



NEWS RELEASE

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RP PC SOFTWARE PIRACY RATE REMAINS AT 69%, BUT LOSSES INCREASE TO US\$202 MILLION

Asia Pacific piracy increases to 61 percent with losses of over \$15 billion

Manila, Philippines (Tuesday, May 12) – The personal computer (PC) software piracy level in Philippines maintained at 69 percent in 2008, similar to the rate registered in 2007. However dollar losses caused by software piracy continued to increase, rising to US\$202 million in 2008 compared to losses of US\$147 million in 2007.

These were among the findings of the Sixth Annual BSA-IDC Global Software Piracy Study released today by the Business Software Alliance (BSA). The study was conducted by IDC, the information technology (IT) industry's leading global market research and forecasting firm.

Globally, the study noted that that many countries have made progress in reducing the illegal use of software products although piracy remains a serious problem worldwide. Out of the 110 countries studied, the rate of personal computer (PC) software piracy dropped in about half (57) of the countries, remained the same in a little over a third (36), and rose in just 16. However, the worldwide software piracy rate rose for the second year in a row, from 38% to 41%, because PC shipments grew fastest in high-piracy countries, overwhelming progress elsewhere.

Atty. Bienvenido A. Marquez III, BSA Consultant for the Philippines, said that the fact that the rate of software piracy in the Philippines has not gone down last year and losses in the industry continued to mount, makes the current intensified educational and enforcement efforts by the government and the private sector even more crucial.

"Losses in the software industry due to piracy further hurts our local economy. Filipinos should realize that whenever they buy a pirated copy of a software program, or when a business decides to use more copies of a software than they had bought licenses for, they are not only stealing the intellectual property of the software developers. They are also causing many of our countrymen to lose job opportunities as a result of lost revenues in the industry," Marquez reported.

The BSA official cited an economic impact study of software piracy which was conducted by IDC in 2008 which projected that reducing piracy by 10 points over 4 years could generate 600,000 new jobs, and a stronger economy for everyone. That projection has been confirmed by actual experience in China and Russia, the study says.

Marquez however remained optimistic that software piracy could be further reduced in the Philippines. He emphasized the importance of strengthening the country's anti-

piracy laws and improving the prosecution and judicial system to complement the all-out enforcement operations being conducted by the Pilipinas Anti-Piracy Team (PAPT), a government-led initiative to combat software piracy in the country, composed of the National Bureau of Investigation (NBI), the Philippine National Police (PNP) and the Optical Media Board (OMB).

He particularly lauded the ongoing educational and crackdown campaign of the PAPT as having been helpful in preventing software piracy from going up despite the increased sales of computers in the country.

Speaking on behalf of the PAPT, OMB Chairman Eduardo Manzano said that the results of the global software piracy study helps law enforcers like them to become even more determined and focused in going after software pirates. "The urgency in fighting software piracy to protect and boost the local IT sector is even more pronounced now that we are experiencing the fallout from the global economic crisis. Software piracy has been stunting the growth of this vital sector, which is one of the main driving forces behind the growth of the Philippine economy," Manzano noted.

Manzano warned that "the PAPT will continue to be relentless in our drive against software piracy not only because we are mandated by law but because of the need to save jobs and generate new jobs to reduce unemployment and help turn our economy around faster".

The BSA-IDC Global Software Piracy Study also revealed that the monetary value of unlicensed software – "losses" to software vendors – broke the \$50 billion level for the first time. Worldwide losses grew by 11 percent to \$53 billion in non-adjusted dollars, although half of that growth was the result of the falling U.S. dollar. Excluding the effect of exchange rates, losses grew by 5 percent to \$50.2 billion.

The global economic recession has been having a mixed impact on software piracy, the study said. Victor Lim, Vice President, Asia/Pacific Consulting Operations at IDC, noted that 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, pocketbook pressures are spurring sales of inexpensive "netbooks," which tend to come with legitimate pre-loaded software; and spurring businesses to implement software asset management (SAM) programs to increase efficiencies and lower IT costs.

"Reduced buying power is only one of many factors affecting software piracy," Lim says. "The economic crisis will have an impact – part of it negative, part of it positive – but it may not become fully apparent until the 2009 figures come in."

Aside from its economic implications, software piracy also increases the risk of cyber crime and security problems such as the recent global spread of the Conficker virus, which has been attributed in part to the lack of automatic security updates for unlicensed software.

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.
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- 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.

"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," said Hardee.

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.

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Business Software Alliance (www.bsa.org) is the foremost organization 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.

In the Philippines, the BSA maintains a Memorandum of Understanding with the Philippine Software Industry Association, Philippine Internet Services Organization, the Institute of Internal

Auditors, the Association of Government Internal Auditors, the Intellectual Property Office of the Philippines, the Pilipinas Anti-Piracy Team and the Intellectual Property Coalition.

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