

SIXTIETH REPORT
STANDING COMMITTEE ON
INFORMATION TECHNOLOGY
(2003)

(THIRTEENTH LOK SABHA)

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

[Implementation of Software Technology Park (STP) Scheme]

Presented to Lok Sabha on 22.12.2003

Laid in Rajya Sabha on 23.12.2003



सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

December, 2003/Agrahayana, 1925 (Saka)

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COMPOSITION OF THE STANDING COMMITTEE ON
INFORMATION TECHNOLOGY (2003)

Shri Somnath Chatterjee — *Chairman*

MEMBERS

Lok Sabha

- @2. Vacant
3. Shri Pawan Kumar Bansal
4. Prof. Dukha Bhagat
5. Shri Ajay Singh Chautala
6. Shri P.D. Elangovan
7. Shri Rama Mohan Gadde
8. Shri Jarbom Gamlin
9. Kumari Bhavana Pundlikrao Gawali
10. Shri T. Govindan
11. Shri Jawahar Lal Jaiswal
12. Shri K.K. Kaliappan
13. Shri A. Krishnaswamy
14. Shri K. Balrama Krishna Murthy
15. Shri Bhartruhari Mahtab
16. Shri Amarsinh Vasanttrao Patil
17. Shri Sheeshram Singh Ravi
18. Shri Saroj Tufani
19. Shri K.A. Sangtam
20. Shri C.N. Singh
21. Rajkumari Ratna Singh
22. Shri Nikhil Kumar Chowdhary
- *23. Vacant
24. Shri Vanlalawma
25. Shri Rajesh Varma
26. Smt. Kanti Singh

@ Shri Yogi Aditya Nath ceased to be Member of the Committee *w.e.f.* 17 July, 2003.

* Vacancy caused vice appointment of Shri P.C. Thomas as Minister *w.e.f.* 24 May, 2003.

27. Shri Amir Alam Khan
28. Shri Charanjit Singh
29. Shri Arun Kumar
30. Dr. Bikram Sarkar

Rajya Sabha

31. Shri Vijay J. Darda
32. Shri Dasari Narayana Rao
33. Dr. Prabha Thakur
34. Shri Suresh Pachouri
35. Shri S.S. Ahluwalia
36. Shri Balbir K. Punj
37. Shri Dina Nath Mishra
38. Smt. Sarla Maheshwari
39. Shri K. Rama Mohana Rao
40. Shri Shahid Siddiqui
41. Ms. Lata Mangeshkar
42. Shri Rajeev Shukla
43. Shri Sanjay Nirupam
- **44. Vacant
45. Shri Mukhtar Abbas Naqui

SECRETARIAT

- | | | |
|-----------------------|---|-------------------------------------|
| 1. Shri P.D.T. Achary | — | <i>Additional Secretary</i> |
| 2. Shri S.K. Sharma | — | <i>Joint Secretary</i> |
| 3. Shri S.K. Sharma | — | <i>Officer on Special Duty (IT)</i> |
| 4. Shri B.D. Swan | — | <i>Under Secretary</i> |
| 5. Shri D.R. Mohanty | — | <i>Executive Officer</i> |

INTRODUCTION

I, the Chairman Standing Committee on Information Technology (2003) having been authorised by the Committee to submit the Report on its behalf, present this Sixtieth Report on 'Implementation of Software Technology Park (STP) Scheme' relating to the Department of Information Technology (DoIT).

2. The Committee took evidence of the representatives of the Department of Information Technology and Software Technology Parks of India (STPI) at its sitting held on 28 August, 2003.

3. The Report was considered and adopted by the Committee at its sitting held on 19 December, 2003.

4. The Committee expresses its thanks to the representatives of the Department of Information Technology and Software Technology Parks of India (STPI) for appearing before the Committee and placing the information sought by it.

5. For facility of reference and convenience, the Recommendations/Observations of the Committee have been printed in bold letters in the body of the Report.

NEW DELHI;
19 December, 2003

28 Agrahayana, 1925 (Saka)

SOMNATH CHATTERJEE,
Chairman,
Standing Committee on
Information Technology.

REPORT

INTRODUCTORY

Software Technology Parks of India (STPI) was established and registered as an Autonomous Society on 5 June, 1991 with the objective, *inter-alia*, of implementing the Software Technology Park (STP) scheme, which is a 100 per cent export oriented scheme, for the development and export of computer software, using communication links or physical media and export of professional services. The scheme is unique in its nature as it focuses on one product/sector *i.e.*, computer software and provides for single-point contact services for the member units enabling them to conduct export operation at a pace commensurate with international practices. Moreover, the scheme integrates the concept of 100 percent Export Oriented Units (EOUs) and Export Processing Zones (EPZs) of the Government of India and the concept of Science Parks/Technology Parks as operating elsewhere in the world. Major highlights of the STP scheme include approval under single window clearance mechanism, permission for 100 percent foreign equity, duty free nature of goods imported/procured domestically by the STP units, permission to import second hand capital goods and sales in the domestic market upto 50 percent of the export, income tax benefit etc. Other objectives of STPI are to train professionals and encourage design and development in the field of software technology and engineering through high-end training programme; and to provide consultancy on setting up of operations, network solutions as per customer needs etc.

2. Pursuant to the objective of implementing the STP scheme, the Committee desired to know the number of STPIs set up so far in various parts of the country. In reply, it was stated that Software Technology Parks of India (STPI) has already set up 39 centres all over the country details of which is as follows:—

Sl. No.	States	STPI Centres
1.	Andhra Pradesh	Hyderabad
2.		Thirupati
3.		Vijayawada
4.		Vizag
5.		Warangal
6.	Assam	Guwahati
7.	Chhattisgarh	Bhilai
8.	Gujarat	Gandhinagar
9.	Himachal Pradesh	Shimla
10.	Jammu & Kashmir	Srinagar
11.	Karnataka	Bangalore
12.		Hubli
13.		Mangalore
14.		Manipal
15.		Mysore
16.	Kerala	Thiruvananthapuram
17.	Madhya Pradesh	Indore
18.	Maharashtra	Aurangabad
19.		Nagpur
20.		Nasik
21.		Navi Mumbai
22.		Kolhapur
23.		Pune
24.	Orissa	Bhubaneswar
25.		Rourkela
26.	Pondicherry	Pandicherry
27.	Punjab	Mohali
28.	Rajasthan	Jaipur
29.	Tamil Nadu	Chennai
30.		Coimbatore
31.		Madurai
32.		Thirunavelli
33.		Trichy
34.	Uttar Pradesh	Kanpur
35.		Lucknow
36.		Noida
37.		Allahabad
38.	Uttaranchal	Dehradun
39.	West Bengal	Kolkata

3. In addition to the above, STPI has signed Memoranda of Understanding (MoU) with concerned State Governments for setting up STPI centres at Bhopal, Agra, Durgapur, Kharagpur, Gangtok, Gurgaon, Imphal and Jodhpur. Approval has also been obtained for setting up of STPI centres at Agartala, Goa, Jammu, Gwalior, Patna, Patiala, Ranchi, Shillion, Roorke and Varanasi, as the Committee was informed.

4. With the above centres coming into being, STPI will have the presence in all the States, except Nagaland, Mizoram and Arunachal Pradesh. The Committee asked the reasons for not setting up STPI centres in the aforesaid three North-Eastern States. In reply, the Department of Information Technology (DoIT) has stated that in case these States also took initiatives for establishing STPI centres, the Society would consider the proposal as per its existing policy.

5. Asked to throw light on the existing policy in this regard, the DoIT stated that in order to set up a new STPI centre including High Speed Data Communication (HSDC) infrastructure, the concerned State Government is required to identify the potential location for the IT Industry, provide three acres of land, 3000 square feet built-up space and Rs.1 crore as grant-in-aid to partially defray the total cost which is around Rs.3 to 4 crore. The Department of Information Technology would be giving a recurring grant of Rs.50 lakh per centre and the balance would be met by STPI from its own funds.

6. The Committee asked the reason for putting the same terms and conditions for all the States and desired to know whether some special consideration could be granted to smaller States as they might not be in a position to provide three acres of land, 3,000 sq. feet built up space and Rs. one crore as per the criteria. The representatives of DoIT and STPI were unable to give any convincing response.

7. The Committee then asked about the procedure for selecting different cities and places for establishment of STPIs and enquired as to who took the decision in this regard. The Additional Secretary, DoIT replied in evidence that the Governing Council of STPI considered all the requests of the State Governments and if the latter fulfilled the criteria laid down, STPI

Centres were set up immediately. The Committee enquired about the composition of the Governing Council and desired to know whether State Governments were represented on the Council. In reply, the Additional Secretary, DoIT stated in evidence that the Council was headed by the Minister for Communications and Information Technology, who was the Chairman of the Body. The Secretary, DoIT acts as the Vice-Chairman. Besides, the Council comprises of the Additional Secretary and two Joint Secretaries of DoIT, DDG (BS) in DoT, Director Customs in Central Board of Excise and Customs (CBEC) and representatives of Department of Commerce, Ministry of Home Affairs and National Association of Software and Services Companies (NASSCOM), ESC etc. But, though no State has been represented in the Governing Council, yet whenever a Chief Minister or IT Minister of a State writes to the Department of Information Technology, the matter is dealt with on a priority basis.

8. Asked about the details and periodicity of the meetings of the Governing Council, it has been stated that the Governing Council of STPI normally meets twice a year. The policy for setting up of new STPI Centres was reviewed in the last meeting held on 14 June, 2003. In that meeting, it was felt that new centres generally need not be set up except in States where no centre has been set up so far. However, in view of Industry's datacom needs and after taking into account commercial considerations, STPI considers setting up Point of Presence (PoP) at other locations with minimum capital investment and manpower.

9. The Additional Secretary, DIT elaborated in evidence that because of the changing circumstances, the Department felt that in cases where there was strong demand, a PoP might be set up instead of a full fledged STPI because of high recurring expenditure and inadequate business. However, to set up such a PoP, the general, industrial, IT and social infrastructures along with the human resources, business environment as well as the pro-activeness and receptiveness of the State Governments were taken into account.

10. The Committee asked whether it would not be difficult for some States to have the concentration of all the above-mentioned factors at each location and pointed out that there were places where in spite of all the infrastructure and human resource, PoP had not been set up. There are around 50 Engineering Colleges in and around Belgaun, Dharwad etc. in

Karnataka, but no STPI or PoP has been set up there. Similarly in the case of Punjab, although the Punjab Technical University is located at Jalandhar, STPI or PoP has not been set up there. In reply to these queries of the Committee, the Additional Secretary, DoIT stated that the Department had proposed to set up STPI at Jalandhar, but the Chief Minister of the State wanted it to be set up at Patiala and the Department agreed to his suggestion.

11. The Committee asked if the procedure for the setting up STPI Centre/PoP left the authority to the Chief Minister to decide the location, then the autonomy of the Department/STPI or for that matter that of the Governing Council will be restricted. In reply, the DG, STPI stated that for day-to-day functioning, STPI does not have to depend upon the Ministry. He further stated:—

"The Governing Council gives the approval and decides where the new centres have to be set up. Depending on our discussion with the State Government, we put it up to the Governing Council and then it decides".

12. The Committee specifically desired to know the position in the North-Eastern States. In reply, it was stated that STPI has already established a centre at Guwahati (Assam) which has become operational since August, 2000. Besides it, STPI has also decided to set up its centres at Imphal (Manipur), Gangtok (Sikkim), Agartala (Tripura) and Shillong (Meghalaya). As regards the latest position, it has been stated that STPI Centres at Imphal and Gangtok are under implementation. As far as Agartala is concerned, a Draft MoU has already been sent to the State Government for their consideration. For STPI Centre at Shillong, Government of Meghalaya has been requested to provide land, building and the grant-in-aid.

13. Asked about other North-Eastern States like Nagaland, Mizoram and Arunachal Pradesh, it has been stated that so far, STPI has not received any proposal/request from these States to open a centre. The Committee asked whether it would not be prudent for STPI itself to try and motivate the State Governments. The Additional Secretary, DoIT replied that they have already been in touch with the State Governments. Each State which does not have a STPI Centre will be provided with at least one centre, he assured.

14. The Committee then desired to know whether there has been any instance where a State Government's request to open up a centre has been turned down and whether any request in this regard has been pending with the Department/STPI. The Additional Secretary, DoIT replied in evidence that they had not rejected any State Government's request. However, seven to eight requests are still pending with the Department. He further stated:—

"We are in the process of replying to it. For example, somebody wants an STPI to be set up at Ladakh saying that information technology will pick up at Ladakh. Even an ordinary man has to acclimatise himself for 48 hours before he starts breathing normally in Ladakh. So, we have argued that there is no point in setting up any STPI there".

15. The Committee asked whether any effort has been made by the Department to explore the interest of the Industry in setting up a STPI Centre in Ladakh. The Additional Secretary, DoIT stated that the Department had a word with NASSCOM and other bodies in this regard, but not even one entrepreneur has evinced any interest in setting up an Industry in Ladakh.

16. In a post-evidence information, it has, however, been stated that before any proposal is considered for opening up a new STPI Centre, the Department will carry out a Detailed Feasibility Study (DFS) covering various parameters. The cases, which are supported by the Study, should be considered for being provided with STPI facility.

17. The Committee then desired to know whether all the above 39 STPI Centres have been of same size and capacity and have similar facilities. The DG, STPI stated that the basic facilities like back-up power, EPABX, security, training aids, library etc. are similar at both major and smaller centres. The Committee asked about the difference between the bigger and smaller centres. The Additional Secretary, DoIT replied that for the major ones, demand for bandwidth has been much more. Asked to state the measures contemplated to develop the smaller centres, he replied that so far larger cities have had the benefit of better infrastructure and thus, they have played a major role in software exports from the country. It has further been stated that major Internet Service Providers (ISPs) have not been setting up communication infrastructure at secondary locations because of commercial

considerations. However, smaller cities, which have lower costs, can play a major role in the IT Enabled Services, that has been coming up of late in a big way. Keeping that in mind, STPI has plans to set up new centres mostly at secondary locations as a result of which smaller cities will also be able to contribute towards software exports.

18. Asked to state whether there has been any scheme where private software companies or State Governments can set up their own Software Technology Parks and if so how many such parks have been set up in various States other than the 39 STPIs. The Additional Secretary, DoIT replied in the affirmative and stated that seven or eight States have set up their own independent STPs. In reply to a further query in this regard, the DoIT in a note has stated that other than the 39 centres already set up, some State Governments/Private Software Technology companies have set up Software Technology Parks such as TIDEL Park, RR Industries Ltd., IT Park and Hallmark Foundations at Chennai, IT Park at Bangalore, ICICI Infotech Park at Hyderabad, Infinity at Kolkata, Fortune Tower at Bhubaneswar, Technopark at Thiruvananthapuram and some other similar parks have been set up at Pune, Nashik, Nagpur, Guwahati, Aurangabad. The Additional Secretary, DoIT clarified in evidence that over and above the 39 STPI Centres, another 15 to 20 State Government/Private Software companies have set up Technology Parks, as mentioned above.

19. The Committee asked whether any comparative assessment has been made to find out the quality of private STPs *vis-à-vis* Government STPIs. In reply, the Additional Secretary, DoIT stated that technology-wise they have been at par, but infrastructure-wise, especially buildings, private STPs established at Chennai, Bangalore and Hyderabad have been far superior to that of the Government STPIs.

20. The Committee then desired to know the capacity utilization of infrastructure built in various STPI Centres. The DG, STPI, stated that so far as the capacity utilization in incubation is concerned, it has been over 90 percent, but as far as telecom needs are concerned, minimum facility was being put to begin with. However, as demand increases, facilities will also keep on increasing.

21. Asked to elaborate the features of incubation facilities, it has been stated that incubator concept has emerged worldwide as an essential component

of the infrastructure required for the growth of high technology business including Information Technology and Software Development. Pursuant to that, STPI has launched the concept of incubation facility in many of its centres where facilities set up were ready for commencing operation from day one by the software units. This facility has no gestation period and does not require any capital investment. Moreover, it helps in developing confidence among clients and ensures a successful business opportunity.

22. The Committee then desired to know the number of Units registered with STPI and those availing of the incubation facility. In reply, the DG, STPI stated that up 2002-03, 7,765 units were registered with STPI and many of them were not availing themselves of the infrastructure or incubation facilities of STPI as they do not take telecom facilities from STPI. In reply to another specific query in this regard, the DG, STPI stated that according to a rough estimate, 400 to 500 units have not been availing themselves of the incubation or infrastructure facilities from STPI.

23. The Committee asked whether any extra benefits have been given to those units which have been registered with STPI, but not availing the incubation facilities from it. The DG, STPI stated in evidence that fiscal benefits like total duty free import, export/import certification and Income Tax benefits under Section 10(A) and (B) have been accorded to all the Units registered under the STP Scheme, irrespective of the place of their location.

24. Asked to furnish a comparative statement of the number of units registered with STPI during the last five years and how many of them have actually been in operation, the DoIT in a note has stated that in 1998-99, 1196 units were registered; the number shot up to 5,582 in 1999-2000; 6,652 in 2000-2001; 7,202 in 2001-2002 and finally to 7,765 in 2002-2003. The Additional Secretary, DIT stated in evidence that out of the 7,765 units registered so far about 3000 have not been in operation.

25. When the Committee desired to know the reason for such large number of units not being in operation, the witness stated that there was a sudden jump from 1196 units in 1998-99 to 5,582 units in 1999-2000 because the Finance Minister had announced that income tax exemption benefit for ten years would be given to all the units registered with STPI and such benefit would not be available to units registered after 31 March, 2000.

Therefore, there was a big addition of 4,300 units in just one month *i.e.* March, 2000. However, the proposal was subsequently modified to extend this benefit to STPI Units till March 2010.

26. The Committee asked about the guidelines issued in this regard and the nature of scrutiny made by STPI before granting registration to the Units. The Additional Secretary, DoIT stated in reply that the guidelines stipulated that after registration, if the Units could not or did not export for a period of three years, then their registration would be cancelled.

27. The Committee desired to know whether there are any guidelines, which are to be followed before registration. The DG, STPI responded:—

"There is a form where they have to indicate what sort of import and export they are envisaging".

28. Asked to elaborate, it has been stated that documents like Project Report/Company Profile, Memorandum of Association (MoA), Board of Directors' Resolution, Partnership Deed, List of Directors, Resumes of Promoters/Directors/Partners/Proprietors and supporting documents in case of foreign equity, Profit and Loss Account for the preceding three years etc. are scrutinized and verified prior to the approval of registration of any unit.

29. It has further been added that a Unit is asked to make a presentation about the project proposals also and after verification of the Project Report and the above-mentioned documents, a case sheet is prepared and approval is given as per the Exim Policy. Only then, Letter of Permission is issued and legal agreement is executed in a prescribed format.

30. The Committee asked further whether any inspection or inquiry about the financial capabilities etc. of applicant company is being carried out before grant of registration. The DG, STPI replied:—

"Before a Unit is set up, the question of inspection does not arise. It comes when they apply to us at the time of importintg."

31. The Committee then enquired about the utility of granting registration without any proper assessment/study. In reply, the DG, STPI stated in evidence that they had initiated the process of scrutinizing the units and cancelling their registration. He further clarified that a registered unit

did not get any Income Tax benefit till it actually exported and that STPI gave them only approval.

32. The Committee desired to know whether STPI has been charging any fee for registration and exports made through it. The DG, STPI stated that registration fee has been Rs.2,500/- and export charges start from Rs.7,500/- per year which can go upto Rs.5 lakh in a graded scale. Asked to state whether renewal of registration is required, the witness stated that the registration is valid for three years and if the registered companies keep on exporting, then they do not have to renew it.

33. The Committee asked whether STPI has played any pro-active role or whether its role has been confined to giving approval/certification only. The Additional Secretary, DoIT stated that STPI had played an effective role in the initial stages when the industry was growing because it was the only body which was giving digital transmission backed with other facilities. But at the moment, STPI has become irrelevant because as per the agreement signed with WTO, everything would be tax free by the year 2005 and the concept of single window clearance would lose its meaning, thus rendering STPI redundant by that year.

34. Asked to state the Ministry's perception about the role of STPI after 2005, the Additional Secretary, DoIT stated that with the competitive rates available with the private band-width providers and with the optical band-width available at much cheaper rates than the satellite connectivity that they have, STPIs Centres would lose out business gradually. Further companies registered with STPI Centres would also move out to private players by 2005. Moreover, the power of giving this single window clearance will also end. Thus, STPI will die a natural death.

35. Comparing the fate of STPI with that of Small Scale Industries, the Committee pointed out that although lakhs of such industries have been closed down, yet the Small Scale Industry Development Commissioner has still been playing a meaningful role by conducting market surveys for small scale industrialists/entrepreneurs and thus helping them. In this context, the Committee desired to know whether STPI can play similar role after 2005. The Additional Secretary, DoIT replied that the Ministry has been concentrating more on helping organizations like NASSCOM.

36. The Committee asked whether it would not be prudent to render assistance to graduate engineers/new entrepreneurs in software industry rather helping organizations like NASSCOM which have already established themselves. The Additional Secretary, DoIT replied that they had been providing incubation facilities to such engineers and they would continue to do so. But so far as provision of superior bandwidth at cheaper rates is concerned STPI is bound to lose out.

37. When asked whether STPI has only to provide bandwidth and registration, the witness replied that one of the important objectives of STPI has been to encourage industry entrepreneurs by providing incubation facilities. "So, what all we have to concentrate is to provide some incubation facilities to our young entrepreneurs", he further stated.

38. Drawing attention of the Department to another important objective of STPI *i.e.* to train professionals and encourage design and development in the field of software technology and software engineering through high-end training programmes, the Committee desired to be apprised of the achievements made in this regard. In reply, the DG, STPI stated that they have been giving training primarily for the export industry but they have not been getting into the domains of other Commercial Institutes which have come up in large numbers in the country.

39. Elaborating the point further in reply to another query in this regard, the DG, STPI stated:—

"Over the years we are not giving as much training as we used to give earlier It has come down over a period of time."

40. The Committee then desired to know about the performance of STPIs in software exports. The DG, STPI stated in evidence that during the year 2002-2003 the country's total export in software was about Rs.46,100 crore out of which Rs.37.176 crore was through the STPI registration mechanism. He further added that when STPI started operation, its share in software export was less than 8 per cent, which has increased to about 80 per cent by 2002-2003.

41. Asked about the comparative figure of the national software exports *vis-à-vis* exports made through STPIs during the last four years, the DoIT

stated in a note that during the year 1999-2000, the country's total software export was of Rs.17,150 crore out of which STPI's share was Rs.11,607 crore. In 2000-2001, there was a quantum jump in STPI's share of software export being at Rs.20,051 crore out of the total national export of Rs.28,350 crore. In the year 2001-2002 STPI's share further rose to Rs.29,523 crore out of the country's total software export of Rs.36,500 crore. And finally, as mentioned above, during the year 2002-2003 the corresponding figure was Rs.37,176 crore *vis-à-vis* Rs.46,100 crore.

42. Asked to furnish Center-wise break up of exports during the last four years, the DoIT furnished the following details to the Committee:—

(Rs. in crores)

STPI Centres	1999-2000	2000-2001	2001-2002	2002-2003
Bangalore	4321	7475	9904	12350
Bhubaneswar	89	200	213	260
Kolkata	150	250	604	1200
Chennai	1890	2956	5020	6320
Gandhinagar	27	102	122	105
Hyderabad	1059	1990	2805	3668
Navi Mumbai	962	1610	2603	2708
Noida	2480	4420	6093	7600
Pune	572	960	2000	2800
Thiruvananthapuram	57	88	159	165
Total	11607	20051	29523	37176

43. A scrutiny of the above statement reveals that there has been disproportionate growth in terms of software exports. For example, Bangalore Centre's export was Rs.9,904 crore in 2001-2002 and it increased to Rs.12,350 crore in 2002-2003 whereas the corresponding figure for Bhubaneswar was Rs.213 crore and Rs.260 crore respectively. Similarly, Kolkata Centre's export performance was increased by two-fold *i.e.* Rs.1,200 crore in 2002-2003 from Rs.604 crore in 2001-2002 whereas Gandhinagar centre's performance was decreased by Rs.17 crore *i.e.* 105 crore in 2002-03 from Rs.122 crore in 2001-02. The Committee, therefore, desired to know the reasons of such disproportionate growth in export performance. The Additional Secretary, DoIT stated that the State Governments of Karnataka

and West Bengal for example, have been taking proactive action in promoting IT. He elaborated that Bangalore has been coming up in a big way primarily because more and more American Companies have been setting up their Indian operations with Headquarters at Bangalore where all the infrastructure are available as per their requirement. Similarly, the West Bengal Government has created a very good organization with their own network and provision of bandwidth. They have also been taking many proactive measures to attract the industry. Therefore, much depends upon the State Governments in the growth of software export performance, according to the Additional Secretary, DoIT.

44. The Committee asked about the efforts made by STPI to ensure State Governments' proactiveness in the growth of export performance. In reply, it has been stated that STPI has always strived to make every region in India emerge as a software hub. But, despite STPI's continuous efforts, software export performance has been varied in different regions due to other key external factors like lack of proactive State Government policies and their implementation roadmaps, variation in basic infrastructure and social amenities, absence of conducive and amiable work culture, lack of vibrant and positive social upbringing, lack of marketing efforts and aggressive policies, non-availability of fibre termination and poor law and order situation.

45. The Committee observes 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, Tamil Nadu 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 Department of Information Technology and Software

Technology Parks of India (STPI) should themselves play a pro-active role and impress upon the State Governments, the multiple benefits of developing Software Technology. The Committee finds no reason 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.

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.

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 Departments of Information Technology, Telecom, Commerce, Excise and Customs, Ministry of Home Affairs and National Association of Software and Services Companies (NASSCOM). The Governing Council considers the requests of the State Governments and if the latter fulfil 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.

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.

49. The Committee finds that Memoranda 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.

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 38th Report (13th Lok Sabha), 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.

51. The Committee notes that over and above the 39 centres set up by the STPI, another 15 to 20 State Government/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 STPIs. 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.

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.

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 at cheaper rates due to competition among a number 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 divising 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.

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 operation. 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 centres and thereby ensure a balanced development in the entire country.

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 relegated 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.

NEW DELHI;
19 December, 2003

28 Agrahayana, 1925 (Saka)

SOMNATH CHATTERJEE,
Chairman,
Standing Committee on
Information Technology.

MINUTES OF THE TWENTY-FOURTH SITTING OF THE
STANDING COMMITTEE ON INFORMATION TECHNOLOGY
(2003)

The Committee sat on Thursday, the 28 August, 2003 from 1100 hours to 1230 hours in Committee Room 'C', Parliament House Annexe, New Delhi.

PRESENT

Shri Somnath Chatterjee — *Chairman*

MEMBERS

Lok Sabha

2. Shri Pawan Kumar Bansal
3. Prof. Dukha Bhagat
4. Shri Rama Mohan Gadde
5. Shri T. Govindan
6. Shri K.K. Kaliappan
7. Shri A. Krishnaswamy
8. Shri Bhartruhari Mahtab
9. Shri Sheeshram Singh Ravi
10. Shri Saroj Tufani
11. Shri K.A. Sangtam
12. Rajkumari Ratna Singh
13. Shri Nikhil Kumar Chowdhary
14. Shri Vanlalawma
15. Smt. Kanti Singh
16. Shri Charanjit Singh
17. Shri Arun Kumar
18. Dr. Bikram Sarkar

Rajya Sabha

19. Shri S.S. Ahluwalia
20. Shri Balbir K. Punj
21. Shri Dina Nath Mishra
22. Shri K. Rama Mohana Rao
23. Shri Rajeev Shukla

SECRETARIAT

- | | | |
|-----------------------|---|-------------------------------------|
| 1. Shri P.D.T. Achary | — | <i>Additional Secretary</i> |
| 2. Shri S.K. Sharma | — | <i>Joint Secretary</i> |
| 3. Shri S.K. Sharma | — | <i>Officer on Special Duty (IT)</i> |
| 4. Shri B.D. Swan | — | <i>Under Secretary</i> |

WITNESSES

- | | | |
|-----------------------------|---|------------------------------|
| 1. Shri S. Lakshminarayanan | — | <i>Adtl. Secretary, DIT</i> |
| 2. Shri Y.S. Bhawe | — | <i>JS&FA, DIT</i> |
| 3. Shri R. Chandrasekhar | — | <i>Jt. Secretary, DIT</i> |
| 4. Dr. A.K. Chakravorty | — | <i>Advisor, DIT</i> |
| 5. Shri Arvind Kumar | — | <i>Director, DIT</i> |
| 6. Shri S.N. Zindal | — | <i>DG, STPI</i> |
| 7. Dr. S.K. Agarwal | — | <i>Director, STPI</i> |
| 8. Shri Manas Pathnaik | — | <i>Director, STPI</i> |
| 9. Dr. N. Vijayaditya | — | <i>Director General, NIC</i> |
| 10. Dr. S.L. Sarnot | — | <i>DG, STQC</i> |
| 11. Dr. Gulshan Rai | — | <i>ED-ERNET</i> |
| 12. Dr. P.N. Gupta | — | <i>ED-DOEACC</i> |

2. At the outset, the Chairman welcomed the Additional Secretary, Department of Information Technology (DIT), Director General, Software Technology Parks of India (STPI) and other officers of the DIT and STPI to the sitting of the Committee.

3. Thereafter, the representatives made a presentation on the subject "Implementation of Software Technology Park (STP) scheme" and responded to various queries raised by the Members.

MINUTES OF THE THIRTY-FOURTH SITTING OF THE
STANDING COMMITTEE ON INFORMATION TECHNOLOGY
(2003)

The Committee sat on Friday, 19 December, 2003 from 1500 hours to 1600 hours in Committee Room No. '070', Parliament Library Building, Parliament House, New Delhi.

PRESENT

Shri Somnath Chatterjee — *Chairman*

MEMBERS

Lok Sabha

2. Shri Pawan Kumar Bansal
3. Prof. Dukha Bhagat
4. Shri Rama Mohan Gadde
5. Shri K.K. Kaliappan
6. Shri A. Krishnaswamy
7. Shri Bhartruhari Mahtab
8. Shri Saroj Tufani
9. Shri K.A. Sangtam
10. Shri Nikhil Kumar Chowdhary
11. Shri Vanlalawma
12. Shri Charanjit Singh
13. Dr. Bikram Sarkar

Rajya Sabha

14. Shri Balbir K. Punj
15. Shri Rajeev Shukla

SECRETARIAT

1. Shri S.K. Sharma — *Joint Secretary*
2. Shri S.K. Sharma — *Officer on Special Duty (IT)*
3. Shri B.D. Swan — *Under Secretary*

2. At the outset, the Chairman welcomed the Members to the sitting of the Committee. The Committee then took up for consideration the following Draft Reports and adopted the same:—

(i) Draft Report on Implementation of Software Technology Park (STP) Scheme relating to the Department of Information Technology.

(ii) *** *** ***

(iii) *** *** ***

(iv) *** *** ***

(v) *** *** ***

3. The Committee, then, authorised the Chairman to finalise and present the above mentioned Reports to the House in light of the factual verifications received from the concerned Departments/Ministries.

The Committee then adjourned.