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## Money for fuel subsidy could finance water and electricity for all (Essay, Economy, DTE)

Around 18 per cent of India's fossil fuel subsidies could provide universal access to sanitation

A new study has found that if the subsidies given to fossil fuels were instead redirected to infrastructure development, it would free up enough funds to provide universal access to water, sanitation and electricity.

The study uses fossil fuel subsidies from 2011, which amounted to US \$550 billion per year globally, as the standard based on which to make calculations. While evaluating the costs of providing universal access to water, sanitation, electricity, telecommunication and paved roads, researchers argue against the fear that removal of fossil fuel subsidies would worsen the living conditions of the poorest by making energy more expensive.

According to the study, "universal access to water for all people on the planet could be achieved by investing \$190 billion, \$370 billion could cover universal access to sanitation, and \$430 billion could finance access to electricity". If these costs are distributed over the next 15 years, they add up to just a fraction of the \$8.2 trillion that would be allotted for fossil fuel subsidies in the same

time period.

Researchers found that while universal access to water, sanitation and electricity through subsidies is relatively inexpensive to achieve, providing universal access to telecommunication and paved roads would be more complicated. For several countries that have large access gaps in telecommunication and paved roads, the required investment to provide universal access would exceed the savings achieved by fossil fuel subsidy reform.

With regard to India, researchers have noted that while providing access to the 370 million people that lack accessibility to electricity could be covered by investment that would be less than 6 per cent of the country's fossil fuel subsidies, providing telecommunication services would require investments considerably higher than savings made through the phasing out of fossil fuel subsidies. About 18 per cent of the country's fossil fuel subsidies would be able to provide for universal access to sanitation.

The study highlights that "redirecting fossil fuel subsidies to infrastructure investments could, at least for some countries, close a large share of current infrastructure access gaps, in addition to the indirect benefits of economic efficiency and environmental improvements". But researchers have also sounded a note of caution that their analyses would only hold true if there was a gradual and natural decline of subsidies and simultaneous implementation of infrastructure-building initiatives at national levels. The absence of the latter could cause some people to be affected by higher energy prices while missing out on increased infrastructure access during the transitional period of infrastructure development.

The study comes only a couple of months before members of the UN assembly in New York deliberate over Sustainable Development Goals for the period 2015-2030. Earlier this month, world leaders and delegates met in Addis Ababa to

discuss ways to finance projects covered under the Sustainable Development Goals programme.

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Source : Smita Sri

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# **Bibek Debroy: The railways – Palimpsest (Essay, Economy, Transport)**

How many railway stations are there in India? Oddly enough, the answer isn't straightforward, because there isn't an unambiguous definition of "station". How does one count a halt, which may be because of operational reasons and not commercial ones? Does one have a handle on the number of abandoned stations? How does one count a station that has two different gauges passing through? And have you heard of Srirampur and Belapur stations in Maharashtra? On one side of the track, the station is called Srirampur. On the other side, it is called Belapur.

Therefore, though the "official" IR (Indian Railways) figure on number of stations is 7,112, a figure that is 8,000-plus isn't necessarily wrong. Not all stations are equally important and there is a classification from A1 to F. This is a precise definition, but we needn't get into that. Suffice to say, A1, A and B stations are more important than the others. A1 and A categories add up to 407. If we wish to prioritise resources spent on station development, these are indeed the ones we should focus on. The station with the most annual revenue is CST Mumbai, followed by Dadar.

Let's think of a railway route as a track that takes us from point X to point Y. Some stations are junctions, in the sense that more than one route passes through that station. To be called a junction, the norm is that at least three routes must pass through the station. A junction leads to additional problems of switching and signalling.

Roughly, there are around 300 railway junctions. Which junction has most routes passing through? Obvious responses about a busy railway station won't work. "Busy" originating or terminating stations aren't junctions. Actually, Mathura is the junction with most routes (six broad gauge, one metre

gauge) passing through. Roughly, a cluster of 23 ordinary stations will have a junction, because that's when one will confront another route. There are exceptions like Nagpur and Ajni stations, where distance between the two stations is only three kilometres. But in general, the distance between two stations is between six and eight km and the distance between two junctions is between 100 and 150 km.

To make the point, I am going to use a simple example. Think of a single line track between two ordinary stations. At any specific point in time, only a single train, moving in either of the two directions, can be on that track.

In jargon, in this simple example, that track between two stations is called a block section. Time will be spent on decision-making and the operating of signals, on the driver's perception and response, and on the train clearing that block section. Let's say 10 minutes for all this. What's a reasonable speed for this train? Remember this isn't a Shatabdi or a Rajdhani. It stops at both stations.

The answer is that anything more than 30 km/hour is impossible. If for computational simplicity if we take the distance between two stations as 10 km, half an hour per train (adding the 10 minutes). Thus two trains per hour, 48 trains per day, even if one ignores time required for maintenance of track. That's the capacity of this block section.

I recently met a MP who wanted more stops, more trains and greater punctuality. That's a logical impossibility. Out of 1,219 block sections on IR, 233 are at between 100 and 120 per cent capacity, 193 at between 120 and 150 per cent capacity and 66 at more than 150 per cent capacity.

This is especially serious on the high-density network, that between the metros. If you want more, and faster, trains between Jodhpur and Jaisalmer, that's never going to a problem, not today. But that's not where people want more trains. There is an unaddressed issue of unviable routes. There are routes on which there are few trains. There is Ledo and there is Tundla. Within Delhi, there are stations on Delhi

Ring Railway.

But for the high-density network, options are limited. Here are some:

- (1) Use technology to improve efficiency, including signalling. (Automatic signalling can de facto increase capacity by splitting the block into segments.)
- (2) Reduce stops between junctions, so that throughput of trains through ordinary stations is faster.
- (3) Back-of-the-envelope, badly-strained capacity is probably around 5,000 km of track. At Rs 10 per km, find the required Rs 50,000 crores. But since these capacity constraints are on high-density networks, they don't fit the category of national priority projects and GBS (gross budgetary support) won't be available for this.
- (4) While one figures out how to find resources, rationalise the number of trains. I said rationalise, I didn't say eliminate. Ignoring freight trains, does one need 13,000 passenger trains every day? Why have passenger trains with rakes of eight or nine coaches? Such a merger and consolidation has already been carried out for goods trains, and some doubled trains have more than 120 wagons. If all trains (segregated into three groups: Rajdhani/Shatabdi/Duronto, mail/express, and ordinary) have a template of 24 coaches, there will be no additional shortages because of consolidation. One should probably start with the Allahabad-Kanpur-Varanasi-Mughalsarai stretch – symptomatic of capacity problems, since every day 400 trains pass through this stretch.

But IR is reluctant to touch (1) and (2) – and can't find the non-GBS of Rs 50,000 crores.

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## Greece debt crisis heads to a flashpoint: What happens now?

WHAT IS HAPPENING?

Five-year debt crisis heads to a flashpoint

Why is everyone talking about Greece?

The European Central Bank (ECB) said on Sunday that it would not expand the emergency loan programme that has been propping up Greek banks. But it did not cut off support entirely, keeping the banks alive. Prime Minister Alexis Tsipras, who says the 'troika' of the ECB, IMF and European Commission has been unfair to Greece, got Parliament's approval for a public referendum on July 5 on the debt negotiations. Greece's current bailout package runs out on June 30, and it will most likely default on repaying the IMF € 1.5 billion, and another € 5.2 billion in short-term bills. Greece has shut its banks for a week. If it goes bankrupt or decides to leave the Eurozone, the instability in the region will reverberate worldwide.

How did Greece get to this point?

Greece became the epicentre of Europe's debt crisis after Wall Street imploded in 2008. With global financial markets still reeling, it announced in October 2009 that it had been



understating its deficit figures for years, raising alarms about the soundness of its national finances. It was shut out from borrowing in the financial markets, and by the spring of 2010, it was veering toward bankruptcy. As a new financial crisis loomed, the troika issued, one after another, two international bailouts, totalling more than € 240 billion. But the lenders imposed harsh austerity terms, requiring deep budget cuts, steep tax increases, an overhauling of the Greek economy, streamlining government.

So why didn't things improve still?

The money was supposed to buy Greece time to stabilise its finances and quell market fears over the integrity of the Euro union. But it mainly goes toward paying off Greece's international loans, rather than making its way into the economy, which has shrunk by a quarter in five years. Unemployment is over 25%. The government can't begin to repay its massive debt unless a recovery takes hold.

Many economists, and many Greeks, blame the austerity measures for their problems. The leftist Syriza rode to power promising to renegotiate the bailout; Tsipras said austerity had created a "humanitarian crisis". But creditors, especially Germany, blame Athens for failing to conduct the economic overhauls required under its bailout. They don't want to change the rules for Greece.

How did the latest situation arrive?

Athens struck a deal with European officials on February 20 to extend the bailout programme for four months in exchange for € 7 billion. But creditors say Greece's plans fall short, and accuse Tsipras of trying to roll back the austerity measures unilaterally. Greece needs a deal, and Tsipras seems to be betting that the troika will want to reach a compromise to avoid the huge unknowns of Greece defaulting or possibly leaving the Euro. Athens also needs to pay € 2.2 billion in

public sector salaries, pensions and social security payments, and has no money to do so.

Is Greece's € 320 billion debt mountain insurmountable?

For a country like the USA, it isn't. For Greece, the lenders are tougher. In 2012, it defaulted on financial lenders whose risks didn't pay off. This time, political institutions and state funds are involved.

WHAT HAPPENS NOW?

Likely debt default, a referendum, maybe exit

What happens in Greece today?

After Sunday's failed meeting of Eurozone finance ministers, Germany said Greece remains part of the Eurozone. However, Berlin has said in the past that the cost of keeping Greece in could not be ignored altogether – and should the ECB, which has capped emergency loans at € 89 billion, shut the tap completely, Greek banks would collapse and a Grexit would be inevitable.

Greece will almost certainly default on the nearly € 7 billion it owes in June. Eurozone officials have warned the nature of the standoff would change fundamentally once the bailout expires. And yet, an IMF default – to which Athens owes € 1.5 billion – will not force Greece out of the Eurozone. Credit rating agencies are worried only about dues to private creditors, and governments are unlikely to activate cross-default clauses.

How crucial is the July 5 referendum?

Besides the payments due on June 30, Greece owes the IMF and ECB another over € 10 billion over July and August. Which means it needs another bailout package – its third since 2010. Tsipras has called the Eurozone offer "unbearable", and is pushing for a 'No' on July 5 – even though he has said his

government would respect a 'Yes' too. However, Eurozone leaders are sceptical. Some in Syriza want the government to resign in the event of a 'Yes'. Should that happen, it would likely be replaced by a technocratic regime of the kind that was at the helm during the 2011 crisis. Since the bailout would have expired on June 30, this government would have to renegotiate the deal. A deal, once struck, would still have to be ratified by all Eurozone governments, including, in Germany, a vote in Parliament. And the whole process will need to be completed by July 20, when Greece must repay the ECB € 3.5 billion. A default will bring Grexit extremely close. July 5 will in effect test whether Greeks want to stay in the Eurozone. Or Athens might want to check out if Russia or China might help it Europe won't.

Will leaving Eurozone benefit Greece?

While some of the world's biggest financial services players believe Greece can adopt a new currency over time, no one expects the process to be painless or free of costs. Also, no one can predict the economy, if freed from the Eurozone, will flourish. Bank of Greece has said Grexit might bring deep recession, huge joblessness and crashing incomes. Greeks would lose savings, Greece could become an international credit market pariah, and political instability could bring a coup.

What about Eurozone and the world?

Grexit will wreck the understanding that Eurozone is a club you don't leave – and affect certain kinds of investors and companies. What happens in Greece will have ripples. Spanish anti-austerity party Podemos is watching Tsipras's gamble closely; Angela Merkel will be mindful of voter blowback to a debt writedown; anti-EU groups like France's National Front and Britain's UKIP will be able to say more vocally that integration can never work. If Greece leaves the Eurozone, it can be expected to be less cooperative with Europe over taking on the migrant surge from North Africa and West Asia. If

Athens drifts towards Moscow, it will unlock a whole new set of geo-political circumstances – and complications – for the West. Finally, though the chances of Grexit triggering a domino are slim, a contagion could hit countries like Ireland and Portugal.