



BSNL

Connecting India

VRS PROPOSAL

Presentation to Hon'ble MoC&IT
12-09-2011

BSNL'S Financial Performance in recent years

(All figures In Rs Crores)

Parameters	2008-09	2009-10	2010-2011 (unaudited figures)
Income	35,812	32,045	29,687
Expenditure	34,354	34,078	36,071
Net Profit	575	(-)1,823	(-)6,384
Staff Cost	11363	13455	13791
Staff Cost as % of total income	32%	42%	46.5% 1

BSNL'S Employee strength

As On	Group A	Group B	Group C	Group D	Industrial	Total
31/03/09	7,704	48,312	1,98,312	42,739	2,773	2,99,840
31/03/10	7,610	47,822	1,92,559	41,496	2,613	2,92,100
31/03/11	7,913	48,200	1,83,498	39,608	2,416	2,81,635
22/08/11	7705	47314	180389	38579	2319	2,76,306

Average age of employees ~ 49 Years

Sam Pitroda committee and BRPSE

Recommendations on VRS

- One of the recommendations of the Pitroda Committee set up by the Hon'ble PM in Jan. 2010 to suggest measures for improving BSNL's overall performance, is that BSNL should retire or transfer around 100K employees through best possible processes like VRS.
- On the Pitroda Committee recommendations, Telecom Commission decided that BSNL could examine option of VRS for select categories.
- Board for Reconstruction of Public Sector Enterprises (BRPSE) has recommended that *the company has to take drastic steps like rationalization of manpower through VRS.*

Manpower Assessment based on industry norms

Manpower Requirement in BSNL- Comparison with Industry norms

- Different Telecom Operators have different models of business operations
- While it's useful to know the manpower norms of other operators in the same industry, straight comparisons can't be made

Manpower in Mobile services- Case of Bharti AirTel

Bharti Airtel

- Has outsourced everything except for sales, marketing and finance
- Network services outsourced to equipment vendors like Nokia Siemens, Ericsson, Alcatel, Huawei, IT to IBM etc.
- Subscriber base (as per figures for June 2011)
Mobile : 169 Million, Broadband 3.3 million
- Manpower on company's strength ~25,000
- Likely manpower working with outsourced agencies~20,000
- Combined manpower:~261 employees per million connections

Overall staff to Line ratio of Worldclass telecom operators (wired line network)*:

OPERATOR	NO. OF FIXED LINES	NO. OF EMPLOYEES	STAFF TO LINE RATIO PER 1000 LINES
Deutsche Telecom	41.4 mn	117000	2.82
British Telecom	28.5 mn	117900	4.13
Telstra	10.01 mn	28298	2.82

*Inf. Provided by KPMG consultants in 2002. These international operators outsource number of activities which BSNL does in-house such as Transmission system installation, Switching system installation, Training, Civil, Electrical and Architectural works etc.

Proposed Business Operations Model for BSNL (Items with * are already outsourced or are proposed to be outsourced)

S. N.	Business vertical	Equipment installation /commissioning	Operation & Maintenance	Sales & Distribution
1.	CFA (Fixed line)	BSNL	Main exchanges-BSNL Small exchanges<5K-BSNL+outsourced* Local loop mtce-BSNL+outsourced* Passive infrastructure(bty, PP,AC, DG) mtce-BSNL+outsourced*	BSNL own teams+ Franchisee*+DSA*+ Rural distributors*
2.	Mobile	Vendors+BSNL own teams	1 st level mtce-BSNL 2 nd level mtce-BSNL+Vendor	Franchisee*+DSA*+ Rural distributors*
3.	Enterprise sales	-	-	Platinum A/c-BSNL Gold & Silver A/c-BSNL+Channel partners*
4	Core Network	BSNL+ Outsourced for cable laying, jointing works	BSNL	BSNL

Manpower Assessment for BSNL assuming new business model

S.N.	Product	Total no of connections(30-6-11) IN MILLIONS	Norms based on info. about other operators(Manpower per thousand connections)	Norm adapted as per BSNL need (Manpower per thousand connections)	Total manpower requirement
1	Fixed line		3.25*		
1.1	urban fixed line	16.303		4.87	79355
1.2	rural fixed line	8.422		6.49	54659
1.3	Subtotal (Fixed line)				134014
2	WLL			**	
2.1	urban WLL	0.895		0.392	351
2.2	RURAL WLL	4.4		0.522	2298
2.3	Subtotal (WLL)				2649
3	CMTS		0.261**		
3.1	urban CMTS	59.35		0.392	23251
3.2	Rural CMTS	29.08		0.522	15190
3.3	Subtotal (CMTS)				38441
		118.45			
	Grand Total				175103

•1.5 times WCTO standard for fixed line urban and 2 times for rural connections
Fixed line manpower includes requirement for fixed line network instl, O&M, sales/ transmission/New Business/Enterprise sale/HR

BSNL's VRS PROPOSAL

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, whichever is less.

DPE's Instructions Regarding VRS Scheme

O.M. No. 2(32)/97-DPE(WC)GL-XXII dated 5th May 2000

For Marginal Profit or Loss-making Enterprise

Enterprises that make marginal profits or loss-making enterprises may adopt the revised scheme of VRS which is modeled on the Scheme that exists in the State of Gujarat. The details of the scheme are:

- The compensation will consist of salary (Pay+DA) of 35 days for every completed year of service and 25 days for the balance of service left until superannuation. The compensation will be subject to a minimum of Rs. 25,000/- or 250 days salary whichever is higher. However, this compensation shall not exceed the sum of the salary that the employee would draw at the prevailing level for the balance of the period left before superannuation.

For sick and Unviable Enterprises

For sick and unviable units, the VSS package of Department of Heavy Industry will be adopted. The details of VSS are as under:-

- An employee would be entitled to an ex-gratia payment equivalent to 45 days emoluments (Pay+DA) for each completed year of service or the monthly emolument at the time of retirement multiplied by the balance months of service left before the normal date of retirement, whichever is less;
- All those who have completed not less than 30 years of service, will be eligible for a maximum of 60 (sixty) months' salary/wage as compensation. This will be subject to the amount not exceeding the salary/wage for the balance period of service left (at the rate of monthly salary/wage at the time of voluntary retirement).

Applicability

O.M. No. 2(32)/97-DPE(WC)GL-LVI dated 6TH November ,
2001

- The option of the Gujarat or the DHI pattern shall be available to the employees of marginally profit/loss making, as well as sick and unviable units.

Opportunities to employees after availing VRS

Eligibility for VRS

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	

BSNL VRS offer for employees across all Groups and cadres-Rationale

- In BSNL, there is extreme shortage of critical skills required for success in the fiercely competitive Indian telecom market such as IT, sales, marketing and customer service.
- Skill set of large proportion of employees especially in Group C& D is outdated in context of the rapidly evolving technology, declining wired line business and dominance of wireless networks .
- Pitroda Committee has also recommended induction of significant young talent to meet this skill deficit
- With the objective of **improving age profile and inducting skilled manpower**, VRS offer has been proposed across all groups and cadres

VRS offer for employees across all Groups and cadres-Rationale

- While preparation of this scheme, it was debated whether to offer VRS to all employees (irrespective of age) in certain cadres in Group “C” in which no induction is being done for a long time viz. TOA, Draughtsman, Lineman, Phone inspector etc
- However, considering that in many such cadres, redeployment has already been done after re-skilling and retraining, it was felt that it may not be prudent to create any disparity by way of specifying different age brackets for VRS options
- It is thus proposed to offer VRS option to all employees above 45 years of age throughout the organization.
- In 2007, VRS scheme proposal targeted only at TOAS/Sr. TOAs by vehemently opposed by the unions and could not be offered.

Estimated Manpower strength in BSNL post VRS

S.N	Group	Current strength	Estimated VRS optees	Likely strength post VRS (with outsourcing)
1	Group A	7705	1483	6,222
2	Group B	47314	6262	41,052
3	Group C	180389	76655	1,03,734
4	Group D+Industrial workers	40898	15214	25,684
	Total	276306	99614	1,76,692

Benefits to VRS optees

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

Attractions of VRS offer

- The substantial VRS amount received by optees can be utilized for meeting diverse needs such as purchase of movable / immovable assets , higher education of children, solemnizing marriage of children etc.
- The whole or a part of the VRS amount can also be deposited in various high-interest bearing long-term investments or in investments which bring in monthly interest components.
- The amount received by optees will enable them to plan their future much better and at a relatively younger age,
- Thus, VRS amount will enable optees to significantly enhance their lifestyle and social status as also plan a safe and secure future for their family.

Attractions of VRS offer (contd...)

Benefit of early restoration of full pension

- In the event of retirement on normal superannuation, full pension is restored at the age of 75 years (15 years after the normal retirement age).
- However, a younger VRS optee, e.g. a 45 year old VRS optee, will get full pension restoration at the age of 60 years (45+15 yrs).
- Restoration of full pension at a younger age (compared to 75 years)will be highly beneficial because the person would in much better physical and mental condition to make optimum utilization of money.

Attractions of VRS offer (contd..)

- Furthermore, after taking retirement, an individual will be free to take up employment elsewhere or to start any entrepreneurial venture.
- A group of BSNL VRS optees can also form a cooperative and undertake works outsourced by BSNL.

Financial Implications and cost benefit analysis

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, whichever 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)

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 and ³⁰			

Age Profile Group-wise (As on 31/3/11)

Age	Grp A	% of Total Grp A	Grp B	% of Total Grp B	Grp C	% of Total Grp C	Grp D	% of Total Grp D	Total	% of Total
> 40 Years	7,287	92%	33,174	69%	1,64,627	90%	35,022	83%	2,40,110	85%
> 45 Years	6,477	82%	26,837	56%	1,53,802	84%	28,497	68%	2,15,613	77%
> 50 Years	5,677	72%	18,109	38%	1,03,474	56%	16,892	40%	1,44,152	51%
> 55 Years	3,559	45%	7,372	15%	41,864	23%	6,385	15%	59,180	21%

Summary of Savings to BSNL on account of wages

Estimation for ~1 Lac VRS optees

Year	Saving in Rs Crores
2012-13	3,779
2013-14	3,722
2014-15	3,647
2015-16	3,548
2016-17	3,423
2017-18	3,252
2018-19	3,010
2019-20	2,695

Year	Saving in Rs.Crores
2020-21	2,338
2021-22	1,966
2022-23	1,544
2023-24	1,109
2024-25	718
2025-26	390
2026-27	124

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

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)

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

THANK YOU

Financial Implications and cost benefit analysis-
DPE scheme on Gujarat pattern-35 days for each
completed yr and 25 days for each balance yr

VRS- Financial implications

Expenditure

- i) Ex-Gratia amount equal to salary (basic+DA) of 35 days for every completed year of service and 25 days for every year of service left until superannuation.
- ii) Normal retirement benefits which are payable in any case. In case of VRS optee, payment of these benefits is preponed

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5	T.A. for settlement at place of choice**		`250 Cr
	TOTAL	`15,476 Cr	`2,705 Cr

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Summary of Savings to BSNL on account of wages

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2025-26	390
2026-27	124

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

Cost Benefit Analysis for Complete project- Estimation

for ~1 Lac VRS optee (contd. in next slide)(All figures in Rs crores)

ITEM	1st 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.

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 18,181Cr.

Average cost of VRS per employee = Rs 18.18 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)

Retirements in different Executive and non
executive levels in next 15 years and estimated no.
of VRS optees

Estimated VRS optees

	Level	Pay scale	Total staff retiring in next 15 years	Estimated VRS optees
			TOTAL	TOTAL
1	NE-1	07760-13320	7,091	3,549
2	NE-2	07840-14700	10,202	5,105
3	NE-3	07900-14880	3,697	1,853
4	NE-4	08150-15340	2,844	1,428
5	NE-5	08700-16840	4,397	2,241
6	NE-6	09020-17430	23,940	12,209
7	NE-7	10900-20400	56,925	29,032
8	NE-8	12520-23440	19,191	9,787
9	NE-9	13600-25420	12,631	6,443
10	NE-10	14900-27850	33,748	17,211
11	NE-11	16370-30630	6,048	3,085
12	E-1 (E1A)	16400-40500	5,486	1,373
13	E-2 (E2A)	20600-46500	9,657	2,417
14	E-3	24900-50500	7,108	1,780
15	E-4	29100-54500	7,435	1,861
16	E-5	32900-58000	947	240
17	E-7	43200-66000	196	51
18	E-9 & E9A	62000-80000	143	39
			211,686	99,704

Cost Benefit Analysis for Complete project- Estimation

for ~1 Lac VRS optee (contd. in next slide)(All figures in Rs crores)

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Proposal for additional work opportunities from

BSNL to VRS optees after retirement

- VRS optees can either work on individual basis or can form co-operatives after retirement.
- BSNL can outsource some works to these co-operatives. This would create win-win opportunity for both.

Activities which can be outsourced to cooperatives

(1) Provisioning, O&M of fixed lines, passive infrastructure

- Operation and Maintenance of small exchanges (below 5K)
- Outdoor network Rehabilitation work
- Local loop maintenance
- U/G cable jointing and maintenance.
- EPABX installation and O&M
- Broadband provisioning and maintenance
- Passive infrastructure Operations and Maintenance (Power plant, batteries , Battery, Air-conditioning units)

Outsourcing model

- BSNL can make available small exchanges (<5K RSU), passive infrastructure i.e. Power plant /battery, local loop for complete maintenance to the cooperative.
- Ownership of entire equipment and other assets will continue to be with of BSNL.
- All operational expenditure may be borne by the cooperative and revenues to be shared

Other activities which can be outsourced to cooperatives (contd...)

2) Selling BSNL products and services by becoming:

- Direct Selling Agent (DSA)
- Rural Distributor
- Franchisee
- Channel Partner for small Enterprise Customers

3) Bill Distribution

4) Recovery of Outstanding amount

Commission and incentives will be given as per BSNL's policy

Strength of major cadres

Group 'A' - Strength of Major Cadres

S.No.	Designation	Strength
1	ED	4
2	CGM/PGM/PCE	59
3	Sr. GM/GM/CE/Chief Arch.	663
4	Add GM/DGM/SE	1584
5	AGM/EE	5395
	Total	~7705

Group 'B' - Strength of Major Cadres

S.No.	Designation	Strength
1	Sr. SDE/SDE/Sr. AO/AO/Manager/ DY. Manager/PS/AD(OL)/AAO/AE	23964
2	JTO/PA/JAO/AM/A stt.	23350
	Total	~47314

Group 'C' - Strength of Major Cadres

S.No.	Name of Designation	Staff Strength
1	Telecom Mechanic/Phone Mechanic	98295
2	Sr. TOA(G)	11388
3	TTA	17319
4	Motor Driver	2930
5	Line Man	1174
6	Sr. TOA/TOA etc.	49283
	Total	~1,80,389

Group 'D' - Strength of Major Cadres

S.No.	Designation	Staff Strength
1	Regular Mazdoor	33830
2	Office Peon	1759
3	Cleaner/Jamadar/Safaiwala/ Waterman	1223
4	Daftary/Khalasi/Record- Keeper/Junior Sports Assistant etc.	1195
5	Chowkidar	572
	Total	38,579

Cadres where induction is completely stopped

S.NO.	DESIGNATION	STAFF STRENGTH
1	Draughtsman	456
2	Sr. Accountant	540
3	Accountant	152
4	Assistant Accountant	4
5	Cable Splicer	99
6	Line Man	1165
7	Phone Inspector	62
8	Sr. TOA (T)	2108
9	Sr. TOA (P)	11939
10	Sr. TOA (TG)	1259
11	TOA (G)	1131
12	Technician (Telecom)	194

Cadres where induction is completely stopped contd...

S.NO.	DESIGNATION	STAFF STRENGTH
13	TOA (Telegraphy)	26
14	TOA (Phones)	109
15	TOA (TG)	48
16	Transmission Assistant	60
17	Wireman	299
	Total	19651

Lives Cadres for Group C Employees

S.NO.	DESIGNATION	STAFF STRENGTH
1	Hindi Translator	
2	Jr. Hindi Translator	
3	Hindi Typist	
4	LDC	
5	UDC	
6	Phone Inspector	
7	Sr TOA (G)	
8	Telecom Mechanic	
9	TTA	