

No.2(74)/08-DPE(WC) GL-XI/2010
Government of India
Ministry of Heavy Industries & Public Enterprises
Department of Public Enterprises

Public Enterprises Bhavan,
Block-14, CGO Complex,
Lodhi Road, New Delhi-110003
Dated: 16th June, 2010

OFFICE MEMORANDUM

Subject: Recommendations of 2nd Pay Revision Committee (PRC) in respect to sick CPSEs and CPSEs having income level less than Rs. 50 crore.

The undersigned is directed to refer to the recommendations of 2nd Pay Revision Committee (PRC) in respect of the following 2 categories of CPSEs:

- (i) Sick CPSEs (Para 6.2.4 of the 2nd PRC Report) (copy attached)
- (ii) CPSEs having income level of less than Rs. 50 crore (Para 6.2.5(b) of the 2nd PRC Report) (copy attached)

2. The recommendations were circulated to concerned administrative Ministries/Departments for feasibility of implementing and methodology of operationalising these recommendations vide DPE's O.M. of even number dated 14.01.2009. However, response of the concerned Administrative Ministries/Departments has been extremely poor.

3. With regard to the 2nd PRC's recommendation on Sick CPSEs (Para 6.2.4 of the Report), it is worth mentioning that para '3' of the DPE O.M. dated 26.11.2008 provides condition of affordability (concept of 20% dip in PBT) for implementation of 2007 pay revision. Para 4 of the said O.M. dated 26.11.2008 provides uniform lower fitment of 10% or 20% for increase in pre-revised Basic Pay plus DA in respect of the CPSEs, which are not able to adopt 2007 pay revision. Further, para 4 of O.M. dated 02.04.2009 provides that ceiling mentioned in the O.Ms. dated 26.11.2008, 09.02.2009 and 02.04.2009, are the maximum permissible limits and lower limits against these maximum permissible limits can be provided, depending upon affordability, capacity to pay and sustainability of the concerned CPSEs. Further, apart from the statutory body viz. Board for Industrial & Financial Reconstruction (BIFR), there is a recommending body viz. Board for Reconstruction of Public Sector Enterprises (BRPSE), to advise the Government for revival or otherwise of the CPSEs. As regards 2nd PRC's recommendation regarding retirement age of Board level executives, DPE O.M. No.

18(11)/2005-GM-GL-88 dated 24.07.2007 already provides for extension of tenure till the age of 65 of Board level incumbent of such CPSEs who has contributed exceedingly well in the turnaround of the sick CPSE.

4. Since each CPSE is functioning under unique circumstances with its own specific economic issues etc., it has been decided that for sick CPSEs (Para 6.2.4 of the 2nd PRC Report), the concerned Administrative Ministry/Department may take suitable action on case by case basis based on BIFR/BRPSE recommendations and Government decision thereon as per existing guidelines.

5. With regard to 2nd PRC's recommendation regarding CPSEs having income level of less than Rs. 50 crore {Para 6.2.5(b) of the Report}, it may be mentioned that individual CPSEs have been set up for specific purposes and they function under unique circumstances. Some of them have been set up in social/financial/services etc. sectors. It has also been decided that the fate of CPSE's with income levels of less than Rs. 50 crores may be decided by the Administrative Ministry/Department, on a case by case basis, with the concurrence of their Financial Adviser and in consultation with Department of Disinvestment and other stakeholders, if necessary and also with the approval of competent authority.

6. This issues with the approval of Minister (HI&PE).

Encl: As above.


(Rajendra Kumar)
Director
Tel: 24360624

All Administrative Ministries/Departments (addressed to Secretaries by name)
of the Government of India.

Copy to :

- i) Financial Advisors of the Administrative Ministries/Departments,
- ii) Chief Executives of CPSEs.
- iii) The Comptroller & Auditor General of India (Commercial Audit Wing), 9, Deen Dayal Upadhyay Marg, New Delhi.
- iv) All Officers of DPE.
- v) NIC, DPE for uploading on to the DPE website.


(Rajendra Kumar)
Director

2nd PRC's recommendations on compensation package in Sick CPSEs and CPSEs in Category 'D' having income levels of less than Rs. 50 Crores.

"6.2.4 SICK COMPANIES

The Committee recommends that Sick Enterprises that are making cash profit may be allowed to implement the pay revision without Risk Pay or Variable Pay. CPSEs that are not making cash profit should be examined by BRPSE in a period of six months for revival or closure. Enterprises that are recommended for revival should include the proposal for revised Pay scales. If Enterprises are recommended for closure, the executives should be compulsorily retired by paying compensation based on the revised basic pay recommended. They may be paid compensation at the rate of 2 months Basic Pay plus DA for every year of service completed or amount equal to the salary for the remaining period of service whichever is less. The Committee also recommends that where a sick company has been brought to the level of earning cash profits on account of the efforts made by the Chairman/Managing Director/Director, such officials should be allowed to continue up to the age of 60 years in order to enable them to continue the good work in reviving the CPSE."

"6.2.5 OTHER RECOMMENDATIONS

b) Enterprises in Category D having income levels of less than Rs. 50 Crores are too small to be managed by the Central government for the reasons stated in the Paradigm shift Chapter. The Government may withdraw from these Enterprises through merger, privatization or otherwise."