

## **Latest BSA-IDC study shows over a quarter of software installed on Australian PCs is pirated**

*Worldwide PC software piracy increases to 41 per cent with losses of more than US\$53 billion*

**Sydney (Tuesday, May 12)** – The Business Software Alliance (BSA) today announced the results of its Sixth Annual BSA-IDC Global Software Piracy Study. Key findings of the Study are:

- the impact of piracy on the Australian software industry is an estimated A\$834 million
- 26 per cent of all PC software used in Australia is pirated.

The study was conducted by IDC, the information technology (IT) industry's leading global market research and forecasting firm and also highlights that personal computer (PC) software piracy remains a serious problem in all countries, and the challenge is greatest in the world's fastest growing markets.

In 2008, the rate of PC software piracy dropped in slightly more than half (57) of the 110 countries studied, remained the same in nearly one third (36), and rose in just 16. However, the worldwide PC software piracy rate rose for the second year in a row, from 38 percent to 41 percent, mainly because PC shipments grew fastest in high-piracy countries such as China and India, overwhelming progress in these and other countries.

Australia was the tenth most compliant with a piracy rate of 26 per cent, a marginal decrease of two-percentage points from the 28 per cent piracy rate reported in 2007. New Zealand was ranked fourth with piracy rates unchanged at 22 per cent.

In another sign of the scale of the problem, the monetary value of "losses" to the software industry from PC software piracy broke the US\$50 billion level for the first time. Worldwide losses grew by 11 percent to US\$53 billion in non-adjusted dollars, although half of that growth was the result of the falling US dollar. Excluding the effect of exchange rates, losses grew by 5 percent to US\$50.2 billion.

Clare Wharrier, BSA Australia co-chair, said, "Piracy rates remain relatively static in spite of increased awareness and education programs and an increase in the number of successful prosecutions and investigations. The economic consequences of piracy are far-reaching and it affects more than just software developers and distributors. Piracy undermines the local IT industry's innovation and creativity, but also translates into fewer jobs and less tax revenue for the government.

“Intellectual property is essential for success in the knowledge economy and is vital to Australia’s ability to compete on the international stage, where innovation is key. Reducing piracy by a fraction makes a significant impact to the economy.”

Jeffrey J. Hardee, BSA’s Vice President and Regional Director, Asia Pacific, said, “The availability of pirated software on the Internet, which ironically is facilitated by increasing broadband penetration in the region, is also a major concern. On top of this, it is surprising how often we find that managers fail to institute policies and procedures in their organisations to manage their software assets to prevent the use of unlicensed software in the workplace and to gain efficiencies by carefully integrating their software assets to maximise productivity.”

### ***Negative Impacts Go Far Beyond Software Industry***

Software piracy affects much more than just the global software industry. For example, for every \$1 of software sold in a country, there is another \$3 to \$4 of revenues for local IT service and distribution firms. A [2008 IDC study](#) predicted that lowering PC software piracy by 10 points over four years would create 600,000 additional new jobs worldwide. That projection has been confirmed by actual experience in China and Russia, according to the study.

Software piracy also lowers tax revenues at a time of increased pressure on governments to provide essential services. According to the 2008 study noted above, reducing piracy by 10 points would generate \$24 billion in higher government revenues without a tax increase.

Software piracy also increases the risk of cyber crime and security problems. For example, the recent global spread of the Conficker virus has been attributed in part to the lack of automatic security updates for unlicensed software. In a 2006 study, IDC found that 29 percent of Web sites and 61 percent of peer-to-peer sites offering pirated software tried to infect test computers with “Trojans,” spyware, keyloggers, and other tools of identity theft.

Clare Wharrier said, “The BSA in Australia continues to investigate a high number of reported software piracy infringements and has successfully settled a number of cases this year. But the fact that over a quarter of software being used in Australia is illegal, highlights that unlicensed software exposes many small businesses and corporations to both compliance and security risks.”

### ***Impact of Global Recession Is Mixed***

Victor Lim, Vice President, Asia/Pacific Consulting Operations at IDC said, “The economic crisis will have an impact – part of it negative, part of it positive – but it will be one of many factors, and it may not become fully apparent until the 2009 figures come in.”

Consumers with reduced spending power may hold on to computers longer, which would tend to increase piracy because older computers are more likely to have unlicensed software loaded on them. However there is evidence to suggest that as IT budgets shrink, companies are increasing the use of effective software asset management (SAM) programs to lower IT costs.

Clare Wharrier said, “Inadequate software asset management can lead to financial loss and compound revenue pressures. Being caught using unlicensed software can lead to substantial fines at a time when companies can least afford to pay and may irreparably damage a company’s reputation. Importantly, effective SAM can lower IT costs by

identifying a company's software licensing requirements and only paying for licenses that are required.

"The BSA is hopeful that its anti-piracy and SAM education campaigns targeted at businesses, along with the continued support from the Federal Government to fight Intellectual Property Crime, will result in a further reduction of software piracy rates."

Among the study's other key findings:

- China's piracy rate has dropped 10 points in the last five years, a result of more vigorous enforcement and education, as well as vendor legalization programs and agreements with original equipment manufacturers (OEMs) and resellers. The government, for instance, has mandated that PC manufacturers in China only ship PCs with legitimate operating systems.
- India's rate has dropped 6 points in five years, despite its sprawling PC market, of which consumers and small businesses account for 65%. While consumer PC shipments grew more than 10% last year, shipments to other categories dropped 7%.
- Hong Kong's PC software piracy rate declined by 3 percentage points in 2008, the largest drop in the region, while the piracy rate in Australia and Japan, two of the more mature markets in the APAC region, dropped by 2 points.
- While emerging economies account for 45 percent of the global PC hardware market, they account for less than 20 percent of the PC software market. If the emerging economies' PC software share were the same as it is for PC hardware, the software market would grow by \$40 billion a year.
- Lowering global piracy by just one point a year would add \$20 billion in stimulus to the IT industry.
  - Spreading Internet access will increase the supply of pirated software. Over the next five years, 460 million people in emerging countries will come online. The growth will be highest among consumers and small businesses, which tend to have higher rates of piracy than businesses and government agencies.
  - The lowest-piracy countries are the US, Japan, New Zealand, and Luxembourg, all near 20 percent. The highest-piracy countries are Armenia, Bangladesh, Georgia, and Zimbabwe, all over 90 percent.

Hardee added, "Fortunately, experience has shown that we can reduce software piracy through a combination of consumer education, strong intellectual property policies, effective law enforcement, and legalization programs by businesses and government agencies. The progress seen in many APAC economies is proof that this anti-piracy blueprint works – and that governments, businesses and consumers all benefit."

The BSA-IDC Global Software Piracy Study covers piracy of all packaged software that runs on personal computers, including desktops, laptops, and ultra-portables. The study does not include other types of software such as server- or mainframe-based software.

For more details or a copy of the complete study, visit [www.bsa.org/globalstudy](http://www.bsa.org/globalstudy).

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**Business Software Alliance** ([www.bsa.org](http://www.bsa.org)) is the foremost organisation dedicated to promoting a safe and legal digital world. BSA is the voice of the world's software industry and its hardware partners before governments and in the international marketplace. Its members represent one of the fastest growing industries in the world. BSA programs foster technology innovation through education and policy initiatives that promote copyright protection, cyber security, trade and e-commerce. BSA members include Adobe, Agilent Technologies, Altium, Apple, Autodesk, Bentley Systems, CA, Cadence Design Systems, Cisco Systems, Corel, CyberLink, Dassault Systèmes SolidWorks Corporation, Dell, Embarcadero, Frontline PCB Solutions - An Orbotech Valor Company, HP, IBM, Intel, Intuit, McAfee, Microsoft, Mindjet, Minitab, NedGraphics, PTC, Quark, Quest Software, Rosetta Stone, SAP, Scalable Software, Siemens, Sybase, Symantec, Synopsys, Tekla and The MathWorks.

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