

29 October, 2019

**Office Memorandum**

**Subject:** Revival of BSNL and MTNL by reducing employee costs, administrative allotment of spectrum for 4G services, debt restructuring by raising of sovereign guarantee bonds, monetisation of assets and in-principle approval for merger of BSNL and MTNL -**reg.**

The Union Cabinet in its meeting held on 23.10.2019 considered and approved the proposals of DoT for "Revival of BSNL and MTNL" vide its Cabinet Note dated 22.10.2019.

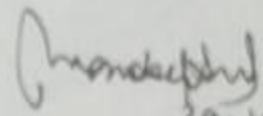
2. The Cabinet, inter-alia, approved the following:

- (i) Reduction in the employee cost by immediately offering VRS on Gujarat Model (with modifications as per Para 2(ii) below) to the employees of age 50 years and above.
- (ii) The ex-gratia amount is limited so that total of ex-gratia amount (as per Gujarat Model) and admissible pension for the remaining period of service does not exceed 125 % of the salary that the employee would have drawn on the date of voluntary retirement in the remaining period of the service.
- (iii) The payment for ex-gratia on VRS (Rs 17,169 Cr) and preponed pensionary liability (Rs 12,768 spread over a period of ten years) is to be supported through budgetary allocation of GoI. The ex-gratia on VRS is to be paid in two instalments of 50% each during FY 2019-20 and during Q1 of FY 2020-21.
- (iv) Staggered payment of Commutation/ Gratuity to the employees opting for VRS as below:
  - a. For the employees currently more than 55 years of age, on opting for VRS, the pension will be commuted only when they attain 60 years of age (current retirement age). For the employees,

currently of age 55 years and less, on opting for VRS, the pension will be commuted in the sixth year i.e. 2024-25.

- b. Similarly, payment of Gratuity is postponed in the same manner. However, in case of death of the VRS optee before the date on which gratuity is to be paid, the deferred retirement gratuity will be released immediately to the eligible claimants. Simple interest at the prevailing GPF rates from the date of voluntary retirement till the gratuity is released, will be paid on the deferred gratuity amount.
- (v) Administrative allotment of spectrum to BSNL/MTNL for providing 4G services through capital infusion by the Government. The payment of GST on the spectrum cost will be paid through budgetary support.
  - (vi) Sovereign Guarantee Bonds of Rs 15000 Cr of tenure of ten years or more to be raised and serviced by BSNL/MTNL for the purpose of debt restructuring.
  - (vii) Monetisation of land/building assets following DIPAM guidelines for asset monetisation. The proceeds of asset monetisation will be credited to BSNL/MTNL to service the debt, CAPEX and other requirements. The progress of asset monetisation will be reviewed by a committee formed under the chairmanship of Pr. Advisor to Hon'ble Prime Minister with Cabinet Secretary, Secretary (DEA), Secretary (T), Secretary (DIPAM) and Secretary (MoHUA) as members.
  - (viii) Monetisation of tower and fiber assets using an appropriate model including leasing after considering the market conditions with the aim to maximize the returns.
  - (ix) In-principle approval for merger of BSNL and MTNL as per relevant rules/guidelines of Gol. Meanwhile, MTNL to be made subsidiary of BSNL by transferring the Government shareholding of MTNL to BSNL to derive the synergy in network operations and sales till the merger is completed.

4. CMD BSNL & CMD MTNL and administrative heads of all wings of DoT are requested to take note of the above Cabinet approval and take immediate steps for strict and time bound compliance of the same.



29.10.19

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To:

1. Member (Finance), DoT
2. Member (T), DoT
3. Member (S), DoT
4. CVO, DoT
5. Advisor (Fin), DoT
6. Wireless Advisor
7. DDG (WPF)
8. CMD BSNL,
9. CMD MTNL