

## **CHAPTER-I**

### **REPORT**

This Report of the Standing Committee on Information Technology deals with the action taken by Government on the Recommendations/Observations of the Committee contained in its Twenty-Fourth Report (Thirteenth Lok Sabha) on “Demands for Grants (2001-02)” pertaining to the then Ministry of Information Technology (now Department of Information Technology)

2. The Twenty-Fourth Report was presented to Lok Sabha on 18.4.2001 and was also laid on the Table of Rajya Sabha on 18.4.2001. It contained 21 recommendations/ Observations.

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

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

Paragraph Nos:- 19, 20, 42, 43, 44, 45, 46, 47, 48 & 70

Total : 10

Chapter – II

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

Paragraph Nos:- 15, 16, 18, 21, 61, 62 & 74

Total : 7

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:- 17, 54, 55 & 71

Total : 4

Chapter - IV

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

Total : Nil

Chapter - V

4. The Committee trusts that utmost importance would 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 their 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 in Chapter-V of this Report should be furnished at an early date.

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

**Financial outlay**  
**(Paragraph No. 17)**

6. The Committee in its 24<sup>th</sup> Report had observed that the then Ministry of Information Technology under the head Infrastructure Development had proposed an outlay of Rs.598.97 crore during the year 2001-2002 where as for the same scheme in the year 2000-2001 the Department had got Rs.137.10 crore with a budgetary support of Rs.82.30 crore. The Committee was informed that such a steep increase had been necessitated due to the opening up of Community Information Centres (CIC) all over the Country. The Committee was not convinced by the steps taken by the Ministry for proper utilisation of funds. The Committee had desired to be assured of the steps taken and schemes formulated for proper utilisation of the funds, and for this purpose had recommended that the Ministry should chalk out appropriate programmes so that funds allocated did not remain under utilised.

7. The Department in its Action Taken Notes has stated that the Government had approved a Project for setting up CICs at 486 block levels in all the seven North-Eastern states and Sikkim for socio- economic development of the region at an estimated expenditure of Rs.220 crore. It is being implemented in phases. The Pilot project for 30 CICs involving an expenditure of Rs.15 crore has been accomplished in August/September 2000. The next phase has been planned for setting up 150 centres on sites to be selected and prepared by the State

Governments. Thereafter NIC will install technical equipment in the stipulated time frame. The expenditure on 150 centres is likely to be Rs.67 crore, which has been allocated for the purpose during the year 2001-2002. The allocated funds are expected to be utilised fully depending, however, on matching support from the State Governments in site preparation, timely procurement and installation of technical equipment by NIC, prevailing local conditions and other relevant factors. The implementation of the scheme in other parts of the country would be after evaluation of benefits from the efforts being made for bridging the digital divide and providing IT enabled services.

**8. The Committee notes that full utilisation of funds for development of CICs is contingent upon the matching support from the State Governments in site preparation, timely procurement and installation of technical equipment by NIC, and prevailing local conditions. Implementation of the scheme in other places would take place after evaluation of the benefits from the efforts made for bridging the digital divide and providing IT enabled services. The Committee is not impressed by the reply of the Department in this regard. If the Department is not able to utilise the funds as proposed by it in a given time frame, it cannot but be failure of proper planning. The Committee in its recommendations has specifically stated that the Department should chalk out suitable and appropriate programmes so that the allocated funds do not remain under utilised. However, the Committee finds that no such efforts have been made by the Department. The Committee feel that time bound completion of this project is essential for making the benefit of Information Technology accessible to the masses in rural and backward areas of the country. For this purpose, the Committee feels that the Department should persuade the State Governments to be ready with their plans for the establishment of CICs at appropriate sites in advance and it should also be ensured that procurement of equipment and installation of the same is completed within a definite time frame. The Committee would like to be informed by the Department of IT about the progress made in this regard.**

#### **Customs Duty on IT Hardware**

**(Paragraph Nos. 54 & 55)**

9. The Committee in its earlier Report had pointed out that inputs/components are taxed at a much higher rate than the finished hardware products and this anomaly has been a serious

impediment in the growth of indigenous electronic hardware industry which has eroded its competitiveness. The Committee had desired Ministry of Information Technology to take up the matter with the Department of Revenue with a view to rectify the anomaly and promote growth of hardware industry. In their action taken note the Ministry of Information Technology has stated that the anomaly has not been rectified in the Budget 2001-02. The matter was again taken up as a part of post-Budget suggestions in the hardware sector. The Ministry had suggested that customs duty on raw materials, capital goods, tools, dyes for use in the manufacture of electronics and IT products be reduced to zero percent. It was also represented to the Department of Revenue that customs duty on copper, aluminum, plastics and chemicals required in the manufacture of telecom equipment be reduced to 15 percent; on parts of telecom equipment covered under HSN 8571.90 and 85.29 (part of 85.25) be reduced to 5 percent excluding populated PCB's on which the duty of 15 percent may be continued. It was also suggested by the Department of Information Technology that customs duty on parts of computer and peripherals under HSN 8430.30 be reduced to zero percent and that Excise Duty on B&W TV sets be reviewed at the rate of 8 percent on CENVAT credit. Out of these, only one suggestion pertaining to reduction of parts of telecom (excluding populated PCB to 5 percent) has been implemented. The remaining proposals have not been implemented by the Department of Revenue.

**10. The Committee strongly recommends that the matter may be taken up with the Department of Revenue at the highest level so that the genuine grievances of the hardware industry are redressed while formulating the budgetary proposals for 2002-2003.**

**Access to Fibre Cables by STPI's**

**(Paragraph No. 71)**

11. The Committee in their earlier Report had stressed the importance of fibre cables to increase bandwidth in communications network. The Committee had observed that a proposal to the tune of Rs.100 crore to provide access to fibre cables was turned down by the Planning Commission and desired the Ministry of Information Technology to take up the matter on priority basis with the Planning Commission and the Ministry of Finance. The Department of Information Technology in its action taken note has stated that due to non-availability of

domestic fibre as well as international fibre, STPI had been depending on satellite communications. It further observed that fibre landing station has become an essential requirement for Software Technology Parks of India (STPI's) and stated that with the growth of IT services, export segment and software industry also need band-width through fibre.

**12. The Committee is at loss to understand that when such great emphasis is being placed on fibre cable to enhance band-width, why the Department of Information Technology has not taken up the matter with the Planning Commission which has turned the proposal in respect of fibre cable worth Rs.100 crore. The Committee, therefore, reiterates its earlier recommendation that the matter be taken up with the Planning Commission and the Ministry of Finance at the highest level.**

**SAMEER**

**(Para No. 74)**

13. In its Twenty-Fourth Report the Committee was concerned to note that the attrition rate of scientists in SAMEER was quite high during the last 5 years. The Committee had called for expeditious corrective steps in this regard.

14. The Department of IT in its Action Taken Notes has replied that considerable efforts are being made to strengthen the scientific manpower base of SAMEER by way of appointments and that in cutting edge technology there was some difficulty in getting proper replenishment. But the problem was being looked into and the position may become better in future by motivating these scientists.

**15. The Committee desires to be apprised of the steps being initiated by the Department of IT to address the problem of attrition in the areas of cutting edge technologies in SAMEER.**

New Delhi

**20 February, 2002**

1 Phalgun, 1923 (Saka)

SOMNATH CHATTERJEE,

CHAIRMAN,

STANDING COMMITTEE ON  
INFORMATION TECHNOLOGY