advantages and disadvantages of liberalisation for the development of these sectors, but stops short of weighing up these positive and negative impacts or analysing how different conditions – such as the level and form of liberalisation implemented and the level of development of the sector in which liberalisation is carried out – influence this balance. This paper constitutes the first step in this direction through its analysis of the case of cross-border passenger railway services. On one hand, one would expect liberalisation to positively impact the development of cross-border passenger railway services through its creation of cross-border markets. On the other hand, however, based on the perceived lowering of the quality of services provided by sectors which undergo liberalisation, one would expect it to result in their deterioration. The paper finds that overall, liberalisation's positive impact outweighs its negative impact in the case of cross-border passenger railway services, as in general it positively influences their development. This applies to all levels and forms of liberalisation. However, this positive impact is found to be dependent on the level of development of the railway sector in which liberalisation is carried out. The effect is much stronger for borders between countries with more well-developed railway sectors than between those with less well-developed railway sectors, where liberalisation appears to have neither a positive nor a negative impact on the development of cross-border services.