

GOVERNMENT OF INDIA
Department of Telecommunications
PSU Division

New Delhi, the 14th March, 2018

OFFICE MEMORANDUM

Subject: Proposal of Bharat Sanchar Nigam Limited (BSNL) for implementation of 3rd PRC by relaxing affordability criteria - reg

Please refer to Department of Public Enterprises (DPE) OM No. W-02/0028/2017-DPE (WC)-GL-XIII/17 dated 3rd August, 2017 regarding pay revision of Board level and below Board level Executives and Non-Unionised Supervisors of Central Public Sector Enterprises (CPSEs) w.e.f. 01.10.2007.

2. In accordance with aforesaid OM, the Board of Directors of each CPSE would be required to consider the proposal of pay revision based on their affordability to pay and submit the same to the administrative Ministry for approval. However, BSNL has submitted a proposal for revision of pay scales of Board level and below Board level executives with 15% fitment benefit (full pay package) w.e.f. 01.01.2017 by relaxing the affordability criteria (copy enclosed). The justifications given by BSNL for relaxing affordability criteria for implementing 3rd PRC in BSNL is as below:-

(i) DPE vide Para (c) of Annexure-II referred in Para 5 provides, inter-alia, that CPSEs which have been formed under the statute as independent Govt. companies to perform specific agenda of the Government and where there is no budgetary support provided by the Government to such CPSEs, the affordability conditions shall not be applicable to that CPSE. Pursuant to NTP-99, BSNL was formed and the Government employees of erstwhile DOT/DTS were en-mass transferred and absorbed in BSNL with the assurances of better prospects. Till date BSNL has incurred the expenditure of about 1.75 lakhs crore under staff/salary head. Thus, BSNL was formed as a Government Company to perform specific agenda of the Government with regard to Telecom Sector.

(ii) BSNL has 100% Govt. share and its major stakeholder is DoT recruited employees. Had they not opted for absorption then would have got the benefits of the 7th CPC.

(ii) BSNL, the priority sector CPSU has a socio-economic importance for the nation as it fulfils the social obligations of the Government by providing telecom services in difficult terrains, commercially unviable areas, left wing dominated and far-flung areas of the country. It has always stood behind its countrymen during the time of emergencies and natural calamity, setting examples.

(iv) BSNL builds and maintains infrastructure for implementing important Govt. projects such as Bharat-net, Network for Spectrum, LWE and comprehensive telecom development plan for North-Eastern states.

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(v) BSNL plays a pivotal role as a regulator by deciding the market commercial condition in ultra high competition scenario and low service/product cost.

(vi) BSNL is in the turnaround phase, despite stiff competition and to maintain this momentum, it is important and desirable to keep the morale of the employees high and to avoid any employees' discontent & industrial unrest at this stage.

(vii) More than 95% of the SSA head/Circle Heads of BSNL are matched by the DoT officers whose pay got revised under the 7th CPC. In this situation, SSA Head/Circle Head would find difficult times for managing his employees where expectation of 3rd PRC implementation is if not met. It may result a hindrance/impediment in growth of BSNL.

3. BSNL has informed that the additional financial burden in 3rd PRC implementation will be Rs 6485 Cr in FY 2018-19. From 2019-20 onwards every year, additional financial burden will be Rs 2980 Cr.

4. BSNL has been incurring huge losses since Financial Year 2009-10. As per BSNL's Annual Report, it had incurred losses of Rs. 8843 crores in 2014-15, Rs. 4169 crores in 2015-16 and Rs 4793 crores in 2016-17. Accordingly, as per DPE guidelines BSNL has been declared as an 'Incipient sick' CPSE. As per DPE guidelines a revival/restructuring plan is being prepared by DoT for which quotations from three IIMs i.e. IIM Ahmedabad, IIM Bangalore and IIM Kolkata were sought. The quotations from these IIMs have been received and the proposal for award of the work of consultancy to one of the IIMs is under consideration.

5. Further, as per the Annual Report 2016-17 of the Company, out of the revenue earned from operation of Rs. 28404 Cr, the total employee expenses is Rs. 15715 Cr which is about 55% of the total income. This is much higher as compared to industry average of 6 to 8 %.

6. Keeping in view of the position explained above, Department of Public Enterprises (DPE) may examine the proposal of BSNL and to offer their comments as to whether the affordability criteria be relaxed for implementing pay scale revision in BSNL as per 3rd PRC.

Encl: As above.

[Signature]
20/3/19
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To,

The Joint Secretary,
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[Signature]
20/3/2018