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# ERIS

**European  
Briefing**

**August 2016**

## **European commission to act on Chinese Dumping**

The European commission has vowed to toughen up Europe's trade defences in a bid to prevent industry being overwhelmed by artificially cheap Chinese imports.

The EU executive promised "faster and firmer" action against foreign producers flooding world markets with subsidised goods, as it dashed China's hopes of gaining "market economy status" under existing trade rules.

China has been lobbying for market economy status in the World Trade Organisation, a change that would make it harder for other countries to challenge Beijing over state-subsidised goods being dumped on world markets.

The dispute over nomenclature has gained political potency, as massive over-production of state-subsidised steel from China has forced the closure of plants across Europe.

In the UK some 11,000 jobs are at risk at Tata Steel, including 4,000 at Port Talbot.

Tata Steel has refused to guarantee the future of the Port Talbot works, although it is working with the UK government on a rescue plan.

British Labour MEP David Martin Welcomed the EU plan, but warned the devil was in the detail and that the plan was almost too late for steel jobs.

Beijing argues that it should be treated as a normal market economy. The US argues that China has no automatic entitlement to be treated as such because Beijing continues to subsidise steel and aluminium, leading to massive over-production. The commission also said China should not be treated as a market economy.

## **EU fighting for tax justice**

EU measures adopted this month to tackle tax evasion by multinational corporations, including tougher sanctions on tax havens. Demands include giving national governments the right to tax profits generated by shell companies in countries with less than a 15% tax rate, and common EU rules on how companies calculate profits. Conservative MEPs abstained in the EU Parliament vote. "This is yet another example of the good work the EU does to tackle tax avoidance and evasion," said Labour EU taxation spokeswoman Anneliese Dodds MEP. "Tax avoidance does not respect national boundaries and only by working with our fellow EU countries can we effectively close the loopholes created by the lack of a common approach," she added. Thanks to pressure from Socialist MEPs, the European Parliament has also decided to set up a special inquiry committee on the 'Panama papers' tax scandal. They are calling for full transparency and strict sanctions for those who help individuals and companies avoid paying their fair share.

## **Europe's New Privacy Shield**

Internet users are under constant threat from criminals, governments and businesses. Criminals make targeted attacks on organisations, and traditional data security solutions are not enough to protect against them. Individuals are targeted for scams, which are becoming ever harder to identify. Governments and businesses snoop for personal data. Advice about not giving away unnecessary information remains valid, and not everything should be shared on social media. Revealing your behaviour there may affect your prospects of getting a job, and a single phrase you have typed may stop you entering the US. No wonder many people have lost confidence in the security of services on the Internet, and are worried that IT companies are unable to control the utilisation of user data, which is passed on to third parties for illegal or commercial reasons, then further combined to create profiles distributed to other parties. Complicated terms of use take away a user's rights to personal data and impose responsibilities that are impossible to fulfil. There are usually only minimal options for customising data security in cloud services, and users are given no guarantees about the long-term preservation of their data or the security of software. According to a 2015 Eurobarometer study, a third of consumers believe that they are unable to control data they submit online. Only half of consumers believe they have at least partial control

over their data. Regaining consumers' trust requires European IT service providers to make pledges on privacy, safety and data security. Consumers and businesses have the right to demand this, but must be ready to share the responsibilities. You have to take care of your data security just as you do an apartment — choose its locks, keep the windows closed when the place is empty, and make sure the windows have secure catches. The European Court of Justice (ECJ) ruled on 6 October 2015 that the Safe Harbour agreement between the EU and the US, which was supposed to guarantee the privacy of personal data, was invalid. The annulment was based on a complaint filed by a single individual, the Austrian Max Schrems, who requested in 2010 that Facebook list all the data it had collected about him. Facebook sent him a PDF document more than 1,200 pages long, including data Schrems believed he had already deleted. Schrems asked Irish information security officials to review how the data came to be transmitted from Facebook's servers in Ireland to the US; from Ireland, the matter was taken to the ECJ. The court decided that the agreement does not sufficiently consider the privacy protection of EU citizens — US authorities have broad access to the data of Europeans, while EU citizens do not have adequate means of accessing their own personal data or demanding its correction or deletion. The European Commission announced on 2 February 2016 that it had "reached an understanding about a new framework for trans-Atlantic data transfers" with the US. The new Privacy Shield agreement sets stricter responsibilities for companies operating in the US, to protect Europeans' personal data; the US pledges to ensure that clear conditions and restrictions are imposed on the ability of authorities to access personal data, and that this access is monitored. But the agreement is dividing opinions: some say it still does not guarantee privacy, others think the mechanisms for improvements are now there. The problem is not that authorities want to investigate individual crimes; they have the right to do that. But in doing so, they create opportunities for all to snoop on anybody, anywhere, at any time. There are no guarantees that the security loopholes created by the US National Security Agency (NSA) are not already being used by other governments; in building itself opportunities for mass snooping, the NSA eases access for criminals and other governments. Mass snooping is the real problem, with data collected about everyone, everywhere. The more data is collected, the greater the need for quality in the processing system, to prevent authorities wasting time analysing the data of innocent people instead of criminals' data. The US constitution only protects US citizens, which is why Privacy Shield, as a continuation of Safe Harbour and the new European legislation, are very important for Europeans. The European Commission passed a new regulation on the protection of personal data (the General Data Protection Regulation, GDPR) this January, which will become effective in 2018. It aims to return control of personal data to those who own it, with significant sanctions for incompetence among those managing the data. Under the regulation, personal data includes not only names, addresses and credit card numbers, but also IP addresses, locations and cookies. When it becomes effective, consumers will have a right to know whether data about them has been stored, and a right to access that data. They will have a right to transfer and modify their data, to oppose its processing and restrict or delete it. The biggest practical problem with the GDPR is that it requires all companies processing personal information to develop the necessary expertise in just two years. Time will tell how well data managers, if they even exist, understand all the related risks and threats. Companies will need strong support in the application and adoption of the law. Monitoring the enforcement of the regulation is difficult as technology develops constantly. The Internet of Things <sup>(1)</sup> is creating a world where nearly all home appliances and systems will be online. At its simplest, this will be a digital view of the real world, where data from devices and objects is transmitted over wireless networks for processing, usually on a cloud platform; from there it may even be used for controlling a home. The Gartner research company estimates that by 2020 there will be up to 25bn devices connected this way. New technologies make life easier, but they also change the nature of threats, and the Internet of Things is a novel threat to the data security of cloud services. Criminals and spies can intervene in ordinary lives; they can externally control home automation and turn off heating systems or refrigerators. (It was discovered in the UK that

remotely accessible gas meters could be manipulated.) Car brakes have been disabled. There is a website where you can see people's homes through hacked security surveillance cameras. In future, people may have to look after their personal safety as well as their online privacy and security. System developers will have to look after the physical safety of people and property better than before. Security must be built into the Internet of Things, cloud services and all our smart devices. The use of encryption, malware protection and the monitoring of cloud services should become more common as awareness increases. There must be new secure, European, services for storing personal data that can be managed by the user. Data security for cloud services has developed rapidly over the last few years. Major players have invested in service and product development, which has improved reliability. There are certification mechanisms to ensure that things relating to cloud technology are done properly. The Trusted Cloud program of EIT Digital (the European Innovation and Technology Institute's community focusing on future information and communication technologies) conducted a study with 3,000 respondents from six countries in 2015. The results show that decision-makers, companies and researchers must invest in trust in cloud services. IT services must also be developed in Europe, instead of Europeans consuming them passively, and so being vulnerable to increased threats. One of EIT Digital's top projects is to restore European consumers' trust in secure cloud services, with the aim of creating a Trusted Cloud ecosystem, where companies and organisations guarantee that the data of people using their services remains under the users' control. Ecosystems like Trusted Cloud can offer secure European cloud services. In an uncertain world, they are a basis for operating practices and technologies that help guarantee an information-secure environment, which may help companies that find it challenging to win customers' trust for their services. The GDPR is a significant challenge for European companies, but may offer opportunities for more trusted services and solutions.

(1) See Luke Dormehl, "Internet of Things: it's all coming together for a tech revolution", The Guardian, 8 June 2014.

Source La Monde Diplomatique - Authored By - Janne Jarvinen is director of EIT Digital's Future Cloud Action Line and Markku Kutvonen is the leader of EIT Digital's Trusted Cloud programme; both are directors responsible for F-Secure's external collaboration.

## **EUROPE INSISTS ON RAIL PRIVATISATION**

The station in Parchim (population 20,000) in northern Germany is for sale; its graffitied buildings are locked, and there is only a coach timetable on display. At the red brick station in Ashington (population 28,000) in the north of England, an askew sign on the boarded-up ticket office warns passers-by to stay clear of the track: the express from Edinburgh goes through three times an hour without stopping. A local said: "By train, we'd be half an hour from Newcastle, but they don't run any more. The motorway gets congested as you near the city so you can't be sure how long it'll take. But there's no other route, so the coach has to use the motorway." If the traffic keeps moving, it takes 55 minutes to Newcastle by coach and 30 by car. Station closures are a visible result of the liberalisation of the railways across Europe over the past 25 years. It did not happen unopposed. In May 2014, residents of Haukivuori in Finland demonstrated against the closure of their station and one, Liisa Pulliainen, said: "It's unbelievable that they're closing a station that's existed for 125 years just to cut three minutes off the journey from Kouvola to Kuopio. It's as though more than 12,000 people no longer matter to VR [VR-Yhtymä Oy, Finland's state rail company]. All this to create a plane on rails." Privatisation creates two-tier transport systems: the high-speed lines — planes on rails — are used by the most affluent travellers, who get all the attention, while local transit and everyday needs are neglected <sup>(1)</sup>. Finland's state rail operator, now restructured on EU advice as a group of 21 companies, closed 28 out of 200 stations in September 2015 and reduced passenger services on branch lines. This March, the government indicated that it would open up the railways to competition, and a few days later, VR announced it was laying off 200 drivers, which provoked a 24-hour strike. The

strikers were especially critical of the deterioration in services because of competition: it is now impossible to get information in Finnish stations or aboard trains, to get directions to connecting services or to have luggage transported. Travellers have to find their own information and buy tickets online. The situation is similar at Stockholm's central station, where many rail operators compete for passengers, making travel options complicated. (Travellers have a choice of 36 operators to get to Malmö) Tickets booked in advance are cheaper, as is off-peak travel, but these tickets are not transferable if travellers miss their train. They need to spend time online seeking out the best deal, as ticket office staff only give information about their own company. The ambitions of European Council directives passed since 1991 — especially the railway packages introduced since 2001 — are clear: to simplify rail travel, stimulate competition and bring down fares. The ultimate goals are a universal ticketing system with transparent pricing, interoperability between countries (harmonised electricity supplies, track gauges, signalling and safety standards) and more high-speed trains. These sound attractive, but come with conditions: the break-up of national rail companies through the separation of infrastructure (the track) and train operation (transport services), then a further splitting of functions (sales, cleaning, maintenance, train driving and controls) to create competition. The first packages dealt with goods transport, which was massively deregulated, so rail freight companies are now in competition not just with each other, but with road hauliers too. In this environment, rail companies have diversified into road haulage on the model of France's SNCF and its Geodis subsidiary, and as a result, while the volume of goods transported in Europe has remained relatively stable, rail freight's share has shrunk. Road haulage can reach places no longer served by the rail network, and its operators have benefited from a reduction in costs after this sector of the European market was opened up. This has been detrimental to air quality, as road haulage is a major producer of pollutants and greenhouse gases. Competition has harmed wages as well as impacting the environment, as is apparent in Switzerland, a transport hub for north-south traffic. Crossrail AG, which has taken advantage of the opening up of the Swiss network, pays its drivers under the terms of Italian law: 3,600 Swiss francs (\$3,685) a month, 2,000 francs (\$2,050) less than the salaries of Swiss national operator CFF. In 2016 a federal court found in favour of the transport workers' union, SEV, which claimed Crossrail's pay policy breached railway law, stipulating that access to the Swiss network is contingent on observing prevailing employment conditions.

Swedish rail workers struck for over two weeks in 2014 in protest against Veolia's contracts and pay rates. The French company, which operates a franchise in southern Sweden, had planned to end the full-time contracts of 250 railway workers and re-employ them on temporary or part-time contracts. Journalist Mikael Nyberg has called the dismantling of Sweden's national rail system, which used to have a reputation as one of the fairest and most reliable in Europe, "the great train robbery" <sup>(2)</sup>, and an opinion poll found that 70% of Swedes favoured a return to a state railway monopoly <sup>(3)</sup>. Since privatisation in 2001, travellers have not experienced the promised benefits: the network is expensive, complicated and unpunctual. The increase in rail traffic has worsened congestion and causes regular disruption: 70% of the network is single-track, so the rail infrastructure is unable to develop the promised high-speed train service, as goods trains and frequently-stopping regional services slow down fast trains, and any disruptions have immediate knock-on effects. The solution would be to build a new network rather than adapt the existing one, and one is planned between Stockholm, Goteborg and Malmö. But competition among operators has done little to improve the network. Infrastructure investment is not profitable, and does not appeal to rail operators anywhere. With inadequate investment across Europe, the number of rail accidents has been increasing since Hatfield in 2000 (four dead, 35 injured) and Potters Bar in 2002 (seven dead and 76 injured): both were in the UK, which led the way in rail privatisation. The inquiry into the Hatfield derailment found the entire UK network was in poor condition because of chronic under-investment, although Railtrack, the now-defunct company that owned and ran it, was amassing profits. Railtrack was ordered to replace defective track and requested government subsidies, some of which went on

dividends to shareholders <sup>(4)</sup>. In France, the reduction of production costs and the subcontracting of maintenance have degraded the network. The derailment on 12 July 2013 at the station in Bretigny-sur-Orge (seven dead, 70 injured) was the result of a defective fishplate connecting two rails. Such safety issues are partly the result of the poor quality of the track, but also of poor training, especially of drivers. On 8 March 2013 a locomotive at the Penthalaz shunting yard in Switzerland crashed through buffers because it was going too fast, and ended up in the river. A pointsman reported that "the driver didn't understand what I was telling him, but the main problem was he didn't understand the engine at all because he'd never seen the instruction manual till he got in the cab." The driver worked for a subcontractor. The quest to cut costs, besides eroding working conditions for employees of the major national rail companies, also undermines a tough professional code of ethics that always ensured that anything on the rails was in perfect working order. The new management pressures staff to increase productivity at the expense of quality, and consequently safety. A maintenance worker for Switzerland's CFF for 32 years told us: "I've always had excellent appraisals, but then my boss told me off for doing too good a job, for being too scrupulous; 'just do your bit and don't worry about anything else.' But I can't work like that. If you see a worn cable, you replace it, even if your job is working on the brakes. My job is safety. They're always on at us about that, but safety means paying attention to everything. Not doing a sloppy job." The story from workers and managers was the same at an SNCF maintenance depot in central France. The former HR director described how profitability became much more important in the 2000s: "Before then, the main thing was that the job was done well. There wasn't this idea of accounting for costs; we were mostly concerned with the quality of the service provided. The service had to be good. If it was expensive, that didn't matter too much." Safety was the priority then; now comparisons with the private sector on the cost of hours worked are standard. The French government will stop funding most night trains this year, and passenger rail services will be opened up to competition in 2020, the last possible date permitted by the EU; the EU is initially targeting commercial national lines (the TGV) — and then "public service" lines (local and intercity), probably in 2024. This time frame explains the intensity of recent SNCF industrial action: the unions are trying to make their voices heard in negotiations with the Union for Public Transportation (UTP), made up of the SNCF and private operators, on the collective agreement that will govern working conditions for all railway employees. The fourth railway package means to make countries that have been slow to deregulate yield, ostensibly to "eliminate the last obstacles to the creation of a single European rail space" <sup>(5)</sup>. The reiterated aim is to create a more competitive sector, though the negative effects of the widespread introduction of competition are already apparent. After the Hatfield crash, the UK government had to involve itself again in the railways it had privatised seven years earlier (Railways Act, 1993), though it stuck to deregulation with passenger services. Since privatisation, around 30 different companies have held UK franchises. That privatisation has been a fiasco is evident from the incessant rise in ticket prices (6% in 2012; 4.2% in 2013; 2.8% in 2014; 2.5% in 2015) and from the regular injections of public cash needed to keep the infrastructure functioning <sup>(6)</sup>. There is a further problem — especially if the UK exits the EU — that few UK franchise holders are British companies: Deutsche Bahn (through its subsidiary, Arriva), France's Keolis and RAPT, and the Netherlands' Abellio. So privatisation has actually contributed to the decline of UK-funded businesses. Citizens' groups have for years run campaigns to reopen stations or lines previously classified as unnecessary or unprofitable <sup>(7)</sup>. In the UK as elsewhere, there is potential for railway workers, passengers and local politicians to join together to defend the values of public transport.

- (1) See Vincent Doumayrou, "Public transport to the fore", *Le Monde diplomatique*, English edition, September 2012. (2) Mikael Nyberg, *Det Stora Teigrd net (The Great Train Robbery)*, Karneval, Stockholm, 2011. (3) Jenny Bjorkman and Bjorn Fjxstad, "Svenskama vill ha statlig jamvag och marknadshyrer", *Dagens Nyheter*, Stockholm, 7 June 2014. (4) Christian Wolmar, "Forget Byers: the scandal was in the original sell-off", *The Guardian*, London, 8 July 2005. (5) The 4th railway package: improving Europe's railways, 22

December 2015; [www.consilium.europa.eu/en/policies/4th-railway-package/](http://www.consilium.europa.eu/en/policies/4th-railway-package/) (6) "Report from Sir Peter Hendy to the Secretary of State for Transport on the re-planning of Network Rail's Investment Programme", November 2015; [www.networkrail.co.uk/Hendy-review/](http://www.networkrail.co.uk/Hendy-review/)  
(7) <http://www.disused-stations.org.uk/index.shtml>

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