

VR scheme Proposal

- In view of the company's very high wage bill, serious financial situation and in light of Pitroda committee recommendations on BSNL's revival, BSNL proposes to offer VRS to about 1 lakh employees

- BSNL proposal:

VRS based on guidelines of the Dept. of Public Enterprises:

Ex-gratia amount of 60 days salary (basic+DA) for each completed year of service or salary for number of months of service left, which ever is less.

Proposal to DoT

Government may provide non-interest bearing lump sum grant to BSNL or infuse additional equity in BSNL to the extent of Rs 11,276 Crore.

BSNL's existing capital structure
 Total Authorized Capital = Rs. 17,500 crore
 Paid up Capital
 Ordinary Equity = Rs. 5,000 crore
 Preferential Equity = Rs.7,500 crore

This amount will be utilized by BSNL for making ex-gratia payment to estimated 1 lakh VRS optees and ;

Govt. may pay other normal retirement benefits viz pension, gratuity etc. which are in any case payable by the Govt. but would be preponed in the case of VRS optees

Eligible age group and estimated no. of VRS optees

Scheme to be made open to all employees above 45 yrs

Groups	Estimated VRS Optees*
Group A	1483
Group B	6262
Group C	76655
Group D	15214
Total	~99,700
* About 24% of employees in group A&B and 50% in Group C& D above 45 years as on 31/3/2012 have been estimated	

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Cost Benefit Analysis for Complete project- Estimation for ~1 Lac VRS optee (contd. in next slide)(All figures in Rs crores)

ITEM	1 st Year	2nd Year	3rd Year	4th Year	5th Year	6th Year	7th Year	8th Year
BENEFITS (INFLOW)								
A) SALARY SAVINGS	3779	3722	3647	3548	3423	3252	3010	2695
COSTS (OUTFLOW)								
B) ADDITIONAL EXPENDITURE ON PENSION & DR*	1072	1006	940	870	802	731	651	561
C) SALARY SAVING-ADDL. PENSION/DR EXPENSES (A-B)	2707	2716	2707	2678	2621	2521	2359	2134
D) NPV of (C) above	2461	2245	2034	1829	1627	1423	1211	996

* Gratuity, pension commutation, Leave Encashment etc. not included keeping in mind that these are committed expenditure due to statutory/terminal benefits which are paid earlier and there would be higher expense on these items even in the case of normal retirements. These benefits would be fixed at higher levels in normal course because of pay-revisions, promotions, increments, etc.

VRS- Financial implications

Expenditure

- i) Lump-sum Ex-gratia amount based on guidelines of the Dept. of Public Enterprises: i.e. ex-gratia amount of 60 days salary(basic+DA) for each completed year of service or salary for number of months of service left, which ever is less .
- ii) Normal retirement benefits which are payable in any case. In case of VRS optee, payment of these benefits is preponed

Savings

- Savings in wages for the period that employee would have continued in service (till normal superannuation)

Summary of Savings to BSNL on account of wages
Estimation for ~1 Lac VRS optees

Year	Saving in Rs Crores	Year	Saving in Rs.Crores
2012-13	3,779	2020-21	2,338
2013-14	3,722	2021-22	1,966
2014-15	3,647	2022-23	1,544
2015-16	3,548	2023-24	1,109
2016-17	3,423	2024-25	718
2017-18	3,252	2025-26	390
2018-19	3,010	2026-27	124
2019-20	2,695		

Total savings on wages ~ Rs 35,266 Crore. Besides this, there will be additional savings on office space, electricity, stationary costs, vehicles etc.

Financial Implications of proposed VRS

One time lump sum expenditure for DoT and BSNL*

-Estimation for ~1 Lac VRS Optees

S.N.	Item of Expenditure	DoT liability	BSNL Liability
A	One time lump sum expenditure on		
1	Ex-gratia	`11,276 Cr (DoT is requested to fund)	
2	Gratuity**	`3,347 Cr	
3	Pension commutation**	`3,474 Cr	
4	Leave encashment**		`2,455 Cr
5	T.A. for settlement at place of choice**		`250 Cr
	TOTAL	`18,097 Cr	`2,705 Cr
*There will be annual additional expense on Pension/DR (due to early retirement)-next slide ** Committed Expenditure due to statutory/terminal benefits but preponed and30			

Average cost of VRS per Employee

Total cost of proposed VRS

Including one time lump sum expenditure on ex-gratia, Pension commutation, Gratuity, Leave encashment/TA*
for 1 Lac employees = Rs 20,802Cr.

Average cost of VRS per employee = Rs 20.8 Lac

Annual expenses on account of additional pension payments not included considering that:

- Recurring pension would get fixed at much higher level if the employee retires on normal superannuation because of the effect of normal pay-revisions, promotions, increments, etc.
- The effect of higher pension fixation would be for entire post retirement period whereas the additional pension here is only for limited years (60 yrs- Age at the time of VRS)

Financial benefits to employees opting for VRS

(Tentative Benefits -package for 50 yr old VRS optee)

Level	Pay scale	ExGratia (60)	Leave Encashment	Gratuity	Pension Commutation	Transfer Grant	Total	Monthly interest @ 10%
NE-1	07760-13320	767,648	153,530	191,912	220,482	13,566	1,347,138	11226
NE-2	07840-14700	775,744	155,149	193,936	222,807	13,676	1,361,312	11344
NE-3	07900-14880	785,312	157,062	196,328	225,555	13,806	1,378,063	11484
NE-4	08150-15340	841,984	168,397	210,496	241,832	14,576	1,477,285	12311
NE-5	08700-16840	865,536	173,107	216,384	248,597	14,896	1,518,520	12654
NE-6	09020-17430	896,448	179,290	224,112	257,475	15,316	1,572,641	13105
NE-7	10900-20400	1,078,240	215,648	269,560	309,689	21,610	1,894,747	15790
NE-8	12520-23440	1,238,688	247,738	309,672	355,773	25,290	2,177,161	18143
NE-9	13600-25420	1,348,352	269,670	337,088	387,270	29,780	2,372,160	19768
NE-10	14900-27850	1,474,208	294,842	368,552	423,418	31,490	2,592,510	21604
NE-11	16370-30630	1,619,200	323,840	404,800	465,062	33,460	2,846,362	23720
E-1 (E1A)	16400-40500	1,622,144	324,429	405,536	465,908	41,500	2,859,517	23829
E-2 (E2A)	20600-46500	2,040,192	408,038	510,048	585,979	48,440	3,592,697	29939
E-3	24900-50500	2,466,336	493,267	616,584	708,375	54,230	4,338,792	36157
E-4	29100-54500	2,882,176	576,435	720,544	827,811	59,880	5,066,846	42224
E-5	32900-58000	3,257,536	651,507	814,384	935,621	69,340	5,728,388	47737
E-7	43200-66000	4,273,216	854,643	1,000,000	1,227,342	83,140	7,438,341	61986
E-9 & E9A	62000-80000	5,372,800	1,074,560	1,000,000	1,543,162	106,900	9,097,422	75812 ²⁴