

**STANDING COMMITTEE ON
INFORMATION TECHNOLOGY
(2004-2005)**

FOURTEENTH LOK SABHA

**MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY
(DEPARTMENT OF INFORMATION TECHNOLOGY)**

**ACTION TAKEN BY GOVERNMENT ON THE
RECOMMENDATIONS/OBSERVATIONS OF THE COMMITTEE
CONTAINED IN THEIR SIXTIETH REPORT (THIRTEENTH LOK SABHA) ON
'IMPLEMENTATION OF SOFTWARE TECHNOLOGY PARK (STP) SCHEME'**

TENTH REPORT

Presented to Lok Sabha on 14.12.2004

Laid in Rajya Sabha on 14.12.2004

**LOK SABHA SECRETARIAT
NEW DELHI**

DECEMBER, 2004/AGRAHAYANA, 1926 (Saka)

CONTENTS

COMPOSITION OF THE COMMITTEE

INTRODUCTION

CHAPTER I Report

CHAPTER II Recommendations/Observations which have been accepted by the Government

CHAPTER III Recommendations/Observations which the Committee do not desire to pursue in view of replies of the Government

CHAPTER IV Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration

CHAPTER V Recommendations/Observations in respect of which Replies are interim in nature

ANNEXURES

- I. [Minutes of the Fourteenth sitting](#) of the Standing Committee on Information Technology (2004-05) held on 25.11.2004
- II. [Analysis of Action Taken by the Government](#) on the Recommendations/Observations contained in the Sixtieth Report (Thirteenth Lok Sabha) of the Committee

COMPOSITION OF THE
STANDING COMMITTEE ON INFORMATION TECHNOLOGY
(2004-2005)

SHRI M.M. PALLAM RAJU

-

CHAIRMAN

MEMBERS – LOK SABHA

2. Shri Nikhil Chaudhary
3. Shri Mani Cherenamei
4. Shri Sanjay Dhotre
5. Kunwar Jitin Prasad
6. Shri Kailash Joshi
7. Shri P. Karunakaran
8. Dr. P.P. Koya
9. Shri P.S. Gadhavi*
10. Shri Ajay Maken
11. Smt. Nivedita S. Mane
12. Smt. P. Jayaprada Nahata
13. Col. G. Nizamuddin
14. Shri Sohan Potai
15. Shri Ashok Kumar Rawat
16. Shri Chander Shekhar Sahu
17. Shri Vishnu Sai
18. Shri Tathagat Satpathy
19. Shri K.V. Thangka Balu
20. Shri P.C. Thomas
21. Shri Ram Kripal Yadav

RAJYA SABHA

22. Shri Vijay J. Darda
23. Shri Ashwani Kumar
24. Dr. Akhilesh Das
25. Shri Balbir K. Punj
26. Shri Dara Singh
27. Smt. Sarla Maheshwari
28. Shri N.R. Govindraj
29. Shri K. Rama Mohana Rao
30. Shri Motiur Rahman
31. Shri Sanjay Nirupam

SECRETARIAT

1. Shri P.D.T. Achary -- Additional Secretary
2. Shri Raj Shekhar Sharma -- Deputy Secretary
3. Shri K.L. Arora -- Under Secretary

4. Shri D.R. Mohanty -- Executive Officer

* nominated w.e.f. from 20/08/2004

INTRODUCTION

I, the Chairman Standing Committee on Information Technology (2004-05) having been authorised by the Committee to submit the Report on their behalf, present this Tenth Report on Action Taken by Government on the Recommendations/Observations of the Committee contained in their Sixtieth Report (Thirteenth Lok Sabha) on 'Implementation of Software Technology Park (STP) scheme' relating to the Department of Information Technology.

2. The Sixtieth Report was presented to Lok Sabha on 22.12.2003 and was laid in Rajya Sabha on 23.12.2003. The Department furnished Action Taken Notes on the recommendations contained in the Report on 25.03.2004.

3. The Report was considered and adopted by the Committee at its sitting held on 25.11.2004.

4. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in bold letters in the body of the Report.

5. An analysis of Action Taken by Government on the recommendations contained in the Sixtieth Report (Thirteenth Lok Sabha) of the Committee is given at Annexure-II.

New Delhi
7 December, 2004
16, Agrahayana, 1926 (Saka)

M.M. PALLAM RAJU
CHAIRMAN
STANDING COMMITTEE ON
INFORMATION TECHNOLOGY

CHAPTER-I

REPORT

This Report of the Standing Committee on Information Technology deals with action taken by Government on the Recommendations/Observations of the Committee contained in its Sixtieth Report (Thirteenth Lok Sabha) on "Implementation of Software Technology Park (STP) Scheme" pertaining to the Department of Information Technology.

2. The Sixtieth Report was presented to Lok Sabha on 22.12.2003 and was laid on the Table of Rajya Sabha on 23.12.2003. It contained 11 Recommendations/Observations.

3. Action Taken Notes in respect of all the Recommendations/Observations have been received and categorised as under:-

(i) Recommendations/Observations which have been accepted by the Government:

Paragraph Nos.: 45, 46, 47, 49, 50, 51, 53, 54 & 55

Total : 9

Chapter – II

(ii) Recommendations/Observations which the Committee does not desire to pursue in view of the reply of the Government:

Paragraph Nos.: Nil

Total : Nil

Chapter – III

- (iii) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration:

Paragraph Nos.: 48 & 52

Total : 2
Chapter – IV

- (iv) Recommendations/Observations in respect of which replies are of interim nature:-

Paragraph Nos.: Nil

Total : Nil
Chapter – V

4. The Committee trusts that utmost importance will be given to the implementation of the recommendations accepted by the Government. In cases, where it is not possible for the Department to implement the recommendations in letter and spirit for any reason, the matter should be reported to the Committee with reasons for non-implementation. The Committee further desires that Action Taken Notes on the Recommendations/Observations contained in Chapter-I of this Report should be furnished to them at an early date.

5. The Committee will now deal with action taken by Government on some of its recommendations:

A. Opening up of more STPIs
(Recommendation Paragraph No.45)

6. In their Sixtieth Report, the Committee observed that the Software Technology Parks of India (STPI) was established in 1991 to implement *inter-alia* the Software Technology Park (STP) Scheme, a 100 per cent export oriented scheme for the development and export of computer software. Pursuant to its objectives, STPI had set up 39 Centres all over the country. However those 39 Centres were concentrated in 18 States. Out of these 18 States, five States i.e., Andhra Pradesh, Karnataka, Maharashtra, Tamilnadu and Uttar Pradesh accounted for as many as 25 STPI Centres at different places whereas States like Bihar, Jharkhand, Haryana, Goa and almost all the North-Eastern States had no presence of STPI. The Department of Information Technology had attributed disproportionate establishment of STPI Centres to lack of interest on the part of these States and the proactive role played by some State Governments. But the Committee did not agree with the view of the Department. It felt that instead of leaving things to the State Governments, the DoIT and STPI should themselves play a proactive role and impress upon the State Governments, the multiple benefits of developing Software Technology. The Committee found no reasons why the State Governments should be reluctant to set up STPI Centres, which could bring about all round development in the States, provided proper encouragement and opportunity were given to them.

7. The Department in its Action Taken Notes have stated that in addition to 40 STPI Centres, which are operational in 19 States, action has already been initiated for setting up of another 14 STPI Centres.

8. The Committee are of the view that in future before setting up STPI Centres the Government should always keep in mind the repercussions of the WTO agreement, which facilitates availability of bandwidth, cheaper optical fibre connectivity against the existing costlier satellite connectivity and duty free imports which may make STPIs non-viable.

B. Establishment of Point of Presence (PoP)
(Recommendation Paragraph No.48)

9. In its Sixtieth Report, the Committee had noted that the Governing Council in its meeting held on 14 June, 2003 had decided not to set up more STPI Centres except in States where none had been set up. However, STPI could consider setting up a Point of Presence (PoP) in order to avoid recurring expenditure. The Committee found that to set up such a PoP, availability of industrial and IT infrastructure, social and business environment and human resources were absolutely essential. Opining that availability of these factors might vary from one location to another within a State itself, the Committee recommended DIT to review the conditions laid down so as to ensure establishment of PoP in ideal locations.

10. The Department, in its Action Taken Notes, have stated that STPI has developed a set of objective criteria i.e. human resource, industrial, social and IT infrastructure, State Government IT Policy, their pro-activeness and receptiveness, business environment, NRI and other special linkages and cost for establishing new STPI Centres/PoPs. Before receipt of such request, a Detailed Feasibility Study is carried out by STPI in consultation with representative of the State Government. In case the request of a State Government

for setting up a STPI Centre/PoP comes before the Governing Council of STPI, their representative is asked to present the viewpoint.

11. The Committee feel that their concern has not been fully addressed by Department. What the Committee tried to emphasize was that it might be difficult for some States to have the concentration of all the above factors at each location and in the process even if some places do fulfil infrastructure and human resource criteria, those places might be deprived of a PoP in the absence of cost, business and other factors. To substantiate their point, the Committee would like to draw the Department's attention, as has also been pointed out in its Sixtieth Report, to many Engineering Colleges in and around Belgaun, Dharwad etc. in Karnataka and the Punjab Technical University in Jalandhar where, despite all the infrastructure and human resource, not a single STPI Centre/PoP has been set up. The Committee, therefore, feel that the conditions laid down for establishment of a PoP may be invoked with relaxation in certain cases on merit. The Committee reiterate that the Department should take all necessary steps in this regard so that ideal locations are not deprived of having such a facility i.e. PoP.

C. Working environment
(Recommendation Paragraph No.51)

12. In its earlier Report, the Committee noted that over and above the 39 Centres set up by the STPI, another 15 to 20 State Government / Private Software Technology Parks had been set up at Chennai, Bangalore, Hyderabad, Kolkata, Bhubaneswar, Pune, Nasik and elsewhere. According to the Department, technology-wise, both the Central Government and State Government / Private STPs were at par but so far as buildings

were concerned, Private STPs set up at Chennai, Bangalore and Hyderabad were far superior to Government STPI's. In view of the fact that working environment was of paramount importance in technological organisations like STPI, the Committee recommended the Department to ensure that the Government owned STPI infrastructure was at least at par with, if not superior to the private ones.

13. The Department have replied that State Governments provides built up space for setting-up a new STPI Centre. To ensure that the infrastructure created at these Centres is at par with private STPs, STPI proposes to lay down state-of-the-art specifications for architectural design and construction.

14. The Committee hope that the proposal of STPI to lay down state-of-the-art specifications for architectural design and construction will be cleared for implementation soon. The Committee would also like to know about the plans of the Ministry for upgrading already existing STPIs and funds available for the purpose.

D. Non-functioning of registered units
(Recommendation Paragraph No.52)

15. In its Sixtieth Report, the Committee was displeased to note that out of 7,765 units registered with STPI, about 3,000 units were not in operation. The Committee had noted that there was a sudden jump from 1,196 units to 5,582 units in the month of March, 2000 alone as a fall out of the Finance Minister's announcement of income tax exemption for 10 years to the units registered with STPI during that year. As it appeared that registration was granted to those units merely on the basis of documents like Project Report/Company Profile, Memorandum of Association etc. without making any serious

scrutiny of their capability, the Committee urged upon DIT to persuade the registered units to start their operations as early as possible.

16. The Department, in its Action Taken Notes, have stated that the software industry is subject to cyclical variations and there are periods when the mortality rate of new projects tends to be high. Moreover, registration under the STPI scheme does not confer any pre-emptive right on the unit. However, an intense review of non-operational units, which were registered upto march, 2000 and have since completed more than three years, has been carried out and STPI has cancelled the registration of 2,803 units.

17. The Committee are not convinced with the reply of the Department, as the cancellation of registration of 2,803 non-operational units neither lead to any permanent solution nor it serves any purpose. Had proper scrutiny of their capability to start operation been made before granting registration, so many units would not have lied idle and colossal wastage of time, machine and manpower could have been avoided. According to the Department, registration under the STPI scheme does not confer any pre-emptive right on the units. In the opinion of the Committee it does not anyway imply that a large number of registered units would be allowed to remain defunct. The Committee, therefore, recommend that henceforth a thorough scrutiny of the capability and credibility of the aspiring units, before granting them registration, should be made and once the units are registered with STPI, timely operation of these registered units may be ensured for the overall benefit of the IT industry.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Para No. 45)

The Committee observed that the Software Technology Parks of India (STPI) was established in 1991 to implement *inter-alia* the Software Technology Park (STP) Scheme, a 100 per cent export oriented scheme for the development and export of computer software. Pursuant to its objectives, STPI has so far set up 39 Centres all over the country. However, these 39 Centres are concentrated in 18 States. It is pertinent to mention that out of these 18 States, five States *i.e.*, Andhra Pradesh, Karnataka, Maharashtra, Tamilnadu and Uttar Pradesh account for as many as 25 STPI Centres at different places whereas States like Bihar, Jharkhand, Haryana, Goa and almost all the North-Eastern States have no presence of STPI. The Department of Information Technology has attributed disproportionate establishment of STPI Centres to lack of interest on the part of these States and the proactive role played by some State Governments. But the Committee does not agree with the view of the Department. It feels that instead of leaving things to the State Governments, the multiple benefits of developing Software Technology. The Committee finds no reasons why the State Governments should be reluctant to set up STPI Centres, which can bring about all round development in the States, provided proper encouragement and opportunity are given to them.

Action Taken by Government

In addition to 40 STPI Centres, which are operational in 19 States, action has already been initiated for setting up of another 14 STPI Centres. The details are given in Annexure-I.

Comments of the Committee

Please *see* paragraph No. 8 of Chapter I.

**SOFTWARE TECHNOLOGY PARKS OF INDIA
NEW DELHI**

SNo.	Centre	State	Status Report
1	2	3	4
1	Patna	Bihar	A Draft Memorandum of Understanding was sent to the State Government. Their concurrence is still awaited.
2	Goa	Goa	A Draf Memorandum of Understanding was sent to the State Government. Their concurrence is still awaited.
3	Gurgaon	Haryana	The Centre is under implementation.
4	Jammu	Jammu & Kashmir	A Memorandum of Understanding (MoU) was signed with the Jammu & Kashmir State Industrial Development Corporation Limited. Once the building is handed over to STPI, STPI can start the implementation of the project.
5	Bhopal	Madhya Pradesh	The foundation stone was laid on 24 February, 2004. Once the building is handed over to STPI, STPI can start the implementation of the project.
6	Gwalior	Madhya Pradesh	The contribution from the State Government with regard to setting up of STPI Centre is still awaited.
7	Patiala	Punjab	The State Government has been requested for their contribution towards the project.
8	Jodhpur	Rajasthan	The Centre is under implementation.
9	Durgapur	West Bengal	The Centre is under implementation.
10	Kharagpur	West Bengal	The Centre is under implementation.

1	2	3	4
North Eastern States			
1	Imphal	Manipur	The Centre is under implementation.
2.	Gangtok	Sikkim	The Centre is under implementation.
3	Agartala	Tripur	Unde discussion with the State Government.
4	Shilong	Meghalaya	The State Government has been requested to provide their contibution towards the project and conformation is still awaited.

Recommendation/Observation (Para No. 46)

The existing policy stipulates that in order to set up a STPI Centre including High Speed Data Communication (HSDC) infrastructure, the concerned State Government is required to identify the potential location for development of the IT Industry, provide three acres of land, 3000 sq. feet built up space and Rs. 1 Crore as grant-in-aid. Such terms and conditions are made applicable to all the States, irrespective of their size and financial resources. In view of the fact that smaller and backward States like Meghalaya and Sikkim may find it difficult to meet the criteria laid down in this regard, the Committee would like the Department to explore the feasibility of relaxing the conditions in favour of smaller States so as to enable them to develop software technology like other States.

Action taken by Government

The policy for opening STPI Centres in State like Meghalaya is being formulated having regard to the above recommendations of the Committee.

Recommendation/Observation (Para No. 47)

Regarding selection procedure of different cities and places for setting up new STPI Centres, the Committee finds that there is a Governing Council, headed by the Minister of Communications and Information Technology who is assisted by the senior officers of the Department of Information Technology, Telecom, Commerce, Excise and Customs, Ministry of Home Affairs and National Association of Software and Service Companies (NASSCOM). The Governing Council considers the requests of the State Governments and if the latter fulfill the criteria laid down, STPI Centres are set up. However, the Committee would like to point out that there might be occasions when because of the differing perceptions of the Governing Council and the State Governments, there was no agreement on the place selected by the Governing Council which might lead to inordinate delay in setting up of a STPI Centre. The

Committee finds that the State Governments are not represented in the Governing Council. The Committee, therefore, recommends that the concerned State Government(s) may be represented on the Governing Council, at least at the time when their proposal is processed, so that a unanimous decision about selection of location is arrived at.

Action taken by Government

The suggestion of the Committee for reconciling divergent viewpoints in regard to the location of a new STPI centre will be kept in view.

Recommendation/Observation (Para No. 49)

The Committee finds that Memorandum of Understanding (MoU) have already been signed with the concerned State Governments for setting up new STPI Centres at Bhopal, Agra, Durgapur, Kharagpur Gurgaon and Jodhpur. Approval has also been obtained for setting up of STPI Centres at Goa, Jammu, Gwalior, Patna, Patiala, Ranchi, Roorke and Varanasi. As regards the position in North-Eastern States, the Committee notes that STPI Centres at Imphal and Gangtok are under implementation; a draft MoU has already been sent to the State Government of Tripura for setting up STPI at Agartala; and as far as Shillong is concerned, Government of Meghalaya has been requested to provide land, building and grant-in-aid. But no proposal / request has been received from the State Governments of Nagaland, Mizoram and Arunachal Pradesh to open up STPI Centres in these States. As mentioned earlier, the Committee would like the Department and STPI to be earnestly in touch with these State Governments so that each State which does not have a single STPI Centre is provided with at least one such Centre. Further, wherever MoUs have already been signed or approval has already been obtained, process for setting up of STPI Centres at those places should be expedited.

Action taken by Government

In addition to the 40 Centres which are already in position in 19 States, action for setting-up another 14 Centres in States has already been initiated as detailed at Annexure-I. As regards Arunachal Pradesh, Nagaland and Mizoram, the matter is being put up to the Governing Council of STPI.

Recommendation/Observation (Para No. 50)

The Committee notes that major Internet Service Providers (ISPs) have not been setting up Communication Infrastructure at secondary locations because of commercial considerations. Thus, bigger cities which have had the benefit of better infrastructure have so far played a major role in software exports from the country. However, according to the Department, smaller cities can also play a major role in the IT Enabled Services that has been coming up in a big way, of late. STPI has

accordingly planned to set up new centres mostly at secondary locations. Keeping in mind the job potential even for ordinary graduates and lesser qualified through IT Enabled Services, as has been brought out in its report, the Committee feels that STPI's proposal to set up new centres mostly at secondary locations is a step in the right direction and should be continued as it will certainly enable the smaller cities to substantially contribute towards software exports.

Action taken by Government

While expanding the STPI infrastructure, priority will be accorded to viable secondary locations.

Recommendation/Observation (Para No. 51)

The Committee notes that over and above the 39 Centres set up by the STPI, another 15 to 20 State Governments/Private Software Technology Parks have been set up at Chennai, Bangalore, Hyderabad, Kolkata, Bhubaneswar, Pune, Nasik and elsewhere. According to the Department, technology-wise, both the Central Government and State Government / Private STPs are at par but so far as buildings are concerned, Private STPs set up at Chennai, Bangalore and Hyderabad are far superior to Government STPI's. In view of the fact that working environment is of paramount importance in technological organisations like STPI, the Committee would like the Department to ensure that the Government owned STPI infrastructure is at least at par with, if not superior to the private ones,

Action taken by Government

State Government provides built up space for setting-up a new STPI Centre. To ensure that the infrastructure created at these Centres is at par with private STPs, STPI proposes to lay down state-of-the-art specifications for architectural design and construction.

Comments of the Committee

Please *see* paragraph No. 14 of Chapter II

Recommendation/Observation (Para No. 53)

It has been brought to the attention of the Committee that from 2005 there will be grave threat to the existence of STPI in the emerging liberalised era consequent upon the signing of WTO agreement, which will facilitate availability of bandwidth providers, cheaper optical fibre connectivity against the existing costlier satellite connectivity and duty free imports. In such an environment, single window clearance will lose its meaning and STPIs may become redundant. However, the Committee is of the opinion that in the changing scenario, STPI can still play a meaningful role by redrawing its priorities. It should gear itself up to render incubation facilities to new

entrepreneurs/graduate engineers. It can also play an effective role in computer education by devising market oriented training programmes aimed at sharpening the skill of the younger generation. There appears to be enormous opportunities in human resource development in .IT, The Committee trusts that the Department of Information Technology will look into all these possibilities seriously and devise corrective steps expeditiously.

Action taken by Government

The Governing Council of STPI deliberated on a strategic business plan for the society in its meeting held on 28.02.04 and approved a number of measures to diversify its activities in emerging areas such as incubation, expansion of IT and datacom services in the fields of voice based International Private Leased Circuit, Video up-linking, Disaster Recovery Services and Project Management Consultancy Services.

Recommendation/Observation (Para No. 54)

The Committee is happy to learn that STPI's share in software exports has increased to about 80 per cent by the year 2002-2003 from a meagre and less than 8 per cent when it started its operations. It is really encouraging to find that during the year 2002-2003, the country's total export in software was about Rs. 46,100 crore out of which STPI's share was Rs. 37,176 crore. However, there is an unbalanced growth of software exports in various centres. While performance of leading Centres like Bangalore, Kolkata, Chennai, Hyderabad, Noida, Pune and Mumbai has been quite impressive, Bhubaneswar, Gandhinagar and Thiruvananthapuram lagged behind. Such varied performance in different regions has been attributed to lack of pro-active State Government policies, absence of conducive work culture and lack of marketing efforts. As the mandate is with the STPI to ensure systematic growth of each of its centres, the Committee feels that an in-depth study should be carried out by STPI to see how far the above bottlenecks can be removed. An assessment to see whether the potential in every centre is exploited properly and adequately will certainly contribute towards a balanced growth of exports from different centers and thereby ensure a balanced development in the entire county.

Action taken by Government

It is proposed to carry out a study to bring out the various factors for growth of the software industry and also measures to foster balanced growth of exports.

Recommendation/Observation (Para No. 55)

To sum up, the Committee finds that STPI Centres have not yet been set up in all the States. There has been uneven performance in software exports. Some of the important objectives like imparting training have gone awry over the years and the role of STPI has been related to a mere certifying agency. In view of the agreement

with WTO, STPI will become redundant by the year 2005. All these factors are to be looked into with a sense of urgency and corrective steps be taken accordingly so that there is a balanced development of software technology in the entire country and STPI is able to play a meaningful role, even after 2005.

Action taken by Government

STPI has initiated action to set-up additional Centres in States which at present have no such facility. The Governing Council of STPI has deliberated upon a strategic business plan for the Society and approved a number of measures to diversify its activities in emerging areas including specialized business incubation, expansion of IT and datacom services in the areas of voice based IPLC, Video Up-linking, Disaster Recovery Services, Project Management and Consultancy Services to ensure that STPI continues to play a meaningful role in the future.

CHAPTER - III

**RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE
DO NOT DESIRE TO PURSUE IN VIEW OF THE REPLY OF THE GOVERNMENT**

-- NIL --

CHAPTER IV

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

Recommendation (Para No. 48)

The Committee notes that the Governing Council in its meeting held on 14 June, 2003 decided not to set up more STPI Centres except in States where none has been set up. However, STPI could consider setting up a Point of Presence (PoP) in order to avoid recurring expenditure. The Committee finds that to set up such a PoP, availability of industrial and IT infrastructure, social and business environment and human resources are absolutely essential. However, availability of these factors may vary from one location to another within a State itself, which may impede establishment of a PoP at the ideal location. On the other hand, a place which does not meet with all the conditions, may get a PoP established. Thus, it becomes imperative to review the conditions laid down for establishing a PoP in order to ensure that ideal locations are not deprived of a PoP.

Action taken by Government

STPI has developed a set of objective criteria for establishing new STPI Centres/PoPs. Before receipt of such request, a Detailed Feasibility Study is carried out by STPI in consultation with the representative of the State Government. In case the request of a State Government for setting up a STPI Centres/PoP comes up before the Governing Council of STPI, their representative is asked to present the viewpoint. The objective criteria comprise the following points :

1. Human Resources
2. Industrial infrastructure
3. IT infrastructure
4. State Government IT policy, Pro-activeness and Receptiveness
5. Business Environment

6. NRI linkage and other special linkages
7. Social Infrastructure
8. Cost

Comments of the Committee

Please *see* paragraph No. 11 of Chapter I

Recommendation (Para No. 52)

It is disquieting to note that out of 7,765 units registered with the STPI, about 3000 units are not in operation. Most of these units were registered between 1998-99 and 1999-2000 after the Finance Minister had announced Income Tax exemption for 10 years to those registered with STPI during that year. It has been explained to the Committee that there was a sudden jump from 1,196 units to 5,582 units in the month of March 2000 alone. The Committee is at a loss to understand how registration has been granted to such a large number of units without ascertaining their capability or scrutiny of their project reports. It appears that registration has been granted merely on the basis of documents like project report/company profile, Memorandum of Association, Resolution of the Board of Directors and Profit & Loss statements etc. as prescribed under the guidelines without making any serious scrutiny. The Committee, therefore, urges DoIT to look into these cases and persuade the registered units to start their operations as early as possible.

Action taken by Government

The Software industry is subject to cyclical variations. There are periods when the mortality rate of new projects tends to be high. Registration under the STPI Scheme does not confer any pre-emptive right on the unit. However, an intensive review of non-operational units, which were registered up to March 2000 and have since completed over 3 years has been carried out and STPI has cancelled the registration of 2803 units.

Comments of the Committee

Please *see* paragraph No. 17 of Chapter I.

CHAPTER V
RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH
REPLIES ARE INTERIM IN NATURE

-- NIL --

New Delhi
7 December, 2004
16, Agrahayana, 1926 (Saka)

M.M. PALLAM RAJU
CHAIRMAN
STANDING COMMITTEE ON
INFORMATION TECHNOLOGY

ANNEXURE I

**MINUTES OF THE FOURTEENTH SITTING OF THE
STANDING COMMITTEE ON INFORMATION TECHNOLOGY
(2004-2005)**

The Committee sat on Thursday, 25 November, 2004 from 1100 hours to 1330 hours in Committee Room No. 'G-074' K-Block, Parliament Library Building, New Delhi.

PRESENT

Shri M.M. Pallam Raju — *Chairman*

MEMBERS*Lok Sabha*

2. Shri Nikhil Choudhary
3. Shri Mani Cherenamei
4. Shri Sanjay Dhotre
5. Dr. P.P. Koya
6. Shri P.S. Gadhavi
7. Col. G. Nizamuddin
8. Shri Sohan Potai
9. Shri Chander Shekhar Sahu
10. Shri Ram Kripal Yadav

Rajya Sabha

11. Smt. Sarla Maheshwari
12. Shri N.R. Govindarajar
13. Shri K. Rama Mohana Rao
14. Shri Motiur Rehman

SECRETARIAT

- | | | |
|----------------------------|---|-------------------------|
| 1. Shri Raj Shekhar Sharma | — | <i>Deputy Secretary</i> |
| 2. Shri K.L. Arora | — | <i>Under Secretary</i> |
| 3. *** ** | — | *** ** |

2. At the outset, the Chairman welcomed the Members of the sitting of the Committee. The Committee then took up for consideration the following Draft Reports and adopted the same with certain amendments/modifications.

- | | | | | |
|-------|----|----|----|----|
| (i) | ** | ** | ** | ** |
| (ii) | ** | ** | ** | ** |
| (iii) | ** | ** | ** | ** |
| (iv) | ** | ** | ** | ** |
| (v) | ** | ** | ** | ** |

(vi) Draft Report on Action Taken by Government on the Recommendations/Observations of the Committee contained in its Sixtieth Report on "Implementation of Software Technology Park (STP) Scheme" relating to the Department of Information Technology.

3. The Committee also decided to undertake a weekend Study tour to Chandigarh and Amritsar on 17 and 18 December, 2004.

4. The Committee, then, authorised the Chairman to finalise and present the above mentioned Reports to the House.

The Committee, then, adjourned.

**ANALYSIS OF ACTION TAKEN BY GOVERNMENT ON THE
SIXTIETH REPORT (THIRTEENTH LOK SABHA)**

[Vide Paragraph No.5 of Introduction]

- (i) Recommendations/Observations which have been accepted by the Government:

Paragraph Nos.: 45, 46, 47, 49, 50, 51, 53, 54 & 55

Total :9

Percentage : 81.8%

- (ii) Recommendations/Observations which the Committee do not desire to pursue in view of the replies of the Government:

Paragraph Nos.: NIL

Total : NIL

Percentage : NIL

- (iii) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration:

Paragraph Nos.: 48 & 52

Total : 2

Percentage : 18.2%

- (iv) Recommendations/Observations in respect of which replies are of interim nature:-

Paragraph Nos.: NIL

Total : Nil

Percentage : Nil